

Last Update: June 30, 2023

**Sanken Electric Co., Ltd.**

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Securities code: 6707

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

The corporate governance of Sanken Electric Co., Ltd. (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

### 1. Basic Views Updated

In order to contribute to society through power electronics and achieve the enhancement of its corporate value, the Company positions corporate governance as one of its material management issues and continues to strive to enhance its corporate governance system and functions. The Company views corporate governance at the Company as a system to enable it to take demands from a wide range of stakeholders into consideration and take timely and appropriate actions in global businesses that it engages in, which have grown more diversified and more complex, and to make speedy and bold decisions while securing transparency and fairness in the process. The Company will implement measures necessary to achieve these objectives, ensure accountability for those measures, and actively engage in dialogues with a wide range of stakeholders to further improve its corporate governance.

### Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company complies with all principles of the Corporate Governance Code.

### Disclosure Based on each Principle of the Corporate Governance Code Updated

[Principle 1-4 Cross-Shareholdings]

- Policy regarding cross-shareholdings

The Company may hold shares in business partners and other companies in order to maintain and strengthen business relations with them and increase the Company’s medium- to long-term corporate value, and when investing in those shares, the Company determines whether the investment is justifiable by comprehensively taking account of the profit expected to be earned by strengthening the business relations, the amount of investment, and other factors. For each of those cross-shareholdings, the Board of Directors examines each year whether it is rational to continue to hold those shares from the medium- to long-term perspective by comprehensively taking account of the benefit expected to be gained by maintaining and strengthening the business relations and other factors. The Company reduces its holding of those shares when it determines it is not rational to hold them as cross-shareholdings.

- Criteria for exercising voting rights

The Company appropriately exercises voting rights attached to the cross-shareholdings after comprehensively judging whether the Company should vote for or against a given proposal by taking account of whether it will contribute to the enhancement of a proper corporate governance system or increase in shareholder value, or there will be any effect on the Company. The Company also discusses the content of proposals and other issues with the issuers of the cross-shareholdings as needed.

[Principle 1-7 Related Party Transactions]

The Company’s Regulations of the Board of Directors stipulates that when the Company directly transacts with any of its officers, the Company should explain the content, etc., of the transaction to obtain approval from the Board of Directors and that even if the transaction is approved by the Board of Directors, the Company should thereafter report on the status, etc., of the transaction to the Board of Directors.

[Supplementary Principle 2-4-1 Policies, Goals, etc., for Ensuring Diversity]

Under its Management Philosophy of “respecting each and every employee,” the Company has worked to develop a workplace environment where diverse human resources can be active and to advance management leveraging diversity.

As part of its human resource development initiatives to increase female managers, the Company offers education and training programs for selected female employees jointly with its group companies in Japan, with the aim of becoming a company where female employees can be active. The percentage of female managers, which the Company has made one of its long-term consolidated key performance indicators (KPIs) with a target of 11% for fiscal 2025, currently stands at 6.3%. As for recruitment of non-Japanese employees and mid-career recruits, the Company has not set specific percentage targets but has implemented the following measures to increase the diversity of its human resources. As for recruitment of non-Japanese employees, the Company has focused on the employment of international students studying in Japan and overseas local workers since fiscal 2010, and has provided them with thorough education and training, taking into consideration the differences between Japan and other countries in attitudes to work, career development, and other aspects, with a view of making them candidates for core employees who may serve as managers in the future. The Company will continue to advance these initiatives. As for mid-career recruits, the Company has worked to develop a workplace environment where they can get rapidly on board and be effective immediately. As a result, mid-career recruits now account for about 30% of the managers at the Company. The Company will continue to advance this effort.

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

The management of the Company’s corporate pension funds is overseen by the Pension Fund Management Committee, which consists of committee members elected by the Company from those engaged in accounting and other related functions and committee members elected from employees. The Pension Fund Management Committee has developed a system whereby the corporate pension funds are managed in accordance with the strategic asset mix determined to achieve targets. The Committee oversees the status of pension fund management by monitoring, as needed, entrusted asset management firms. If a significant deviation from targets is expected, the Committee holds a committee meeting as needed and takes appropriate measures such as conducting a review. With the Committee structured and operated in this way, the Company has developed a system to properly manage and oversee conflicts of interest between the Company and the beneficiaries of its corporate pension. In addition, in order to enhance expertise in corporate pension fund management and to duly perform the function of monitoring the entrusted asset management firms, the Company assigns and appoints staff with appropriate qualifications, while also providing them with educational opportunities.

[Principle 3-1 Full Disclosure]

(i) Management philosophy, management strategy, and management plan

Please see the Company’s management philosophy and corporate vision and “Section 2. Overview of Business: 1. Management Policy, Business Environment, Issues to Address” in the Company’s Annual Securities Report for the 106th fiscal year posted on the Company’s website:

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

[https://www.sanken-ele.co.jp/corp/tousika/houkoku\\_yuuka.htm](https://www.sanken-ele.co.jp/corp/tousika/houkoku_yuuka.htm)

(ii) Basic views and basic policy on corporate governance

Please see “Section 4. Information about Reporting Company: 4. Corporate Governance” in the Company’s Annual Securities Report for the 106th fiscal year posted on the Company’s website:

[https://www.sanken-ele.co.jp/corp/tousika/houkoku\\_yuuka.htm](https://www.sanken-ele.co.jp/corp/tousika/houkoku_yuuka.htm)

(iii) Policies and procedures for determining compensation for officers

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

For other details, please see “Section 4. Information about Reporting Company: 4. Corporate Governance” in the Company’s Annual Securities Report for the 106th fiscal year posted on the Company’s website:

[https://www.sanken-ele.co.jp/corp/tousika/houkoku\\_yuuka.htm](https://www.sanken-ele.co.jp/corp/tousika/houkoku_yuuka.htm)

(iv) Policies and procedures for electing and nominating officers, etc.

The Company considers that the Board of Directors needs to have as its members a certain number of persons who are well versed in the Company's business and its issues in order to fulfill its roles and duties effectively. In addition, in order to ensure the independence and objectivity of the Board of Directors, the Company considers that it is important to secure not only the independence as the Board of Directors, through such measures as electing independent External Directors so that they constitute the majority, but also the diversity of the Board of Directors in terms of, among others, gender, nationality, knowledge, experience, and ability. In light of these considerations, the Company nominates as candidates for its executive Directors persons who are well versed in the Company's business and its issues, etc., while also nominating as candidates for its External Directors persons who are independent, have diverse knowledge and background, are able to contribute to ensuring appropriateness in business execution from an independent standpoint, and are expected to provide advice, etc., that help increase the Company's corporate value, so that the Company can set its strategic direction properly. The Company nominates as candidates for its Directors who are Audit and Supervisory Committee Members persons who have the ability, experience, and expertise necessary for the audit and supervision of the Company and are able to contribute to securing soundness in the Company's corporate management. The Company elects as its Corporate Officers persons who are outstanding as demonstrated in their assessment in terms of ability to execute duties, character, qualifications as management members, etc. In addition, if it is found that any of the causes for disqualification stipulated in the Regulations of Corporate Officers applies to a Corporate Officer or a Corporate Officer has committed any of the acts prohibited under the Regulations of Corporate Officers, the Board of Directors deliberates and decides on dismissal of or other disciplinary measures for the Corporate Officer.

Based on the above policies, a proposal on candidates for Directors and Corporate Officers is submitted to the voluntary Nomination Committee, the majority of which consists of independent External Directors, for deliberation. After the deliberation by the Nomination Committee, the Board of Directors determines candidates for Directors and Corporate Officers, paying due respect to the advice and report of the Nomination Committee. The Board of Directors determines candidates for Directors who are Audit and Supervisory Committee Members, after obtaining the consent of the Audit and Supervisory Committee.

(v) Reasons for election and nomination of candidates for Directors (and reasons for dismissal of Directors when it occurs) are described and disclosed in the notice of convocation of the General Meeting of Shareholders.

[Supplementary Principle 3-1-3 Sustainability Initiatives, etc.]

As its sustainability initiatives, the Company has incorporated the Sustainable Development Goals (SDGs) into its management since 2020, making "reduction of CO2 emissions through our businesses (energy conservation and enhancement of efficiency)" and "mitigation of environmental impact through our business activities" the Company's material issues, and has been taking measures to address these issues. In addition, as part of its efforts to support these activities, the Company has worked to develop secure and safe workplaces, promote flexible workstyles, and enhance employees' health, with the aim of achieving the objective of "value creation in a good working environment." In order to spur these sustainability initiatives, the Company established the Sustainability Committee in October 2021 and is working to develop a system for advancing the initiatives, while also setting measures and defining performance indicators for ESG management.

The Company considers information disclosure related to climate change as part of promoting ESG management. Specifically, the Company projects the effect that climate change could have on the Company's financial performance and position by conducting risk analysis and scenario setting called for in the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The content of this effort is disclosed on the Company's website:

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

In terms of investment in human capital, the Company is working across the Group to reduce workplace accidents and ensure secure and safe workplaces, promote employees' mental and physical health, help them achieve a better work-life balance, develop a workplace environment where everyone is given an equal opportunity and no one feels inequality, create workplaces where diverse people can demonstrate their ability, and offer flexible workstyles to maintain a good work-life balance. In addition, the Company has adopted a "skills map" as a management tool for promoting employees' growth in order to make employees' skills more visible, share their future development plans with their superiors, and support their development.

The Company considers intellectual property a management resource necessary for achieving sustainable growth of a corporation. The Company proactively applies for patents and strives to acquire patent rights with respect to its technologies that are important from the perspective of business strategy and product development strategy, by utilizing the system, etc., to create intellectual property, such as the patent promotion leader program for exploring patentable inventions. The Company

holds patents in and outside Japan, primarily in Japan, the US, and China, which are or will be the Company's major markets. The Company keeps its technological know-how in strict confidence and ensures that its key technologies such as production processes will not be leaked outside of the Company through business collaborations with other companies, etc. In addition, the Company has developed a system to examine other companies' intellectual property rights in order to prevent infringement of other companies' intellectual property rights as the Company works on product development.

[Supplementary Principle 4-1-1 Outline of the Scope of Delegation from the Board of Directors to the Management]

Matters on material business execution, etc., that should be resolved by the Board of Directors are deliberated on and determined by the Board of Directors in accordance with the Regulations of the Board of Directors. Delegation of operations to Corporate Officers is determined after deliberation by the Board of Directors, and the scope of delegation and the responsibilities and authorities are clearly stipulated in the regulations on organizational authorities and division of duties.

[Principle 4-8 Effective Use of Independent External Directors]

Based on the basic views on corporate governance as stated above, the Company has elected seven independent External Directors (including two External Directors who are Audit and Supervisory Committee Members) so that independent External Directors constitute the majority in the Board of Directors. The Company considers that this helps ensure an objective and neutral management supervisory function of the Board of Directors. Going forward, the Company will continue to explore an appropriate corporate governance system for the Company, considering demands from stakeholders and social demands regarding corporate governance, etc., comprehensively.

[Principle 4-9 Criteria for Determining the Independence of Independent External Directors and Their Qualifications]

The Company has set criteria for electing candidates for independent External Directors as follows; the candidate should be a person who is unlikely to have a conflict of interest with general shareholders and who is expected to contribute to the Board of Directors. These criteria are based on the independence standards set by the Tokyo Stock Exchange, which require the listed company to determine, among others, whether there is a business relation with the candidate and whether the business relation, if any, is material.

[Supplementary Principle 4-10-1 Nomination Committee and Compensation Committee]

The Company has established the Nomination Committee and the Compensation Committee as voluntary advisory bodies for the Board of Directors to improve adequacy and transparency regarding the nomination of Directors and compensation for Directors. In both Committees, an External Director serves as Chairperson and External Directors constitute the majority of the membership, in order to secure transparency in corporate governance and independence of the Committees. The composition, etc. of the Nomination Committee and the Compensation Committee for the fiscal year ended March 31, 2023 are as follows:

Nomination Committee

Chairperson: Noriharu Fujita (External Director)

Members: Hiroshi Takahashi (President and Representative Director), Takaki Yamada (External Director), and Yoko Sanuki (External Director)

Composition: An External Director serves as Chairperson and External Directors constitute the majority of the membership.

Committee meeting: Held three times

In the Nomination Committee, External Directors constitute the majority and an External Director serves as Chairperson. With the aim of enhancing the independence and objectivity of the function of the Board of Directors and its accountability regarding the nomination of Representative Directors, Directors, Corporate Officers, etc., the Committee deliberates on candidates for the successor of President and Representative Director and their development plans, the election of Directors and Corporate Officers, etc., and reports on the results and provides advice to the Board of Directors. During the fiscal year ended March 31, 2023 the Committee mainly deliberated on what the Board of Directors should be and its direction, as well as the composition, etc. of the Board of Directors. The Committee also confirmed the requirements for candidates for the successor of President. In addition, the Committee deliberated on the appropriateness of their development plans using a skills matrix.

Compensation Committee

Chairperson: Noriharu Fujita (External Director)

Members: Hiroshi Takahashi (President and Representative Director), Katsumi Kawashima (Director, Head of Corporate Design Headquarters), Takaki Yamada (External Director), and Yoko Sanuki (External Director)

Composition: An External Director serves as Chairperson and External Directors constitute the majority of the membership.

Committee meeting: Held four times

In the Compensation Committee as well, External Directors constitute the majority and an External Director serves as Chairperson. With the aim of enhancing the independence and objectivity of the function of the Board of Directors and its accountability regarding the compensation for Directors, etc., the Committee deliberates what the Company's compensation plan for Directors and Corporate Officers should be, the compensation for individual Directors, etc., and reports on the results of deliberations regarding Directors who are not Audit and Supervisory Committee Members and Corporate Officers and provides advice to the Board of Directors. During the fiscal year ended March 31, 2023 the Committee mainly reviewed performance-linked compensation, reassessed indicators, exchanged opinions on issues related to compensation for Directors and Corporate Officers toward improving the Company's corporate value, and determined the amounts of compensation for Directors and Corporate Officers for report and advice to the Board of Directors.

[Supplementary Principle 4-11-1 Views on Balance, Diversity, and Size of the Board of Directors]

The Company has a basic policy of the Board of Directors consisting of the number of members both necessary and appropriate to secure the effective management system required for the Company's group management and ensure that the Board of Directors has substantial discussions. In addition, the Company endeavors to secure diversity and professional expertise by electing External Directors who have expertise in corporate management, overseas experience, qualifications as an attorney and expertise in finance and accounting, while also electing foreign-national Directors. The Company's policies and procedures for electing Directors are as described in Principle 3-1 (iv) above. As the Company examines whether the Board of Directors as a whole has necessary skills in light of the Company's management strategy, the Company produced a skills matrix under the new management structure after Ordinary General Meeting of Shareholders, which was deliberated by the Board of Directors. This skills matrix is described and disclosed in the notice of convocation of the Ordinary General Meeting of Shareholders. As External Directors are expected to play an important role in incorporating changes in the business environment into the Company's business strategy, the Company has elected an External Director who has experience in corporate management in the semiconductor industry.

[Supplementary Principle 4-11-2 Directors Concurrently Serving as Officers at Other Listed Companies]

Among the Company's Directors, those who concurrently serve as officers at other listed companies are External Directors only, and the offices they concurrently hold are disclosed in the notice of convocation of the Ordinary General Meeting of Shareholders and the Annual Securities Report. The Company considers that given the offices they concurrently hold and the status of their attendance at the Company's Board of Directors meetings, they have enough time and capacity to fulfill their roles and duties as the Company's officers.

[Supplementary Principle 4-11-3 Analysis and Evaluation of the Effectiveness of the Board of Directors and the Summary of the Results]

- Evaluation method

In order to evaluate the effectiveness of the Board of Directors, the Company distributed a survey to all of its Directors and Audit and Supervisory Board Members, asking about (1) the function and composition of the Board of Directors, (2) the operation of the Board of Directors, (3) the provision of information for external officers, (4) progress in improvement from the previous year, and (5) overall evaluation, while also interviewing External Directors, from February to March 2023, and the data collected from the survey and the results of their analysis as well as the results of the interviews were shared and deliberated on by the Board of Directors.

- Summary of the evaluation results

The Company considers that there has been an improvement in efforts to secure gender diversity and the efforts to provide more training opportunities for Directors, respectively, which were identified as issues in the previous Board of Directors effectiveness evaluation. The results of this latest evaluation indicate that the overall effectiveness of the Board of Directors has generally improved from the previous year. Specifically, in the questionnaire survey and interviews with External Directors, respondents expressed a favorable view regarding regularly held deliberations on major themes and discussions intended to communicate information to External Directors, a pre-meeting briefing to External Directors about major agenda items of the Board of Directors meeting, and meetings held among External Directors only, etc. Meanwhile, some respondents asked for more reports on business execution, while others suggested that the Board should further shift its focus onto supervision. Various views were thus put forward. The Board of Directors shared and deliberated on these results.

- Follow-up measures

Based on these evaluation results, the Board of Directors will continue to hold discussions to recognize issues and examine improvement measures, etc., and will strive to further improve the effectiveness of the Board of Directors.

[Supplementary Principle 4-14-2 Training Policies for Directors]

The Company has provided training programs for newly elected Directors and candidates for future executives to help them acquire the knowledge, etc., necessary to fulfill their roles and duties as the Company's officers, and going forward, it will extend the programs to a broader range of targets, while also working to raise program levels. In addition, the Company will strive to provide and arrange training opportunities suitable for individual Directors encourage each of them to work on self-training, and offer necessary financial support to them.

[Principle 5-1 Policies for Constructive Dialogues with Shareholders]

The Company places a high value on constructive dialogues with shareholders, and the members of its management team are leading the effort to take every opportunity to have dialogues with shareholders. Through these dialogues, the Company is working to enhance shareholders' understanding of its management policy as well as listening to and considering their analyses of the Company's management and their opinions to achieve the Group's sustainable growth and increase its medium- to long-term corporate value. Based on these policies, the Company implements financial results briefing sessions, IR activities, etc., with the Corporate Design Headquarters playing a central role. The Company plans to disclose a summary of the status of the implementation of dialogues with shareholders in the Sanken Report (the Company's integrated report), planned to be published in late October of this year. The Sanken Report will be posted on the Company's website:

<https://www.sanken-ele.co.jp/corp/tousika/tousika01.htm>

(i)(ii) Financial results briefing sessions and IR activities are implemented by the Corporate Design Headquarters, with the Corporate Planning, Investor Relations, Legal, and Accounting Departments providing support as needed. Interviews with institutional investors are attended by President and Representative Director and the Head of the Corporate Design Headquarters as needed.

(iii) The Company considers the General Meeting of Shareholders an important opportunity for dialogue, and is striving to disclose its business information adequately at the meeting, while also making an effort to operate the meeting so as to be able to gain shareholders' trust in the Company. In addition, the Company is striving to achieve closer communication with shareholders and investors by holding financial results briefing sessions and small meetings regularly.

(iv) The Company has the departments in charge put together opinions and concerns about the Company collected through dialogues with shareholders and investors and report on these opinions and concerns, depending on their level of importance and nature, to the members of the Company's management team regularly.

(v) The basic policy of the Company is to strive to disclose information fairly in order to ensure substantive equality among shareholders and investors. Based on this policy, the Company discloses material information about the Company in a timely and fair manner, and works to ensure proper information management so as not to provide such information only to certain shareholders or investors.

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
ECM MF	2,722,357	11.23
The Master Trust Bank of Japan, Limited (Trust Account)	2,566,600	10.59
Goldman Sachs International	1,640,037	6.76
Saitama Resona Bank, Limited	1,202,392	4.96
UBS SECURITIES LLC-HFS CUSTOMER SEGREGATED ACCOUNT	985,804	4.06
Custody Bank of Japan, Ltd. (Trust Account)	921,600	3.80
MSCO CUSTOMER SECURITIES	920,335	3.79
The Bank of New York Mellon Corporation 140044	676,512	2.79
Shinsei Trust & Banking Co., Ltd. ECM MF TRUST ACCOUNT 8299005	650,000	2.68
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	548,000	2.26

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	Not applicable

#### Supplementary Explanation

- The above information shows the status of the Company's major shareholders as of March 31, 2023.
- The Company holds 872,925 shares of treasury stock that are excluded from the major shareholders listed above.
- Percentage of ownership is calculated after deducting the number of shares held as treasury shares from the total number of shares issued, and presented rounded down to two decimal places.
- While large-volume holding reports (change reports) were submitted by the following large-volume shareholders by the end of March 2023, these shareholders are not included in the status of the Company's major shareholders stated above, as the Company is unable to confirm the number of its shares held by these shareholders:

1. Parsifal Capital Management, LP
2. Four companies of Mitsubishi UFJ Financial Group, Inc.
3. Oasis Management Company Ltd.
4. UBS AG (Bank) and two other companies
5. Wellington Management Company LLP and three other companies
6. Effissimo Capital Management Pte Ltd

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Business Sector	Electrical appliances
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have a Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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### Directors

Number of Directors Stipulated in Articles of Incorporation Updated	20
Directors' Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors Updated	13
Election of External Directors	Elected
Number of External Directors Updated	7
Number of Independent Directors among External Directors Updated	7



External Directors' Relationship with the Company (1) **Updated**

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Noriharu Fujita	Certified public accountant						△					
Takaki Yamada	From another company											
Yoko Sanuki	Attorney-at-law											
Hideki Hirano	From another company					△						
Yumi Ogose	Academic											
Atsushi Minami	Attorney-at-law											
Yumiko Moritani	From another company					△						

\*Categories for "Relationship with the Company"

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- a. Person who executes business for the Company or its subsidiary
- b. Person who executes business for a non-executive director of the Company's parent company
- c. Person who executes business for a fellow subsidiary
- d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
- e. Major client of the Company or a person who executes business for said client
- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
- i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
- j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
- k. Other

External Directors' Relationship with the Company (2)

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Noriharu Fujita		○	<p>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 in the audit corporation. Furthermore, as ten years have passed since his retirement from the above audit corporation, there are no interests between him and the audit corporation. The Company therefore believes that he can maintain an independent standpoint and supervise the Company's management from an objective viewpoint.</p> <p>Meanwhile, the amount of the audit compensation, etc., paid by the Company to its Accounting Auditor is within a generally accepted range and the audit corporation serving as the Accounting Auditor also serves as the accounting auditor at a large number of companies. Therefore, the audit corporation is not materially dependent on the audit compensation paid by the Company.</p> <p>In view of these situations, the Company considers that Mr. Fujita would not be significantly controlled by the Company's management and that he would not significantly control the Company's management. Accordingly, the Company considers that Mr. Fujita's independence is secured and that a conflict of interest is unlikely to arise between Mr. Fujita and the Company's general shareholders.</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 experience 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. He currently serves as a member of the Nomination Committee and the Compensation Committee and has made contributions to the Company's corporate governance for ensuring its transparency and enhancing its adequacy. Furthermore, he has also contributed to ensuring the appropriateness and adequacy in the promotion of the Group growth strategies through discussions among officers to deliberate important topics at meetings that are regularly held other than the Board of Directors meetings. He also has extensive knowledge in the semiconductor industry inside and outside Japan as he previously held offices as an External Director of principal U.S. subsidiaries of the Company. His knowledge is expected to make similar contributions to supervising the management of the corporate group.</p> <p>For the reasons above, the Company believes that he will appropriately perform his duties such as ensuring the appropriateness of overall business execution and strengthening supervisory functions as well as contribute to ensuring the transparency of the Company's corporate governance and enhancing its adequacy, while the Group will</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				promote a medium- to long-term growth strategy.
Takaki Yamada		○	—	<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. 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>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				<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.</p>
Yoko Sanuki		○	—	<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. 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</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				<p>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.</p>
Hideki Hirano		○	<p>While Mr. Hideki Hirano once worked at a bank with which the Company has transacted, he retired from the bank as its officer in 2010 and now there are no interests between him and the bank.</p> <p>Meanwhile, the Company has loans from multiple financial institutions and the balance of loans from the bank accounts for less than 3% of the total balance of bank loans at the end of the fiscal year ended March 31, 2023. Accordingly, the Company is not materially dependent on the bank. In view of these situations, the Company considers that Mr. Hirano would not be significantly controlled by the Company's management and that he would not significantly control the Company's management.</p> <p>For these reasons, the Company considers that Mr. Hirano's independence is secured and that a conflict of interest is unlikely to arise between Mr. Hirano and the Company's general shareholders.</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. 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.</p> <p>For the reasons above, the Company believes that he will appropriately perform his duties such as ensuring the appropriateness of overall</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				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.
Yumi Ogose		○	—	<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,</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
				<p>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.</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.</p>
Atsushi Minami	○	○	—	<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>
Yumiko Moritani	○	○	<p>While Ms. Yumiko Moritani once worked at a bank with which the Company has transacted, she retired from the bank as its officer in 2011 and now there are no interests between her and the bank. Meanwhile, the Company has loans from multiple financial institutions and the balance of loans from the bank accounts for less than 3% of the total balance of bank loans at the end of the</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</p>

Name	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
			fiscal year ended March 31, 2023. Accordingly, the Company is not materially dependent on the bank. In view of these situations, the Company considers that Ms. Moritani would not be significantly controlled by the Company's management and that she would not significantly control the Company's management. For these reasons, the Company considers that Ms. Moritani's independence is secured and that a conflict of interest is unlikely to arise between Ms. Moritani and the Company's general shareholders.	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.

## Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairperson **Updated**

	All Committee Members	Full-time Members	Internal Directors	External Directors	Committee Chair
Audit and Supervisory Committee	3	1	1	2	Internal Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee **Updated** Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers **Updated**

Please see "Matters regarding Directors and employees to support the Audit and Supervisory Committee" in "1. Basic Views on Internal Control System and Status of Development" of "IV. Matters Concerning the Internal Control System."

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Department **Updated**

At Board of Directors meetings, the Audit and Supervisory Committee provides External Directors (excluding Directors who are Audit and Supervisory Committee Members) with an outline of its audit plan at the beginning of each fiscal year and regularly reports on the status of audit results based on the plan for information sharing. The report on the status of auditing also covers the results of the Accounting Auditor's audit and the status of communication between the internal control department and the Audit and Supervisory Committee. As efforts of cooperation between the internal control department and the Audit and Supervisory Committee, a meeting is held regularly each month between full-time Audit and Supervisory Committee Members and the internal control department, while the internal control department attends Audit and Supervisory Committee meetings to present its report, in order for the Audit and Supervisory Committee to learn about the status of the internal control department's activities.



In addition, as efforts of cooperation between the Accounting Auditor and the Audit and Supervisory Committee, the Audit and Supervisory Committee meet with the Accounting Auditor to ask about the results of the quarterly review and annual audit and hold discussions in order to strengthen their communication.

## Voluntarily Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Compensation Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Inside Directors	External Directors	External Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination Committee	4	1	1	3	0	0	External Director
Voluntarily Established Committee Equivalent to Compensation Committee	Compensation Committee	5	2	2	3	0	0	External Director

Supplementary Explanation Updated

The Company has established the Nomination Committee and the Compensation Committee as voluntary advisory bodies for the Board of Directors to improve adequacy and transparency regarding the nomination of Directors and the compensation for Directors. In both Committees, an External Director serves as Chairperson and External Directors constitute the majority of the membership, in order to secure transparency in corporate governance and independence of the Committees. Regarding the status of the activities of the Committees, etc., please see “4-10-1 Nomination Committee and Compensation Committee” of “Disclosure Based on each Principle of the Corporate Governance Code.”

The composition, etc. of the Nomination Committee and the Compensation Committee from June 23, 2023 onward are as follows:

Nomination Committee

Chairperson: Hideki Hirano (External Director)

Members: Noriharu Fujita (External Director), Takaki Yamada (External Director), and Hiroshi Takahashi (President and Representative Director)

Composition: An External Director serves as Chairperson and External Directors constitute the majority of the membership.

Compensation Committee

Chairperson: Hideki Hirano (External Director)

Members: Noriharu Fujita (External Director), Takaki Yamada (External Director), Hiroshi Takahashi (President and Representative Director), and Katsumi Kawashima (Director, Head of Corporate Design Headquarters)

Composition: An External Director serves as Chairperson and External Directors constitute the majority of the membership.

## Matters Concerning Independent Directors

Number of Independent Directors <span style="background-color: orange;">Updated</span>	7
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Other Matters Concerning Independent Directors

The Company has designated as independent officers all of the External Directors (including External Directors who are Audit and Supervisory Committee Members).

## Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of performance-linked compensation plan

Supplementary Explanation for Applicable Items

Please see the disclosures stated in “Policy on Determining Compensation Amounts and Calculation Methods” below.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

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## Director Compensation

Status of Disclosure of Individual Director’s Compensation

No disclosure for any Directors

Supplementary Explanation for Applicable Items

The total amount of compensation for each of the Director categories is disclosed in the Annual Securities Report.

Policy on Determining Compensation Amounts and Calculation Methods Updated

Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

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

Overview of the compensation plan for officers

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

Compensation for the Company’s Directors (excluding Directors who are Audit and Supervisory Committee Members) 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 (excluding Directors who are Audit and Supervisory Committee Members), standard amounts for the total compensation are determined for each rank. To ensure market competitiveness, the adequacy of the standard amounts is verified each year using the findings of a compensation survey administered to major companies in Japan as a benchmark. The ratio of performance-linked compensation and consolidated performance indicators for performance-linked compensation are determined based on the above-mentioned basic concept of the compensation and the results of deliberations by the Compensation Committee. At present, performance-linked compensation is set at about 40% of total compensation when earnings targets are fully achieved. Compensation for External Directors (excluding Directors who are

Audit and Supervisory Committee Members) consists solely of basic compensation based on the nature of responsibilities for the position of Director, and it is not linked to performance. Also, compensation for Directors who are Audit and Supervisory Committee Members consists solely of basic compensation based on the nature of responsibilities for the position of auditor and it is not linked to performance, and compensation for Directors who are Audit and Supervisory Committee Members is paid through consultation with Directors who are Audit and Supervisory Committee Members.

### Support System for External Directors Updated

The Legal Department, which is the Secretariat's Office of the Board of Directors and the Audit and Supervisory Committee, assists in administration and also communicates necessary information in a timely manner to External Directors as needed. In addition, the internal audit department conducts investigations at the Audit and Supervisory Committee's request and reports on the results to the Audit and Supervisory Committee. Moreover, the Secretary Department provides scheduling and other services under the support system.

### Status of Persons who have Retired as President and Representative Director, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as President and Representative Director, etc. Updated

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Takashi Wada	Advisor	Providing advice, support, etc., regarding matters related to the promotion of DX, etc. requested by the Company	Full-time (compensation paid)	June 24, 2022	One year from June 2023 to June 2024

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) After Retiring as President and Representative Director, etc. 1

Other Related Matters

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## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Compensation Decisions (Overview of Current Corporate Governance System) Updated

With the objectives of increasing management efficiency, improving transparency and maintaining soundness, the Company has voluntarily established the Nomination Committee and Compensation Committee and also appointed independent External Directors in order to ensure rapid and accurate decision-making by the Board of Directors while reinforcing supervisory functions for business execution. At the same time, the Company is also building a more flexible business execution system and strengthening its management functions by adopting a Corporate Officer system.

With the resolution adopted at the 106th Ordinary General Meeting of Shareholders held on June 23, 2023, the Company transitioned to a company with an Audit and Supervisory Committee. The Company considers that 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 Company considers that delegating a broader scope of the decision-making authority to Directors will further speed up management decision-making and execution under the appropriate supervision of the Board of Directors.

For details, please see "Section 4. Information about Reporting Company: 4. Corporate Governance" in the Company's Annual Securities Report for the 106th fiscal year posted on the Company's website:

[https://www.sanken-ele.co.jp/corp/tousika/houkoku\\_yuuka.htm](https://www.sanken-ele.co.jp/corp/tousika/houkoku_yuuka.htm)

### 3. Reasons for Adoption of Current Corporate Governance System Updated

Based on the basic concept of corporate governance, the Company has elected seven independent External Directors (including two External Directors who are Audit and Supervisory Committee Members) out of its 13 Directors, so that independent External Directors constitute the majority in the Board of Directors. The Company considers that this helps ensure an objective and neutral management supervisory function of the Board of Directors. Going forward, the Company will continue to explore an appropriate corporate governance system for the Company, considering demands from stakeholders and social demands regarding corporate governance, etc., comprehensively.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights Updated

	Supplementary Explanation
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	The Company held this year's Ordinary General Meeting of Shareholders on June 23, 2023, avoiding the dates for which many companies were expected to schedule their general meetings of shareholders.
Electronic Exercise of Voting Rights	In order to increase the convenience for individual shareholders and institutional investors as they exercise voting rights, the Company has adopted the smart proxy voting platform, which does not require the entry of an ID or password, and the electronic proxy voting platform, in addition to the system for exercising voting rights via the Internet using a PC.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has joined the electronic proxy voting platform operated by ICJ, Inc., while disclosing the notice of convocation of the General Meeting of Shareholders in the PDF file format (Japanese and English versions are available) before sending out the written notice.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Company has posted on its website the Japanese and English versions of the notice of convocation of the General Meeting of Shareholders.

## 2. Status of IR-related Activities Updated

	Supplementary Explanation	Explanation by a Representative Director or a Representative Executive Officer
Formulation and Publication of Disclosure Policies	The Company has formulated and published on its website its disclosure policies.	
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds briefings for analysts and institutional investors twice a year.	Held
Online Disclosure of IR Information	In order to help appropriate investment decision and appropriate proxy voting, the Company has posted and published on its website its Securities Reports, notices of convocation of the General Meeting of Shareholders, earnings reports, documents for timely disclosure, Sanken Reports (integrated reports), presentation materials for the financial results briefing session, news releases, etc.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has established a department dedicated to IR (Investor Relations Division, Corporate Planning Office, Corporate Design Headquarters).	

## 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has laid down the rules in the Management Philosophy, Conduct Guideline, and Sanken Group Basic CSR Policy.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	For the Company's environmental preservation activities, CSR activities, etc., please see the Company's sustainability website. ( <a href="https://www.sanken-ele.co.jp/corp/csr/index.htm">https://www.sanken-ele.co.jp/corp/csr/index.htm</a> )

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development Updated

The Company's basic policy for the internal control system is as follows.

(System for ensuring that the Directors and employees perform their duties in accordance with laws, regulations, and the Article of Incorporation)

(i) 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."

(ii) The Company establishes and implements a "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.

(iii) 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.

(iv) 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.

(v) 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)

- (i) 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.
- (ii) 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)

- (i) The Board of Directors formulates the mid-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.
- (ii) 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.
- (iii) 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)

- (i) 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.
- (ii) 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.”
- (iii) An organization in charge of each group company is established at the Company to bear responsibility for the guidance of management and enhancement of managerial performance through close information sharing.

(Matters regarding Directors and employees to support the Audit and Supervisory Committee)

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

(System for reporting to Audit and Supervisory Committee)

- (i) Full-time Audit and Supervisory Committee Members attend the Management Committee meetings, inspect and receive principal documents, thereby obtain information on the businesses of the Company and group companies, and report the contents of such information to the Audit and Supervisory Committee.
- (ii) Representative Directors and other Directors (excluding Directors who are Audit and Supervisory Committee Members), internal audit department, and the Accounting Auditor each meet with the Audit and Supervisory Committee regularly to report the management situations of the Company and group companies and audit results.
- (iii) If officers or employees find any fact or event which is likely to cause material damage to the Company or any of the group companies or discover any illegal actions in the course of business operations, such officers or employees must report the matter to the Audit and Supervisory Committee.
- (iv) The internal audit department reports the results of internal audits, the status of implementation of the whistle-blowing protocol, and the contents of whistle-blowing to the Audit and Supervisory Committee.
- (v) 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 Committee Members (limited to the execution of the duties of the Audit and Supervisory Committee))

If, with respect to any expenses or liabilities to be incurred when Audit and Supervisory Committee Members perform their duties, the Audit and Supervisory Committee Members request the Company to pay them in advance, repay them, or otherwise,

the Company shall promptly process the expenses or liabilities unless they are judged to be unnecessary.

(Other system for ensuring effective auditing by the Audit and Supervisory Committee)

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

(ii) The internal audit department obtains approval of its audit plan from Representative Directors and the Audit and Supervisory Committee and reports on audit results to Representative Directors, the Board of Directors, and the Audit and Supervisory Committee. In addition, the internal audit department reports on the status of internal audits to the Audit and Supervisory Committee.

(iii) The internal audit department follows instructions that may be provided by the Audit and Supervisory Committee regarding internal audits. If there is any discrepancy between the Audit and Supervisory Committee's instructions and Representative Directors' instructions, the internal audit department prioritizes the Audit and Supervisory Committee's instructions.

For the status of the development of the internal control system, please see the Business Report described in the notice of convocation of the Ordinary General Meeting of Shareholders.

## 2. Basic Views on Measures for Eliminating Antisocial Forces and Status of Development

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.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not adopted

Supplementary Explanation for Applicable Items **Updated**

The basic policy on the composition of persons to control decision-making over financial and business policies of the Company and measures to realize the basic policy are as follows:

(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 a wide range of know-how and ample experience, including proprietary semiconductor device assembly technologies, such as wafer fabrication and packaging technologies, as well as product development 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.

## 2. Other Matters Concerning the Corporate Governance System Updated

The status of the development of the Company's internal system for timely disclosure of corporate information is as follows:

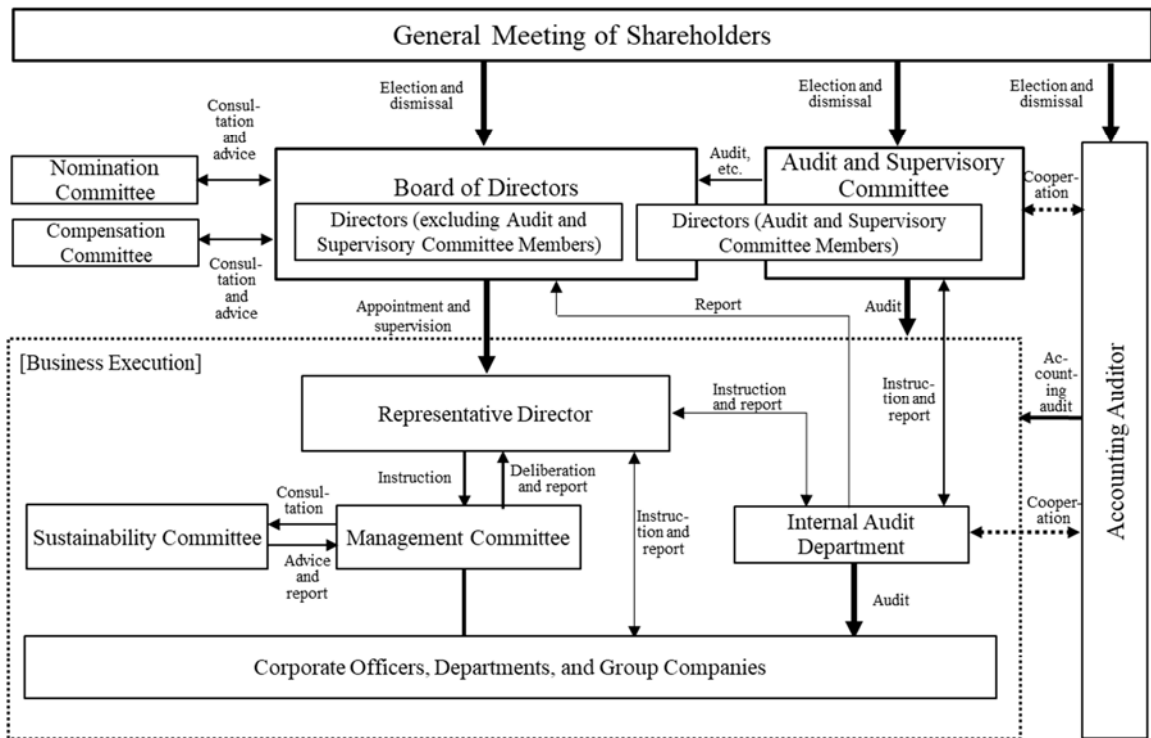
### (1) Internal System for Timely Disclosure of Corporate Information

The Board of Directors and the Management Committee determine material matters in the management of the Company and its group companies and receive reports on material corporate information. Whether a piece of information submitted to these bodies (hereinafter referred to as "management information") is subject to timely disclosure is determined by the Legal Department according to the instructions of Head of Corporate Design Headquarters, who is the officer charged with information handling. The Legal Department receives reports from and has discussions with each department about management information in advance, examines proposals to be submitted to the Board of Directors, and implements other measures to gather information. If the Legal Department determines that the information is subject to timely disclosure under laws, regulations, and rules, the Company discloses the information via TDnet immediately, provided that information about decisions and financial results is disclosed after approval by these decision-making bodies and that information about facts which occurred is disclosed after their occurrence. The Investor Relations Department is responsible for responding to stakeholders, such as media and investors, and for information disclosure on the Company's website.

### (2) Oversight Functions of the Internal System for Timely Disclosure

In order to strengthen its internal control, the Group has established the Internal Audit Office and formulated the "Conduct Guideline" as a guideline for compliance with ethics laws and regulations, which stipulates appropriate disclosure of corporate information. In addition, the Group operates its "whistle-blowing protocol (Helpline System)" whereby if an employee should find that any illegal or prohibited act has been committed or may be committed in the Group, the employee can report it for whistle-blowing via third-party institutions. In terms of internal information management, the Company has formulated the "Regulations on Information Management" and the "Regulations on Insider Trading Management," which provide for the regulations on the management of internal information and the guideline regarding information management, and is working to strengthen its information management system.

## Reference: The Company's Corporate Governance System



Reference: The Company's Internal System for Timely Disclosure

