Power Electronics for Your Innovation

SANKEN REPORT 2025





SANKEN ELECTRIC CO., LTD.











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An explanation of Sanken Electric's competitive advantages based on the Company's philosophy, values, and the history it has built.

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Editorial Policy

This report is published with the objective of deepening the understanding of all stakeholders regarding initiatives to enhance the Company's corporate value over the medium to long term. The report was compiled with reference to the International Integrated Reporting Framework published by the IFRS Foundation.

Cover Design

The blue butterfly represents the current image of Sanken Electric—embodying refined technology and flexible creativity. The shadow it casts in the shape of a hawk symbolizes our untapped potential and the performance that lies ahead. With the wings of innovation, Sanken Electric is poised to soar powerfully into the future.



Cautionary Note on Forecasts

The forward-looking statements in this report regarding Sanken Electric Co., Ltd. and its projected results are forecasts made at the time of compilation and involve potential risks, uncertainties, and other factors. Consequently, these projections are not guarantees of future performance, which may differ materially depending on a variety of important factors.

Scope of Reporting

Reporting period : April 1, 2024 to March 31, 2025 (fiscal 2024)
(Some content includes matters after April 2025)
Reporting organization: Sanken Electric Co., Ltd. ("the Company")

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Sanken Electric's Values

Since its founding, Sanken Electric has remained dedicated to the semiconductor business with a mission to contribute to Japan's industrial development, support the nation's economy through mutual prosperity with partner companies, and, by uniting all employees, help create a bright and culturally enriched living environment that advances Japanese culture.

Management Vision Sanken Group Basic CSR Policy

Corporate Philosophy

Semiconductors Are Our Core Business

Our mission is to provide optimal solutions in our core semiconductor businesses for power electronics and peripheral fields, thereby contributing to the advancement of industries, economies, and cultures all over the world.

Develop Business Globally, Leveraging Our Proprietary Technologies

We will strive constantly to innovate our technological strengths and creative power as we pursue reliable quality. Moreover, we will share our customers' values as we develop our business globally, leveraging our proprietary technologies.

Respect Each of Our Employees

We will respect each of our employees and treat all of them fairly. Our employees will strive to grow as trustworthy individuals and as businesspeople.

Carry Out Duties with a Highly Ethical Perspective

We will carry out our duties with a highly ethical perspective as businesspeople who value technology and creativity. We will treat our customers and suppliers with fairness and integrity.

Social Responsibilities and Harmony with the Environment

We will strive to maximize our corporate value for the sake of our shareholders, while fulfilling our social responsibilities and striving for harmony with the environment.

Business Guidelines

- Collaborate with our business partners to assure a shared vision of the marketplace. This shared vision will result in optimized solutions.
- Be knowledgeable of global trends and do business with a broad vision.
- Create a new culture marked by originality and flexible thinking.
- Adapt to changes in the business environment and implement improvements with worldclass speed.
- Position ourselves to obtain high quality business by continuously improving individual skills with professionalism.
- Utilize mutual trust as the foundation for effective teamwork and optimal results.
- Exhibit the highest ethical standards while complying with internal guidelines and external laws.
- Contribute to solutions for environmental concerns to maintain the sustainable future of our community and society.

Management Vision

Drive a focused organization to become a highly profitable company that contributes to innovation for our society through the development and implementation of unique technologies.

Corporate Slogan

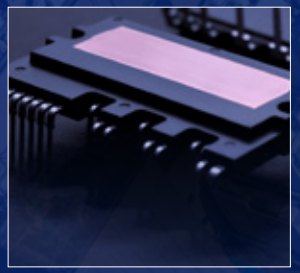
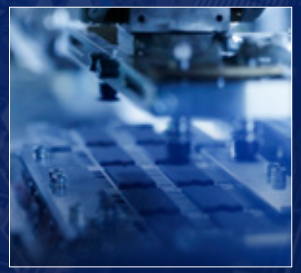
Power Electronics for Your Innovat!on

Embodies our aspirations as a company to contribute through power electronics to the innovations of its customers, its employees, and society, with the overarching goal of realizing a sustainable future.

What Makes Sanken Electric Unique

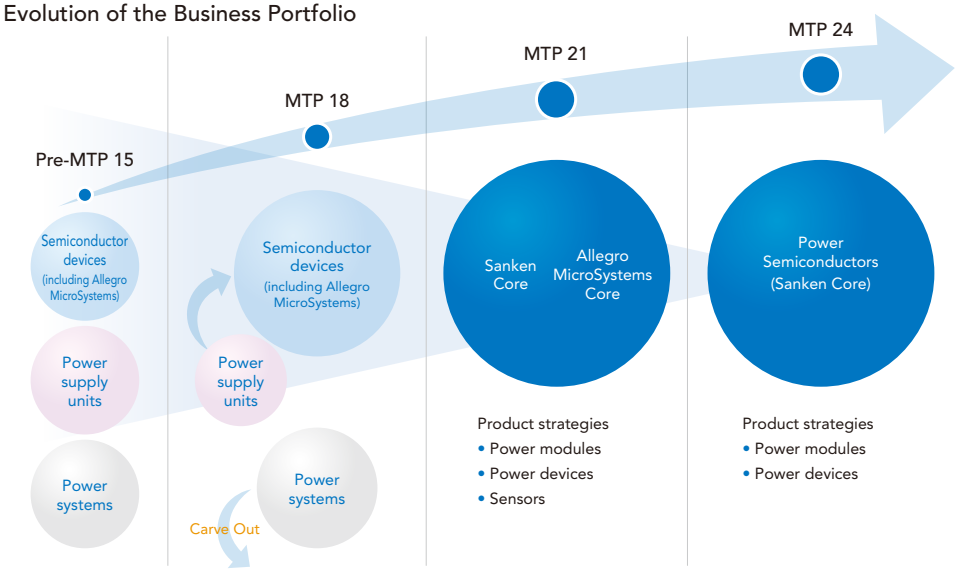
Creating a Sustainable Future with Sanken Electric's Technologies and Products

Sanken Electric aims to contribute to the realization of a sustainable society by providing energy-saving solutions for global markets, driven by technologies including the latest in power conversion and motor control. Through both technological innovations and reliable high-quality products, we will achieve sustainable growth as a company while making positive contributions to society, including solutions to global environmental and social issues, and the development of industry, economy and culture.

Sanken Electric's Portfolio

Evolution of the Business Portfolio

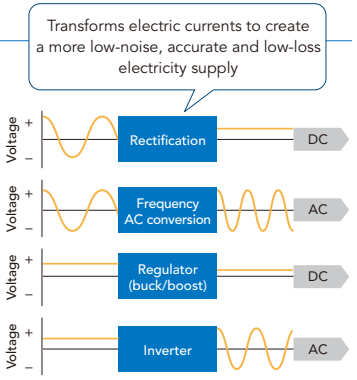


What are Power Semiconductors?

Power semiconductors can handle high voltage and large currents, and are used in the conversion of electric power and to control motors and lighting.

Perhaps the most widely known application for semiconductors is in integrated circuits manufactured using large-scale integration (LSI) in devices such as CPUs and memory chips designed to process and store data. Power semiconductors, however, are used in the supply of electric power to drive motors, charge batteries, and drive CPUs and other LSI devices. For example, they are used for converting alternating current (AC) to direct current (DC), or to step down voltage to three or five volts.

Tasks Performed by Power Semiconductors



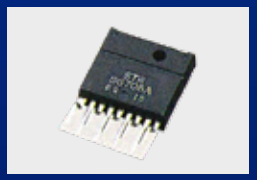
The Lineage of Sanken Electric's Power Semiconductor Technologies

Sanken Electric has refined our core power semiconductor technologies in response to diverse paradigm shifts, and the resulting value and successes have contributed to society.









Foundation

Established as a company based on semiconductor research
Started from selenium rectifiers

1950s

Major technological change from selenium and germanium to diffused silicon diodes

1960s

Entry into television, audio, and automotive markets through silicon semiconductors

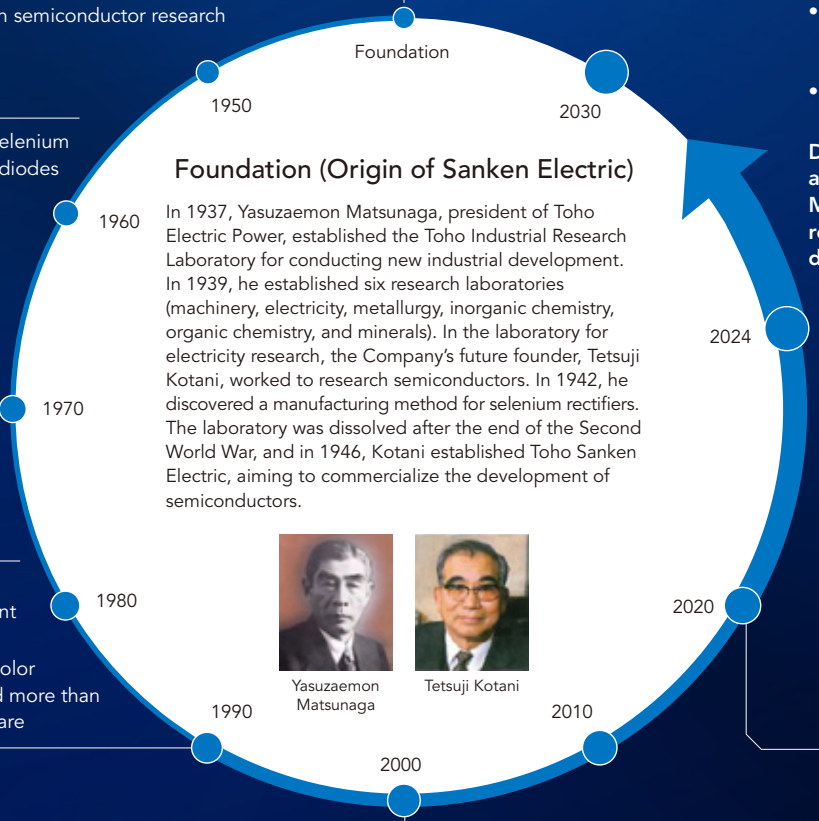
1970s

Built a foundation for growth in power semiconductors through development of hybrid ICs

1980s

Rapid expansion of business activities together with development of electronic equipment

With the widespread adoption of color televisions, our power ICs captured more than 60 percent of the global market share



Foundation (Origin of Sanken Electric)

In 1937, Yasuzaemon Matsunaga, president of Toho Electric Power, established the Toho Industrial Research Laboratory for conducting new industrial development. In 1939, he established six research laboratories (machinery, electricity, metallurgy, inorganic chemistry, organic chemistry, and minerals). In the laboratory for electricity research, the Company's future founder, Tetsuji Kotani, worked to research semiconductors. In 1942, he discovered a manufacturing method for selenium rectifiers. The laboratory was dissolved after the end of the Second World War, and in 1946, Kotani established Toho Sanken Electric, aiming to commercialize the development of semiconductors.

Yasuzaemon Matsunaga

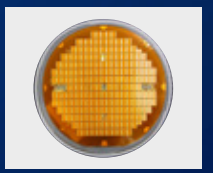
Tetsuji Kotani

Going forward, we will continue to respond swiftly to changing times and strive to enhance corporate value through the timely development of new products.

2025 – Next Decade

Focusing on the commercialization of high-voltage GaN power semiconductors

- Acquired Powdec, which possesses proprietary PSJGaN technology
- Developing PSJGaN-equipped products starting with home appliances and expanding into industrial equipment
- Developing new vertical GaN devices and expanding their use to automotive applications



Developing RISC-V–based advanced microcontroller MD6605 and planning future roll-out to digital power ICs and digital IPMs



2020 – 2024

Concentrating resources on power semiconductors through structural reform

- Developed the next-generation IPM series SAM2 and SIM2 based on the SPP concept
- Developed power modules for EV traction motors to support the future shift toward battery electric vehicles
- Formed a strategic partnership with STMicroelectronics



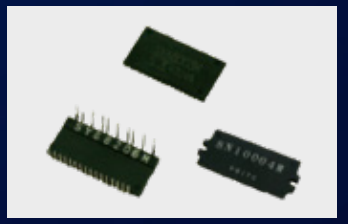


1990s

Strengthened global semiconductor business by making Allegro MicroSystems, Inc. a subsidiary

2000s – 2010s

Expansion into eco- and energy-saving markets
Significant growth in IPMs for driving motors in room air conditioners, washing machines, and refrigerators



The Presence of Sanken Core

Transforming into a dedicated power semiconductor manufacturer, Sanken Electric will continue to expand its product portfolio, focusing on power modules and power devices as its core products.

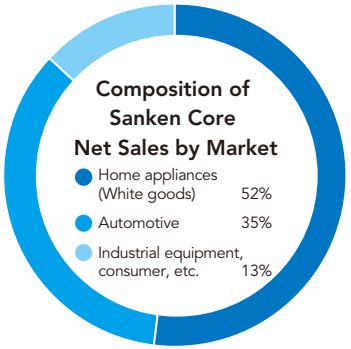
Net Sales Composition (FY2024)[1]

Sanken Core Total: 90.0 billion yen

Power modules	Power devices	Other
50.0 billion yen	40.0 billion yen	31.6 billion yen
41.2%	32.9%	25.9%

POINT 01

Deploying IPMs from home appliances to automotive and industrial equipment



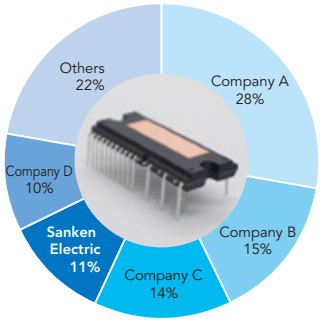
- Against the backdrop of growing energy-saving needs, inverterization of compressors and fan motors in home appliances advanced rapidly worldwide starting in the 2010s.
- We applied the control technologies for power conversion developed through hybrid ICs for cathode-ray tube television power supplies, along with our expertise in combining high-voltage power devices, and incorporated customer value through close collaboration to create our integrated module technology. This was brought together as IPMs and introduced for the rapidly expanding inverterization market.
- Building on the know-how cultivated in home appliances, we are now focusing on expanding into automotive and industrial equipment applications, where higher voltage ratings and greater reliability are required.

World-Class Share in IPMs

Our Intelligent Power Modules (IPMs) integrate control ICs and power devices into a highly heat-dissipative, full-mold package that houses multiple components, delivering compact size, high efficiency, and high reliability for motor-drive power semiconductor applications. We have long maintained a leading global share in the home appliances market, and our products are widely adopted by major manufacturers in Japan and overseas. In addition to contributing to energy savings in household room air conditioners, washing machines, and refrigerators, our IPMs are also used in automotive applications such as electric compressors and oil pumps. They are expanding into the industrial equipment market through adoption in commercial air conditioning systems.

2. Source: Fuji Keizai, "Future Outlook of the Next-Generation Power Device and Power Electronics-Related Equipment Market 2025"

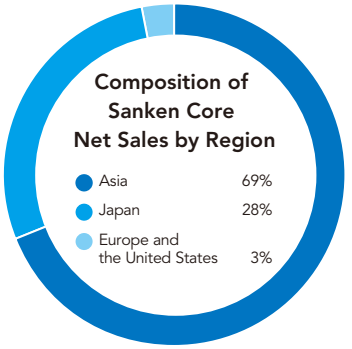
IPM Market Share[2]



No. 4 in the world | No. 3 in Japan

POINT 02

Meeting the world's growing electricity demand with proprietary power semiconductor technologies



According to the latest outlook from the International Energy Agency (IEA), global electricity consumption is expected to increase at its fastest pace in recent years, driven by rising industrial production, greater use of air conditioning, accelerating electrification, and the rapid expansion of large-scale data centers worldwide. Global electricity demand is projected to grow 4.3% in 2024 and continue to expand at nearly 4% annually through 2027, with electricity consumption worldwide forecast to increase by an unprecedented 3,500 TWh over the next three years.
Electricity demand in China is expected to rise at an average annual rate of 6% through 2027, while India, Southeast Asia, and other emerging markets are also projected to see robust growth supported by economic expansion and increasing air conditioner ownership. In particular, electricity demand in India is projected to grow at an average rate of 6.3% annually over the next three years.
Although we were recently affected by China's shift toward domestically produced semiconductors, we see the rapid growth in global electricity consumption as an opportunity. We are intensifying efforts to expand sales outside China, including in Europe, the United States, and India, and are focusing on new applications and markets, such as air-conditioning and liquid-cooling systems for AI data centers. It is our core mission to continue delivering the benefits of high efficiency and low power consumption enabled by our advanced power semiconductor technologies to stakeholders worldwide.

1. Switching power supply products (former Unit Products) previously included under Power Modules and Allegro products included under Power Devices and Sensors have been reclassified under "Others."



Message from the CEO

Under our new management structure, we aim to further strengthen competitiveness in the power semiconductor field by enhancing speed, productivity, and innovation.

In April 2025, the Company transitioned to a chief officer structure. Under this new framework, we will continue to pursue highly competitive products in the power semiconductor field, with a particular focus on the early realization of high-performance GaN power devices, which will serve as a core technology for the future.

Hiroshi Takahashi
Representative Director, President and CEO

What was the purpose behind transitioning to the chief officer structure in April 2025, and what changes has it brought?

To accelerate decision-making and strengthen our ability to execute strategies, we transitioned to a chief officer structure, clarifying roles and responsibilities. As a result, proactive initiatives are increasing across the Company, and we are beginning to see a positive cycle emerge.

To effectively address diverse management challenges, advance the Medium-Term Management Plan 2024, and enhance corporate value, we shifted to the chief officer structure to streamline decision-making and strengthen strategy execution. As CEO, I am focusing on steering the Company's management toward the future. To respond to a rapidly changing market environment, I believe that improving the speed of decision-making is more important than ever. We will build a management structure that anticipates change from a global perspective, concentrates resources on growth areas, and enables timely and accurate decision-making without delay.

Meanwhile, the COO has been instructed to promptly gather on-site opinions on business operations, make timely decisions, and advance initiatives. Previously, when decisions requiring my approval accumulated, it led to time losses and posed risks, such as delays in product development. The new structure resolves this issue, enabling faster action and more efficient execution. This has led to more proactive initiatives across the Company and has begun to create a positive cycle.

We will also further strengthen our direct engagement with clients and business partners, and place greater emphasis on communication with investors. Based on the information obtained from a wide range of stakeholders, we will continue to address diverse management issues.

Going forward, I believe that developing and positioning personnel who can support each chief officer will be essential to further strengthening the chief officer framework. We will focus on building a structure that allows each position to perform to its fullest potential.

Could you tell us about Sanken Electric's raison d'être again?

We help mitigate global warming by supplying products that deliver significant energy savings.

In recent years, everyone has become acutely aware of rising global temperatures and the increasing frequency of natural disasters, and we must recognize the possibility that the environment could become increasingly hazardous for humankind in the near future.

In this context, what Sanken Electric can do for a sustainable future is to contribute to energy conservation by supplying highly efficient products for motors, which consume roughly half of the world's electricity. Since joining the Company in 1986, I have been involved in developing motor control ICs using inverter technology to improve energy efficiency, and I have witnessed firsthand how these technologies have been adopted by many customers and spread throughout society, creating tangible contributions.

Some years ago, we estimated the energy-saving impact of our products and found an impressive result: the annual power reduction achieved by inverter air conditioners equipped with our IPMs was equivalent to the yearly output of several thermal power plants. That data gave both me and our employees a renewed sense of pride in the contributions we make to society, further strengthening our motivation and commitment to our work.

I intend to continue communicating the social significance of Sanken Electric so that our employees can take pride in the Company's long-standing contributions to society and maintain high motivation in their endeavors.

Please tell us about Sanken Electric's long-term direction for growth.

We are focusing on accelerating speed and expanding potential through collaboration with partners, with the goal of realizing high-performance GaN power devices at an early stage.

To remain competitive in a challenging market environment, it is essential to steer management with a strong sense of speed. That is why we are focusing on collaboration with external partners, finding those who share our goals, joining forces to accelerate progress, exchange ideas, and broaden our possibilities.

In April 2025, we acquired Powdec K.K., a company that possesses thin-film crystal growth technology essential for realizing high-performance gallium nitride (GaN) power devices. GaN, from a material properties standpoint, is better suited than silicon (Si) and silicon carbide (SiC) for high-voltage and high-frequency operation, although technical challenges remain for mass production. We had been engaged in joint development with Powdec for some time but decided to move forward with the acquisition to accelerate development and generate stronger synergy.

Few companies have achieved success in high-voltage, high-frequency applications. Leveraging Powdec's technology, we aim to commercialize products at an early stage, enter the market, and capture share. With speed first as our key principle, we are accelerating development and plan to establish a mass production system by 2026. We will continue working to become an indispensable presence in the creation of superior power semiconductor products. Going forward, we will also continue discussions with potential partners and swiftly determine which collaborations can best contribute to our growth.

Could you tell us about Sanken Electric's strengths, as well as the changes and challenges in the external environment?

Leveraging the sincerity that our customers value so highly as a core strength, we are focusing on improving speed and productivity, fostering innovation, and further enhancing our competitiveness.

When I meet with long-time customers, many tell me that they appreciate Sanken Electric's manufacturing approach: steadfast and determined to meet expectations even after setbacks. These comments remind me of the many ways we have contributed to society throughout our long history. Among our loyal customers and supporters, one of the words most often used to describe us is "sincere." They recognize and appreciate our culture of listening earnestly to customer needs and responding with genuine effort and commitment.

Of course, sincerity can mean different things to different people, but I believe it starts with meeting face-to-face and engaging in dialogue. No matter how technology evolves, human conversation is something machines can never replace. I often tell our employees to take the initiative to meet, listen, and speak up because real connection begins with direct communication.

Being sincere to customers means not only listening carefully to their requests but also thinking deeply about what we must do to meet their expectations and taking action. To do that, we need a foundation of conviction, something that allows us to say, "This is the right way." Senior employees should actively share their success stories with younger colleagues, as this too is a form of sincerity. I want to foster an open environment where dialogue can take place freely across generations.

At the same time, I recognize that our traditional style of working can sometimes be a challenge. We are working to identify and revise practices that are no longer conducive to growth. For example, when I visit local factories in China, I often see development teams with many members but production lines operated by only a few, yet they deliver products of quality comparable to Japanese companies, and they do so with remarkable speed. Japanese companies, including ours, tend to overemphasize quality upfront, which can lead to excessive time and effort. I tell our division heads that every department—not just manufacturing—must focus on eliminating waste and improving daily productivity.

Finally, strengthening competitiveness requires generating innovation. Innovation does not happen by thinking within the same environment; it comes from curiosity, playfulness, and stepping outside the company to gain fresh insights. When I worked in the field, I often visited customers, research institutions, and inverter specialists to learn from them and gain new ideas. I encourage our employees to make time for themselves, change their surroundings, and venture into new worlds where innovation can truly begin.

Lastly, what message would you like to give to your stakeholders?

We will continue to pursue highly competitive products in the power semiconductor field and accelerate the development of next-generation devices that will serve as our core drivers of growth, aiming for further progress and enhanced corporate value.

The first year of the Medium-Term Management Plan 2024 was positioned as a recovery period following the earthquake, and we recognize that our corporate value has not yet reached a fully satisfactory level. Going forward, we will accelerate each of our initiatives to drive continued growth and increase corporate value.

Although the EV market is currently experiencing a temporary slowdown, what I call a "chasm" phase, we remain committed to developing competitive products and are confident that we will deliver solid results when the market resumes its growth trajectory. With a focus on how quickly we can bring products to market, we will continue to accelerate technological innovation.

We aim to swiftly introduce GaN power devices, designated as one of our future growth drivers, and contribute to society by improving motor efficiency and expanding applications into more advanced fields.

We will continue to do our utmost to meet the expectations of our stakeholders and sincerely appreciate your continued support.





Satoshi Yoshida
Executive Vice President, COO

Message from the COO

We will achieve the targets of the Medium-Term Management Plan 2024 and drive growth beyond it by accelerating the transformation of our business portfolio and the development of GaN power devices.

As COO, I will advance reforms to build a robust structure and systems that will enable us to achieve the MTP 24 targets and realize sustained growth.

Since joining the Company in 1985, I have built a 40-year career in sales and, from 2021, served as the head overseeing both the Sales and Production divisions. In April 2025, I was appointed COO. All business operations will be managed under my leadership, and I will take responsibility for doing everything necessary to achieve our performance targets.

In the past, it was sometimes difficult to clearly identify each division's scope of responsibility when executing strategy. Under the new structure, four headquarters—Engineering Development, Manufacturing, Strategic Business, and Sales—now report to me, clarifying accountability for business-operation execution. I will oversee these four organizations end-to-end across Sanken Core's value chain and drive reforms with two top priorities: achieving the MTP 24 target for fiscal 2027 of 100 billion yen or more in net sales and a 10% operating margin and building a solid structure and mechanisms that will allow the Company to continue growing over the long term.

To reach our goals, we will place greater emphasis on profit. Profit enables investment for the next stage of growth and enhances corporate value. While sales may fluctuate with market conditions, we intend to achieve our target operating margin under any circumstances.

I am asking our employees to adopt an even stronger customer perspective to raise customer satisfaction. By continually considering what advantages clients gain by working with Sanken Electric, responding to customer needs as thoroughly as possible, and providing products that are easy to use, we will stay focused on delivering value to our customers.

We are advancing numerous projects to strengthen competitiveness and executing each initiative with a strong sense of speed.

Looking ahead toward fiscal 2027, the final year of MTP 24, I am currently leading multiple projects. These include projects focused on business structure areas such as development, procurement, front-end manufacturing, and back-end manufacturing to achieve the MTP 24 targets; medium- to long-term projects aimed at growth beyond the plan; and initiatives that support these efforts through DX promotion and systems that make day-to-day progress more visible.

For progress management, we closely monitor each situation with a fine-grained approach and respond promptly. Since April 2025, I have been holding weekly meetings with the division heads involved in business operations to discuss challenges and responses in each department and share information. When an issue arises, I immediately instruct the team to consider countermeasures and clearly define who will handle each task, enabling much faster decision-making and execution.

For products under development, we are working backward from projected future price levels, setting target costs for each process and material, and developing accordingly. In promoting these initiatives, we closely monitor customer feedback to assess adoption likelihood and expected profit margins and allocate internal resources appropriately.

For existing products, we are thoroughly eliminating waste and reducing costs to strengthen product competitiveness. In recent years, the quality and stability of Chinese manufacturers have improved significantly, and the top Chinese producers have reached levels comparable to ours. As their supply chains become stronger, we expect competition to intensify further. In light of this, one of our projects focuses on exploring how to manufacture at the lowest cost in the world. We repeatedly analyze markets, our own operations, and competitors, as well as future trends, and I have instructed the team to consider, from a medium- to long-term perspective, whether it is more effective to manufacture in-house from scratch or to outsource production. In procurement, we are committed to increasing the frequency of comparisons and evaluations. While our business relationships have traditionally centered on Japanese suppliers, we now emphasize verifying whether we are truly sourcing the most cost-effective materials in the world. With this mindset, we are expanding contact with overseas manufacturers and pursuing the goal of sourcing globally at the lowest possible cost without compromise.

We are expanding our xEV business, centered on power modules for EV traction motors and electric compressors, while transforming our business portfolio.

Looking back on the evolution of our business portfolio, it is clear that we have continuously developed new products in line with changing times and market needs, while making full use of the technologies we have cultivated over the years. When I first joined the Company, our diodes and transistors for audio equipment, an area where Japanese manufacturers were particularly strong, were performing exceptionally well. During the era of cathode-ray tube televisions, our power ICs captured nearly 70% of the global market share. Later, our automotive business began to expand.

When inverter air conditioners became mainstream, we provided semiconductor packages that were easy for customers to use. We quickly applied the power IC products widely adopted in televisions, along with the brushless motor control technology we had cultivated in dot printers, to develop motor driver ICs for air conditioners. Our small motor driver ICs captured about 60% of the market share, and even today, we maintain a strong position in that field; our products rated 5 amps or lower hold the world's No. 3 share by volume.

Under MTP 24, we plan to increase the proportion of automotive-related sales to more than 50% by fiscal 2027, with xEV products accounting for 33%, up from 10% in fiscal 2022. Although the shift in powertrains toward battery EVs is expected to be delayed by about two years to around 2027, we believe the medium- to long-term trend remains unchanged. Within that context, we will focus on expanding our business centered on power modules for EV traction motors and electric compressors.

Our automotive products are designed to withstand extreme environmental conditions, including temperature, humidity, and vibration. At the same time, we also plan to expand into the industrial equipment market.



We are accelerating the development of GaN power devices to meet the growing demand for high-frequency performance, higher voltage tolerance, and miniaturization, aiming for early commercialization and mass production.

I believe that gallium nitride (GaN) will become a core technology among next-generation semiconductors to meet demands for higher frequency, higher voltage tolerance, and smaller size. With our acquisition of Powdec K.K., a company specializing in advanced GaN technology development, we can now leverage its proprietary Polarization Super Junction GaN (PSJGaN) technology, which is protected by numerous patents, to achieve a wide range of voltage resistance and cost advantages. This enables us to offer power devices that cover everything from the medium-voltage range used in televisions and home appliances and in automotive applications, where we already have strong expertise, to the high-voltage range used in industrial equipment.

Customer expectations for GaN power devices are rising rapidly. We are focusing on developing more advanced products that offer higher efficiency and reduced heat generation. We plan to begin mass production of power ICs for small-current applications in fiscal 2026, followed by IPMs for medium-current applications in fiscal 2028. In particular, we expect to strengthen our competitiveness by meeting the high-frequency demands of air conditioner compressors. By expanding sales of these new products, we will accelerate our shift toward higher-margin products. Furthermore, we plan to start mass production of power modules for large-current EV traction motors in fiscal 2030.

Through these initiatives, we aim to establish Sanken Electric as one of the world's top 10 power semiconductor companies in the long term. We look forward to your continued expectations and support for the future of Sanken Electric.

MTP 24 Progress

To maintain a stable financial foundation for Sanken Core, we allocate profits generated from business initiatives to growth capital. We are committed to maintaining and continuing an equity ratio of 50% or higher by ensuring the optimal distribution of cash inflows and capital allocation.

MTP 24 Outline

Item	MTP 24 (FY24-27)	
	Main scenario	Priorities
Period	4 years (positioning FY2024 as a period of recovery from the earthquake impact)	
Formulation	Utilized a strategic consulting firm	
Drivers for improving profit	Improve new products' share of sales (continue)	Development gate management Improve execution capacity
	Improve earnings from existing products	Obtain fair sales price conditions
	COGS reduction (including reducing fixed costs)	COGS reduction activities Procurement, front-end processes, back-end processes
PSL	Expand scale through capital increase through 3rd-party allotment Win 3rd-party contract production business	Fab-light strategy
Development resources	Drive SPP development further Develop elemental technologies through industry-academia partnerships	Development management that links processes and packages
New technology	Premised on collaboration with external partners	Compound devices

MTP 24 Sanken Core Growth Scenario

Sales

FY2024 Result: 90.0 billion yen → FY2027 Target: 100.0 billion yen+

Growth outpacing the power semiconductor market growth rate

Product Strategy
- Achieving growth with both standard and custom products on the SPP platform

Sales Expansion Strategy
- Driving initiatives in automotive, home appliance, and industrial equipment markets in line with segment-based growth strategies

Operating Profit Margin

FY2024 Result: 2.2% → FY2027 Target: 10%

Drivers for improving profit
- Increase new product ratio
- Improve earnings from existing products
- Reduce COGS

Progress on MTP 24

Priority Tasks
- Sales building strategy [Sales expansion to many regions and new markets]
- Cost reduction:[Fixed cost reduction and optimization of expense control]
- Cost reduction:[Variable cost reduction: material change, expansion of the range of platform-based development]

The pillars of the MTP 24 begin with the product strategy, which envisions growth driven by both platform-based products, represented by IPMs, and custom products, such as power modules for EV traction motors. Additionally, under our sales expansion strategy, we are targeting the automotive, white goods, and industrial equipment markets through segment-specific growth strategies. Furthermore, our three profit improvement levers are increasing the ratio of new products, improving the profitability of existing products, and achieving cost improvements. In light of the recent sharp decline in sales to China, we have now identified priority issues and are taking recovery-driven actions.

The first priority initiative is our sales building strategy. Taking into account the effects of trade friction and tariffs, the key will be determining in which regions around the world to expand sales of our products. Since Sanken Core has a high ratio of sales to customers in Asia, particularly in China and South Korea, we believe it is essential to expand sales into other regions, such as Europe, the United States, and India. As we expand into new markets, we are focusing on IPMs for commercial air-conditioning systems in the industrial equipment sector, while also targeting cooling systems for AI data centers.

The second priority is reducing fixed costs and optimizing expense control as part of cost reduction. The recruitment phase of the voluntary retirement program implemented by Ishikawa Sanken was completed as planned in July 2025. We are also steadily implementing measures to optimize expenses across the Group.

The third priority is reducing variable costs. With market prices for gold rising significantly and affecting product costs, we will broaden the scope of products to which material substitutions can be applied and thoroughly pursue such measures. Platform-based commonization of components will also contribute to lowering purchase prices. Through these efforts, we will continue to drive cost reductions.

By addressing these priority issues, we will further strengthen our activities aimed at improving the profitability of Sanken Core.



CFO Message

We are committed to enhancing corporate value by establishing a solid financial foundation, achieving stable profitability, and maintaining a robust governance structure, while executing growth investments with a long-term perspective.

Katsumi Kawashima
Director, Senior Vice President, CFO

As a proactive CFO, I am fully committed to creating corporate value.

As a proactive CFO, my mission is not only to safeguard financial soundness but also to take an active role in creating corporate value itself. Traditionally, the role of the CFO has been centered on financial management; however, I believe that the modern CFO must also lead strategic decision-making that drives corporate growth.

To ensure Sanken Electric's sustainable growth, I place particular emphasis on three pillars: capital allocation, risk management, and IR activities (dialogue with investors). By organically integrating these elements, we aim to achieve continuous growth and long-term value creation for the Company.

We are pursuing a capital allocation strategy that strikes a balance between growth and financial soundness.

To enhance corporate value, it is crucial to determine where and when to allocate limited management resources. As CFO, my goal is to advance a capital strategy that achieves both growth investment and shareholder returns, while maintaining a sound financial foundation.

The Noto Peninsula Earthquake in January 2024 caused severe damage to our production sites. In response to this challenging situation, we undertook a comprehensive review and redesign of our financial structure. As part of these efforts, we sold a portion of our shares in Allegro MicroSystems, Inc., a consolidated subsidiary of ours. We allocated the proceeds toward four key areas: (1) reduction of interest-bearing debt, (2) support funding in connection with the third-party allotment of new shares by PSL, (3) growth investments to expand business activities, and (4) shareholder returns through share repurchases. These corporate actions were not merely asset disposals, but strategic capital reallocation decisions aimed at elevating corporate value to the next stage.

Ultimately, corporate value is reflected in how the market evaluates the Company, with one of the most representative indicators being the stock price. I believe that improving corporate value requires both maintaining a sound financial foundation and demonstrating a clear path toward higher profitability. To earn investor confidence in these two areas, Sanken Electric must continue to improve its earnings structure by increasing the ratio of new products and reducing costs. Furthermore, strengthening our governance system is essential as a management foundation for growth. By reinforcing management oversight functions, we aim to operate with greater transparency and accountability, thereby fostering continued trust among investors.

We are building resilience by practicing robust risk management to prepare for an increasingly diverse range of risks.

In today's rapidly changing external environment, companies must possess the strength and agility to recover quickly from any disruption. I define this capability as resilience. At the foundation of this resilience lies thorough risk management, which I view as an essential element in enhancing corporate value.

The risks surrounding companies are becoming more diversified and complex each year. While some risks, such as financial risks, geopolitical risks, exchange rate fluctuations, and tariff policies, are external factors beyond our control, I believe that the CFO's critical role is to hedge against these risks, protect corporate value, and continuously enhance it over time. We are also strengthening internal controls, which form the backbone of our corporate activities. By reviewing our monitoring systems and risk management processes, we aim to make management decisions more quickly, thereby minimizing risk exposure. Furthermore, as digitalization advances, we continually implement countermeasures against emerging threats, including cybersecurity risks, led by our IT Division. From a financial perspective, we aim to maintain an equity ratio of 50% and a debt-to-equity ratio of 0.9 times or less. While our current levels are healthy, we recognize that growth requires a certain degree of investment, which may at times involve external financing. However, allowing the debt-to-equity ratio to rise unchecked could weaken financial discipline. Therefore, when considering new investments, we remain firmly committed to maintaining a sound financial structure and pursuing sustainable growth under a prudent capital framework.

We are actively engaging with shareholders and investors through timely information disclosure and enhanced IR activities worldwide.

In our IR activities, we actively hold meetings with investors to encourage shareholding by those who evaluate Sanken Electric's corporate value from a long-term perspective and recognize its future potential. While our overseas IR efforts have primarily focused on North America, Europe, and Asia, we plan to expand the number of cities we visit and increase opportunities to meet with new investors. We aim to maintain ongoing communication through regular meetings to address investor questions and concerns in a timely manner. In addition to presenting concrete progress updates at quarterly earnings announcements, we place great importance on responding swiftly to significant external changes such as tariffs or natural disasters. By implementing timely countermeasures and delivering accurate, rapid information, we strive to maintain investor confidence and ensure transparency in all communications.

We are investing in people to attract and develop top talent while fostering a corporate culture that employees can take pride in.

Sustainability initiatives are becoming an increasingly key factor in evaluating corporate value. At Sanken Electric, we have recently strengthened our commitment to respecting human rights. Human rights issues evolve each year in response to changing social conditions, and we acknowledge this as a critical area that requires ongoing attention. In fiscal 2024, Sanken Electric and its domestic group companies identified eight key human rights issues, including harassment prevention, compliance, and respect for human rights. Moving forward, in addition to implementing countermeasures, we plan to conduct human rights impact assessments for our overseas affiliated companies and suppliers on a gradual basis, ensuring continuous human rights due diligence. I intend to take a leading role in promoting these initiatives, including fostering literacy on these matters among management.

We also recognize that investing in people is increasingly vital to attracting and developing exceptional talent, which is the foundation of enhanced corporate value. While we already have training programs tailored to each career stage, simply implementing them mechanically will not differentiate us from other companies. Therefore, we review and expand these programs annually and will further strengthen training for next-generation leaders and current executives alike. Additionally, we are in the process of revising our human resource systems to create a workplace where everyone can find fulfillment in their work. By fostering a culture where employees can proudly say, "I work at Sanken Electric," we aim to create a positive cycle that continuously attracts talented individuals.

Explanation of Financial Position

Through the partial sale of Allegro shares, our financial position has improved significantly. We will continue to ensure optimal allocation of cash inflows and capital while maintaining an equity ratio of 50% or higher and a D/E ratio of 0.9x or less, and executing investments that drive growth.

FY2024 Financial Review

Consolidated net sales for fiscal 2024 decreased 48.3% year on year to 121.619 billion yen, primarily due to the exclusion of Allegro from the scope of consolidation. Although profitability improved at Sanken Core, the overall earnings environment at Allegro led to an operating loss of 3.788 billion yen (compared with operating profit of 19.539 billion yen in the previous fiscal year) and an ordinary loss of 14.276 billion yen (compared with ordinary income of 18.246 billion yen in the previous fiscal year). Profit (loss) attributable to owners of parent amounted to 50.934 billion yen (compared with a net loss of 8.112 billion yen in the previous fiscal year), reflecting the gain on the partial sale of Allegro shares. Funds generated from the sale of a portion of Allegro shares were also used to implement a shareholder return program through the repurchase of up to 6 million shares (maximum amount: 30 billion yen), which began in December 2024.

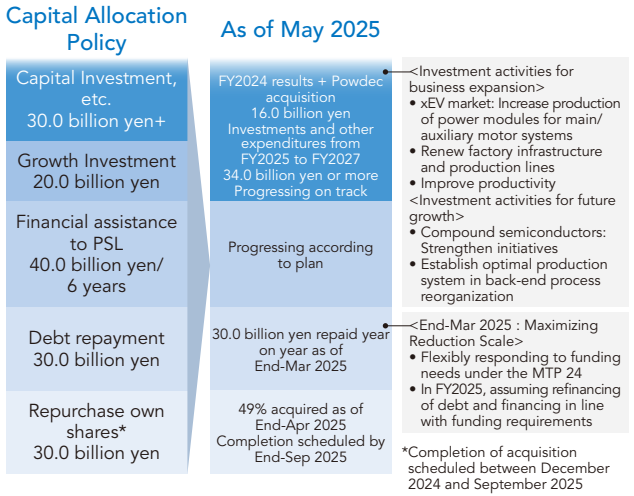
Total assets at the end of fiscal 2024 stood at 259.067 billion yen, a decrease of 124.524 billion yen from the end of the previous fiscal year. This was mainly due to a 25.874 billion yen decrease in inventories, a 60.736 billion yen decrease in property, plant and equipment, and a 71.098 billion yen decrease in intangible assets. Liabilities totaled 111.138 billion yen, down 73.833 billion yen from the end of the previous fiscal year. The main factors were decreases of 16.843 billion yen in short-term borrowings (including the current portion of long-term debt), 12.224 billion yen in accrued expenses, and 49.245 billion yen in long-term borrowings. Net assets totaled 147.928 billion yen, a decrease of 50.690 billion yen from the end of the previous fiscal year. This was mainly due to a 15.921 billion yen decrease in foreign currency translation adjustments and a 78.749 billion yen decrease in non-controlling interests.

Approach to Capital Allocation

During the period of MTP 24, operating cash flow from our businesses and the utilization of debt through proper monitoring will generate cash inflows of more than 30 billion yen. We will spend more than 30 billion yen on capital expenditures for the expansion of business operations. Furthermore, we will allocate net proceeds of 120 billion yen from the partial sale of Allegro shares based on the following capital allocation policy.

- As investment activities for future growth, we will allocate 20 billion yen to strengthen initiatives for compound semiconductors and establish an optimal production system in back-end process reorganization by incorporating the most advanced smart factory technologies. In fiscal 2024, we executed 16.0 billion yen in total investments, including 1.3 billion yen for the acquisition of Powdec.
- For the financial assistance to PSL, we will allocate 40 billion yen as a one-time extraordinary loss to increase our parent-company equity capital.
- To improve our financial structure, we plan to allocate 30 billion yen to the reduction of interest-bearing debt. We have paid off approximately 30 billion yen as of March 31, 2025, significantly improving the equity ratio to 56.9% and the D/E ratio to 0.4x. As a financial discipline, we have set targets of an equity ratio of 50% or higher and a D/E ratio of 0.9x or less.
- Although we recently suspended the payment of dividends, we executed a 30-billion-yen share repurchase between December 2024 and September 2025 and cancelled them in October 2025 as a form of return to the shareholders who have supported us.

Capital Allocation



Details of Share Repurchase

(1) Type of shares to be repurchased	Common stock
(2) Maximum total number of shares to be repurchased	Up to 6,000,000 shares (24.8% of total outstanding shares, excluding treasury shares)
(3) Aggregate cost of share repurchase	Up to 30.0 billion yen
(4) Repurchase period	December 2, 2024 to September 30, 2025
(5) Method of repurchase	Open market purchases on the Tokyo Stock Exchange

<Total Treasury Shares Acquired>

(1) Total number of shares acquired	4,172,700 shares
(2) Total acquisition value of shares	29,999,335,900 yen

<Status After Cancellation>

(1) Total number of shares issued after cancellation	20,925,360 shares
(2) Number of treasury shares after cancellation	875,766 shares*

*The number of treasury shares after cancellation is calculated based on the number of treasury shares held as of August 31, 2025. Shares of the Company held in trust under the stock compensation plan for directors and other officers are not included in this calculation.

Dividend Policy

In fiscal 2025, in light of the current situation, including the withdrawal from the legacy unit products business and the reorganization of back-end production, we regret to report that no dividend will be paid. We intend to review and determine an appropriate dividend policy in accordance with the outlook for profitability improvement at Sanken Core in fiscal 2026.

Feature

Sanken Core Transformation



Yoshiki Watanabe
General Manager, Business Management Division, Business Promotion Headquarters and General Manager, Program Management Office

Hirofumi Mizuno
Corporate Officer, General Manager, DX Promotion Management Division, Business Promotion Headquarters

Mizuki Utsuno
Director and Senior Corporate Officer Head of Business Promotion Headquarters

Yasuhiro Ifuku
Corporate Officer, General Manager, Business Promotion Division, Business Promotion Headquarters

We are fully committed to realizing the transformation of Sanken Core.

The Business Promotion Headquarters is organized to serve as a cross-functional organization that connects the roles of development, production, and sales, and to promote governance, coordination, collaboration, and alignment across departments. This organizational structure encourages customer-oriented behavior, enhances communication across departments, and enables the organization as a whole to demonstrate its full capabilities. At the same time, company-wide decision-making is carried out through the chief officer structure, which clarifies each executive's duties and responsibilities and drives business reforms to improve profitability.

The primary roles of the Business Promotion Headquarters are the following five areas:

1. Driving company-wide business transformation initiatives
We support a broad range of activities, from operating company-wide business transformation programs to setting management indicators. We also analyze the effects of these transformation initiatives and visualize the results by converting them into actual margin improvements.

2. Budget control and profit-and-loss analysis
Budget control involves activities aimed at securing the necessary level of profit by responding to changes arising relative to the budget, which is formulated by balancing cash generated from business activities with company-wide expenditures. Profit-and-loss analysis converts the impact of business activities into actual margin figures and provides management with indicators for evaluating those activities.

3. Development management
We are operating and developing mechanisms that evaluate the profit-generation potential of products under development to determine whether development should proceed. For products already under development, we visualize cost structures and track development progress.

4. IT-driven business reform
Enhancing information linkage across all departments is essential. Historically, many analyses were performed manually, and we are now building databases to resolve this issue. We also implement and manage a wide range of IT infrastructure, from personal computers to core systems.

5. Promoting alliances
To acquire externally the assets necessary for growth, such as technology, production capacity, and patent licenses, we build partnerships and collaborative frameworks. Most recently, we led the collaboration and acquisition of Powdec K.K., which possessed proprietary GaN epitaxial technology.

In short, we play a cross-functional role across the entire organization, analyzing each department's status and providing support to help achieve the Company's numerical targets (KPIs).

One of our organizational challenges is how to present the effects of various initiatives in a timely manner as we work toward achieving growth. We are currently developing the mechanisms needed to address this issue, and we believe that accurately capturing our rapidly changing business environment is essential.

Building a foundation for sound profitability improvement and sustained growth

In the core elements of the Medium-Term Management Plan 2024, the Company aims to achieve growth through both platform products and customized products under its product strategy, and to pursue the automotive, white goods, and industrial equipment markets under its sales expansion strategy based on segment specific growth strategies. In addition, the three drivers for improving profit are increasing new product ratio, improving earnings from existing products, and COGS reduction. The five organizational roles presented on the previous page directly contribute to Sanken Core's most critical challenge, improving profitability.

Both the product strategy and the sales expansion strategy ultimately converge on the goal of building the top line through new products. Under SPP concept-based development management, gate management aimed at securing appropriate profits for new products that will form the future top line, together with checking business feasibility and design quality within the development pipeline, are key to ensuring the realization of competitive new products. We are improving the mechanisms for development operations that emphasize profit creation, strengthening oversight of development progress, and monitoring trends and the future outlook of new product sales for deployment across the Company. At the same time, we are advancing alliance strategies and initiatives that encourage growth by leveraging external resources and information through collaboration with external partners.

Furthermore, after reflecting appropriate cost structures for fixed and variable costs through business transformation activities, we assess profit improvement plans on a monthly basis. We are also strengthening our management accounting functions to calculate profit and loss by optimizing production, inventory, and expenses, starting from the top line. Through these initiatives, we consistently aim to serve as a driver for further enhancing corporate value.

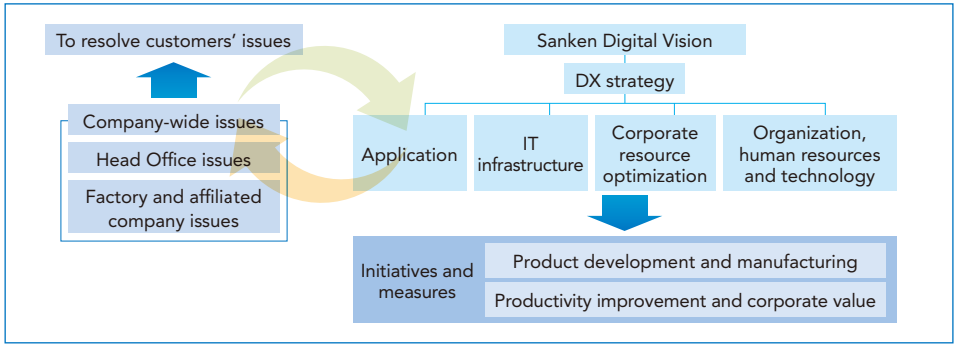
Companywide DX promotion and human resource development

To detect early signs of change in the business environment surrounding power semiconductors and respond quickly, we are advancing a wide range of DX strategies, including building and introducing digital platforms and promoting smart factories. In the Medium-Term Management Plan 2024, we prioritize our DX promotion based on fundamental policies such as data utilization, standardization, automation, and strengthened security. Our mission is to fully leverage advances in digital technologies, maximize the value of power semiconductors, and apply these capabilities to concrete transformation measures across our business activities, thereby contributing to industrial, economic, and cultural development and to people's well-being. Under the Sanken Digital Vision, which defines our company-wide DX direction, all employees across every organization and operation are actively participating in DX promotion. By sharing common goals, they are engaging in a variety of DX initiatives to realize this vision.

Sanken Digital Vision

We will provide customers with innovative products and services and contribute to social innovation by reforming the operations of all employees to make them comfortable and highly productive through proactive use of digital technology.

New Frameworks Led by Our Vision and Strategy



Initiatives Regarding Product Development and Manufacturing

- Further improvement of product appeal and shortening of the period for product development through expansion of SPP to include compound semiconductors
- Expansion of high-power power modules and development of high-performance devices for further-accelerating automobile electrification and intelligent control
- Transformation of business processes through reform of production lines and business processes using digital technology
- Achievement of productivity improvement through optimized data management and use

Initiatives Regarding Productivity Improvement for Employees and Corporate Value

Our DX initiatives span a wide range of themes, and we are working to further enhance corporate value. In terms of applications, we promote decision-making based on data analysis rather than intuition or experience, and advance the establishment of rules, procedures, and standardized workflows driven by frontline operations. For IT infrastructure, we are building secure digital platforms and migrating to the cloud to support the automation and unmanned operation of business processes. From the perspective of optimizing corporate resources, as a semiconductor manufacturer, we aim to maximize value by ensuring the effective use of the management resources we possess. With respect to organization, human resources, and technology, we focus on integrating and developing the organizations and personnel who will lead DX promotion, as well as identifying and evaluating technologies to be utilized.

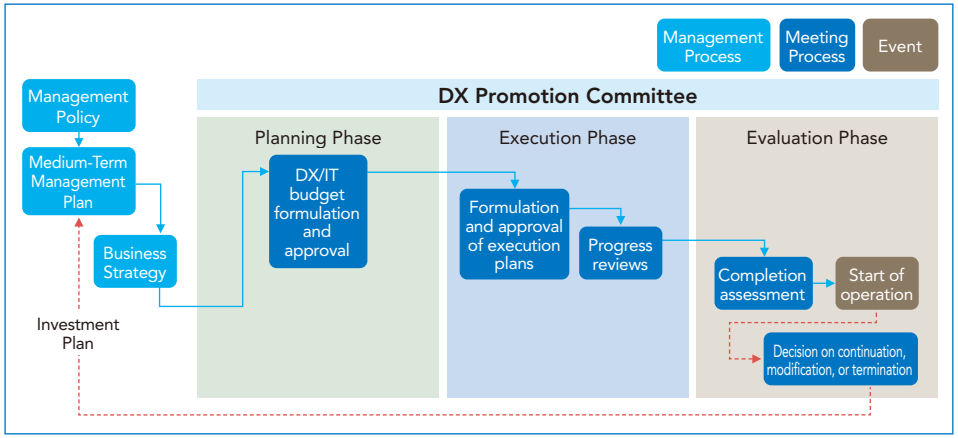
Main DX Promotion Initiatives

Theme	Examples of Our Strategy
Application	Applying generative AI in program development, enabling AI to account for 30% of total development work
IT infrastructure	Maintaining zero operational downtime through strengthened cyberattack countermeasures
Corporate resource optimization	Eliminating the risk of operational stoppages caused by failures in production-related core systems
Organization, human resources and technology	Doubling the number of IT specialists through enhanced training in advanced IT skill sets

Establishing structures that integrate company-wide business transformation with advanced digital technologies

<DX Promotion Committee>

To promote DX in line with our DX strategy, we have established the DX Promotion Committee, chaired by the president, enabling direct leadership from top management.



- To translate the DX strategy into concrete initiatives, division heads are appointed as DX Producers (DXP) and tasked with identifying themes in line with their divisions' challenges where digital transformation is expected to generate meaningful impact.
- At the DX Promotion Committee, DX and IT initiatives in each division are examined during the planning, execution, and evaluation phases, and decisions are made regarding the appropriate allocation of budgets and the adoption and implementation of optimal digital technologies.

<Strengthening the DX and IT Human Resource Structure>

The Company provides DX training programs designed for all employees involved in business operations, from foundational education to level-specific DX training, to ensure that every employee is able to participate in DX initiatives. By improving capabilities in digital technologies, we enhance our ability to solve company-wide issues and connect those efforts to solving customer challenges.

- **DX training for digital talent**

All employees complete DX literacy training (basic level), and we aim to develop digital talent equal to ten percent of all employees, with the goal of obtaining the national IT Passport certification.

- **DX training for semiconductor engineers**

At Sanken Nexus School (N School), the Company's internal technical academy that provides foundational and practical education in power semiconductors, our core business, external instructors are also invited as part of engineer training, and data science courses are offered.

- **Strengthening information systems personnel**

For formulating DX strategies and initiatives and identifying new technologies, we use information from external IT research organizations. In addition, personnel assigned to IT departments at each site have been organizationally consolidated, and we are advancing skill development through team structures organized by technical domain.

<Integrated Digital Platform Supporting DX Promotion>

Based on the DX strategy, the Company is enhancing its digital platform to support the introduction of digital technologies for business transformation and the utilization of activity data. We are steadily developing and deploying the Sanken Integrated Digital Base (SKID), a layered architecture consisting of applications that execute transformed and standardized business processes, databases that consolidate and utilize corporate information, and IT infrastructure that supports these systems.

Value Creation at Sanken Electric

Using management resources efficiently to develop and provide more energy-saving products

Since its founding, Sanken Electric has constantly responded to society's demands and customer needs, refining its unique technologies and creating products. We will deepen cooperation with our customers and partners and innovate technological capabilities so as to provide products of assured quality that help resolve global environmental and social issues, and contribute to the advancement of industry, the economy and culture.

Social Issues and Needs

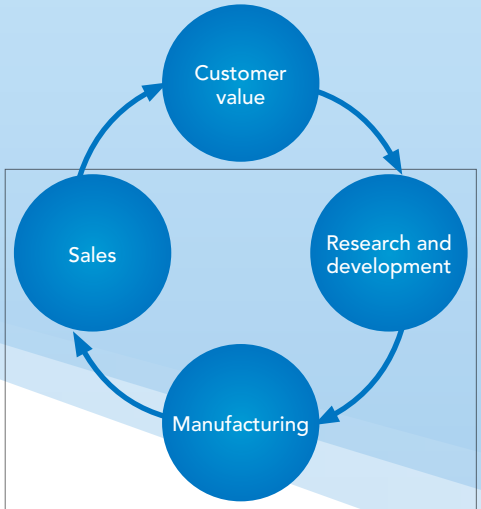
- Expansion of demand for semiconductor products due to technological innovation
- Response to climate change
- Greater demand for environmental conservation around the world
- Need to be more inclusive of diversity
- Respect for human rights
- Response to the decrease in the working population
- Highly transparent management

Input

- Financial capital
- Manufacturing capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

Business Model

- Management strategy (medium-term management plan)
- ESG management and materiality
- Digital governance
- Financial strategy



- Company-wide transformation activities
- SPP development management
- Strengthening of management accounting functions
- Business process reform through IT
- Promotion of alliances

Output

Output

- Power modules (IPMs, motor driver ICs, etc.)
- Power devices (Automotive ICs, power ICs, digital ICs, discrete, LEDs, etc.)

Strengths of our cultivated technologies
Develop and use technologies with a multiple variety of characteristics

High efficiency	High power
Low thermal resistance package	Low on-resistance
High frequency	Low noise
Robustness	High voltage

Outcomes

Value created by our products

For customers

- Electricity saving
- Safety
- Miniaturization

For society

- Comfortable living
- Energy saving
- Safety and security

Vision

Help resolve global environmental and social issues, and contribute to the advancement of industry, the economy and culture

1. Outcomes

Sanken Electric has thus far cultivated capital with a competitive advantage through manufacturing with many customers and partners. We will leverage our brand and knowledge as a dedicated power semiconductor manufacturer to strive to create value both socially and financially.

Input Capital (FY2024 Results)

Financial capital

- Total net assets: ¥259.0 billion
- Equity ratio: 56.9%
- Resolution of capital impairment and increase of equity capital due to partial sale of Allegro shares

Manufacturing capital

- Production bases: 8 total (6 domestic, 2 overseas)
- Capital expenditure: ¥14.4 billion
- Accumulation of high-quality manufacturing expertise regarding power semiconductors over many years
- Accumulation of expertise as BCP measures through experience recovering from repeated earthquakes

Intellectual capital

- Research and development costs to sales ratio: 5.6%
- Accumulation of many years of research and development results, and quality and evaluation capabilities, regarding power semiconductors
- Enhancement of peripheral circuit IP necessary for the formation of power semiconductors
- Magnification of the technological value of power semiconductor-related IP by extending it across multiple fields

Human capital

- Employees: 3,312
  *Consolidated
- Ratio of women: 20.8%
  *Sanken Electric (non-consolidated)

Social and relationship capital

- A solid brand for power semiconductors
- Relationships of trust with customers and suppliers
- Bases for business activities in local communities

Natural capital

- Non-renewable energy consumption: 127,973 MWh
- Renewable energy consumption: 20,323 MWh
- Water intake: 1.89 million m^3

*Sanken Core

Outcomes (FY2024 Results)

Financial capital

- Net sales: ¥90.0 billion
- D/E ratio: 0.4x
- Operating profit margin: 2.2%
- Repurchase of own shares: ¥30.0 billion (December 2024 – September 2025)

Manufacturing capital / Intellectual capital / Human capital / Social and relationship capital / Natural capital

- Percentage of managerial positions held by women: 3.8%[1]
- Total hours spent in social contribution activities: 9,005[2]
- People participating in social contribution activities: 5,554[2]
- Scope 1 (energy sources): 6,235 t-CO_2[3]
- Scope 1 (GHG used in the development and manufacturing of semiconductor products): 16,711 t-CO_2eq[3]
- Scope 2: 59,044 t-CO_2 (renewable energy ratio: 14%)[3]
- Supply chain CO_2 emissions (Scope 3): 387,957 t-CO_2[3]
- CO_2 reduction from renewable energy: 10,591 t-CO_2[3]
  <Breakdown>
  Solar power: 2,699 t-CO_2[3]
  Wind power: 3,625 t-CO_2[3]
  Renewable energy: 4,266 t-CO_2[3]

1. Sanken Electric (non-consolidated)
2. Domestic Group companies (Sanken Electric, Ishikawa Sanken, Yamagata Sanken, Fukushima Sanken, Niigata Sanken)
3. Sanken Core

2. The Value of Sanken Electric's Products

Power semiconductors are products for using electric currents efficiently, without waste, and they are characterized by being able to contribute to the reduction of environmental impact and the effective use of resources. Sanken Electric has refined its technologies to combine multiple characteristics, such as high power and low noise, to enhance the value of products.

Basic Technological Theory of Power Semiconductors

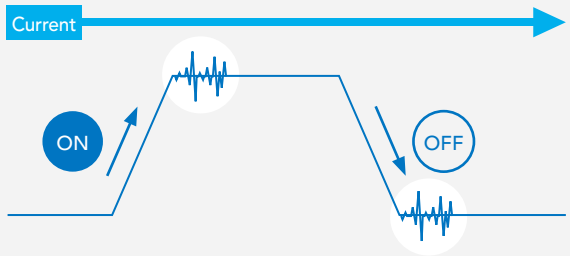
ON When a current is meant to be sent, it is sent smoothly and with low loss.

OFF When a current is meant to be stopped, it is stopped completely and without leakage.

Energy saving/High efficiency
High reliability

thanks to efficient use of currents without waste

A switching noise always occurs when turning the current ON/OFF.



- Low-noise technology is necessary for energy-saving, high-efficiency performance.
- Low noise stabilizes circuit operation, improving reliability.

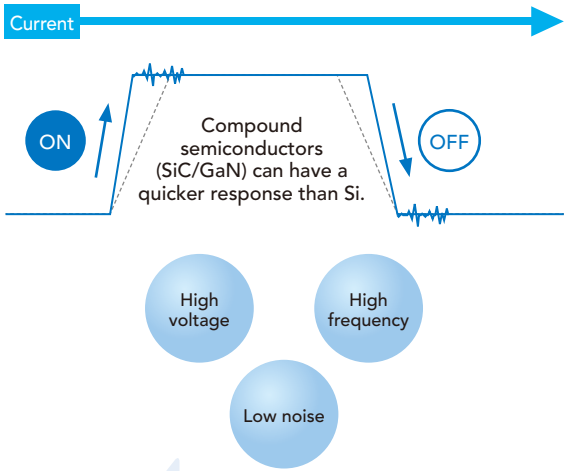


Further Improvement of Added Value Through Our Cultivated Technologies

In developing products that combine multiple characteristics, we skillfully control our cultivated technologies to reduce environmental impact.

Development example 1: High voltage/High frequency/ Low noise

- Capability to develop high-voltage (uncollapsible) element processes
- Integration with high-speed, high-precision switching technology
- Control circuit and IC technology that can control the balance between all elements



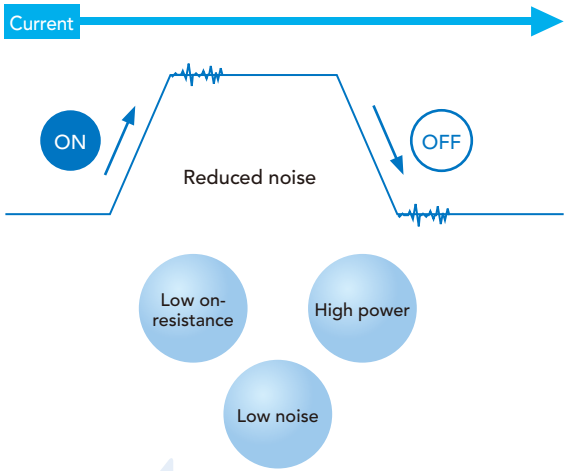
High voltage and high frequency generally result in increased noise, but Sanken Electric's technology enables simultaneous realization of low noise.

* Development of high-voltage power modules using compound semiconductors

p. 22: Technological Development of Sanken Core (GaN)

Development example 2: Low on-resistance/High power/ Low noise

- Capability to develop element processes that generate little heat and have low on-resistance
- Integration with high-speed, high-precision switching technology
- Control circuit and IC technology that can control the balance between all elements



Pursuing low on-resistance and high power generally results in increased noise, but Sanken Electric's technology enables simultaneous realization of low noise.

* Development of high-speed, high-efficiency discrete and module products

3. Technological Development of Sanken Core (GaN)

The market for power semiconductors is expected to continue expanding over the long term, with particularly rapid growth forecast for the GaN power device market.
Under the Medium-Term Management Plan 2024, the Company identified compound devices as a new technological domain and positioned element development in this field as a priority, stating its intention to continue proactive investment to support future growth. In addition to advancing cutting-edge technology development, we have also defined initiatives to enhance execution capability through active collaboration with external partners to accelerate development speed and improve development quality, thereby contributing to higher corporate value.

1 Purpose of GaN Development

- Enhancing customer value: In the automotive, white goods, and industrial equipment markets, our technologies enable greater energy efficiency as well as smaller and lighter end products.
- Contributing to social value: Expected to support environmental initiatives, including CO_2 reduction.

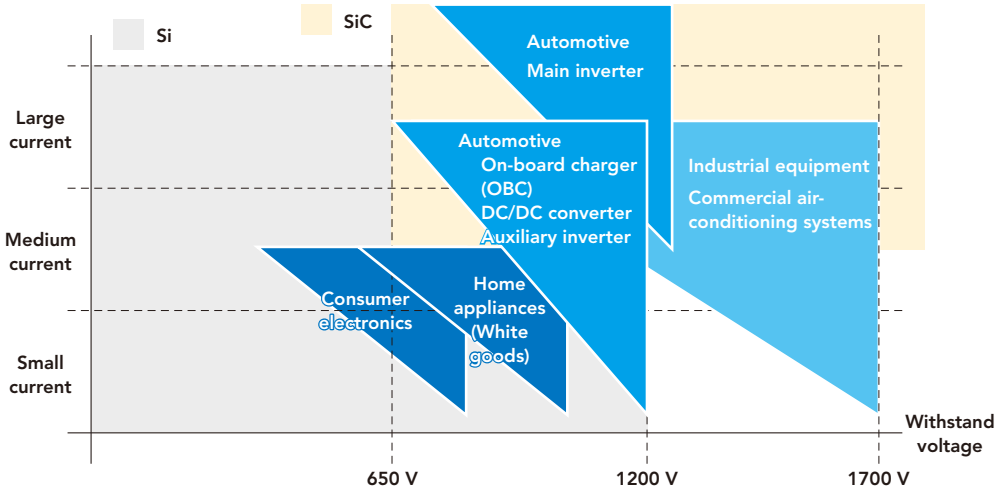
2 Technical Characteristics of GaN

- Enables higher breakdown voltage, lower losses, reduced heat generation, and faster switching compared with conventional Si-IGBT/MOSFET and SiC devices.
- With PSJGaN, the use of a sapphire substrate makes it possible to virtually eliminate the need for stacking expensive buffer layers for insulation, enabling higher breakdown voltage and lower-cost production.

3 Synergy with Sanken Electric's Products

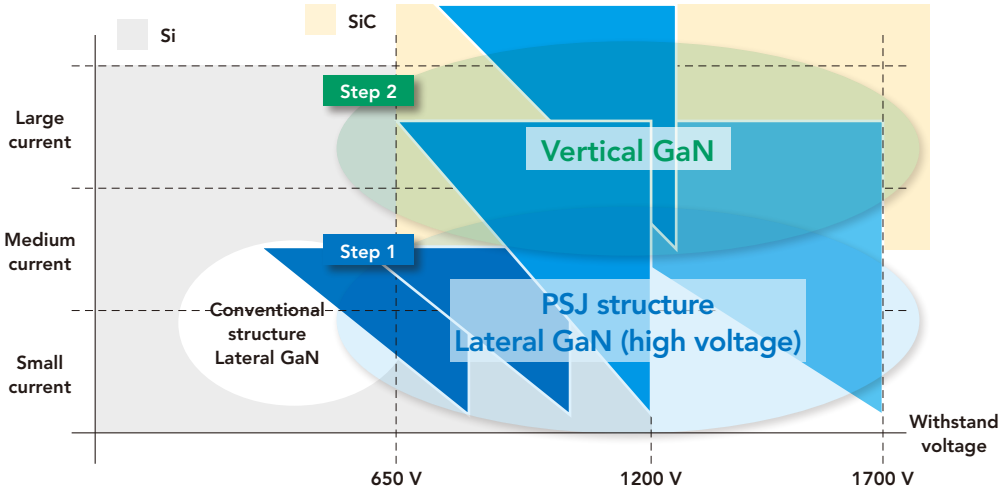
- By leveraging our control technology, one of the Company's key strengths, we can develop optimal GaN driver ICs and integrate PSJGaN into the same package, enabling us to offer products that are even easier for customers to design with.

Application Areas of Si and SiC Materials and Their Distribution



*The triangles represent market power domains, and the colors represent the relative market scale:
■ Large ■ Medium ■ Small

Development Scope for GaN



Step 1: Achieve significant performance gains and downsizing by replacing Si with lateral GaN in the small to medium-current range
Step 2: Develop vertical GaN capable of handling large currents in the future, with the aim of replacing part of the SiC market

Advantages of Transitioning to GaN

Lateral GaN offers lower loss than Si, enabling reduced power consumption, smaller size, and lighter weight. The lateral PSJGaN structure can also cover higher voltage ranges, such as 1200V and 1700V, beyond those of conventional lateral GaN.

Vertical GaN provides better device performance than SiC, achieving higher power density and enabling smaller chip sizes, which, in turn, lead to further miniaturization and weight reduction.

4. The Value Chain

To provide high-value-added products, our divisions related to research and development, manufacturing and the supply chain cooperate to enhance the value chain. We aim to increase sustainable corporate value by optimizing the value chain from the viewpoint of business growth and ESG management.

Research and Development

- Element development
- Product development

Outline

Element development to combine multiple characteristics

- Power element development
- IC process development
- Package development

Product development in response to market and customer demand

- Product concept creation
- Determination, prototyping and simulation of technical specifications
- Combined design of elemental technologies
- Development with a focus on competitive advantage

Important business initiatives

- Initiatives to create highly reliable products
- Planning designs that optimally combine multiple elemental technologies
- Initiatives to increase the speed of market introduction and secure a competitive edge
- Initiatives with an awareness of profitability from the design stage
- Accelerating PSJGaN development and bringing products to market at an early stage

Contributing from the viewpoint of ESG management

- Product design and verification with an awareness of reducing environmental impact at the production stage
- Contributing to improving the environment through energy-saving, high-efficiency power semiconductors
- Securing a development structure overseas to increase the speed of development while proactively utilizing diverse overseas human resources

Manufacturing

- Optimal procurement
- Smart factories
- Production reorganization
- Fab-lite strategy
- Production strategy
- Optimal logistics

Outline

Aiming to achieve both ultimate manufacturing cost efficiency and high product quality

- Promotion of the transition to smart factories to improve factory productivity

Nine Steps for the Transition to Smart Factories

Innovation of production lines

Step 1. Digitalization through paperless operations
Step 2. Collection of equipment data
Step 3. Data analysis and utilization
Step 4. Automation
Step 5. Production system linkage
Step 6. Prediction and forecasting
Step 7. Process control
Step 8. Automatic flow
Step 9. Use of big data

Business process reforms

Creation of efficient production processes, advanced quality control

- Manufacturing process for semiconductor chips (front-end processes)
- Characteristic inspection of semiconductor chips (front-end processes)
- Assembly (back-end processes)

Stabilization of the supply chain through optimal local production

- Optimal local production system with local production for local consumption, taking optimization of BCP and delivery into consideration
- Production management system through Center control
- Optimal logistics measures

Important business initiatives

- Initiatives to improve productivity (optimal mass-production system, quality control)
- Implementation of stable procurement of raw materials (pursuit of quality, cost, delivery and development)
- Establishment of a future production allocation framework following production restructuring
- Issues analysis to strengthen financial responsibility and improve performance at manufacturing sites
- Reduction of variable costs by switching to lower-cost materials and expanding the use of overseas materials
- Achievement of zero defects by improving design quality and manufacturing quality

Contributing from the viewpoint of ESG management

- Creation of production systems and processes with an awareness of reduction of environmental impact
- Stable procurement management taking governance into consideration

Sales

- Sales
- Market strategy

Outline

Grasping customer needs to promote offering new value

- Understanding of market needs
- Interviewing customers about their needs
- Customer support, collection of feedback
- Promotion of sales and the FAE system in Greater China
- Promotion of sales and the FAE system in the ASEAN/Indian region
- Promotion of sales and the FAE system in South Korea
- Creation of a sales system in Europe and the United States
- Focus on new markets such as data centers, large-scale HVAC, and robotics

Important business initiatives

- Initiatives to improve customer satisfaction
- Product lineup solutions
- Close cooperation with sales partner companies
- Through digital transformation provide thermal simulation and other high-capacity technology-related data to customers

Contributing from the viewpoint of ESG management

- Sales promotion of products that contribute to reducing environmental impact
- Securing sales and FAE human resources, particularly in Greater China and South Korea, to strive for proactive utilization of diverse overseas human resources

5. Value Creation and Human Resources

As part of the value creation process, people are the driving force of new value and play a vital role in supporting corporate growth and sustainability.
At Sanken Electric, we emphasize fostering environments where employees can perform to the best of their abilities. By promoting collaboration among diverse human resources, we generate innovation, create added value that leads to profit, and ultimately aim for the sustainable enhancement of corporate value.

Basic Policy on Human Resources

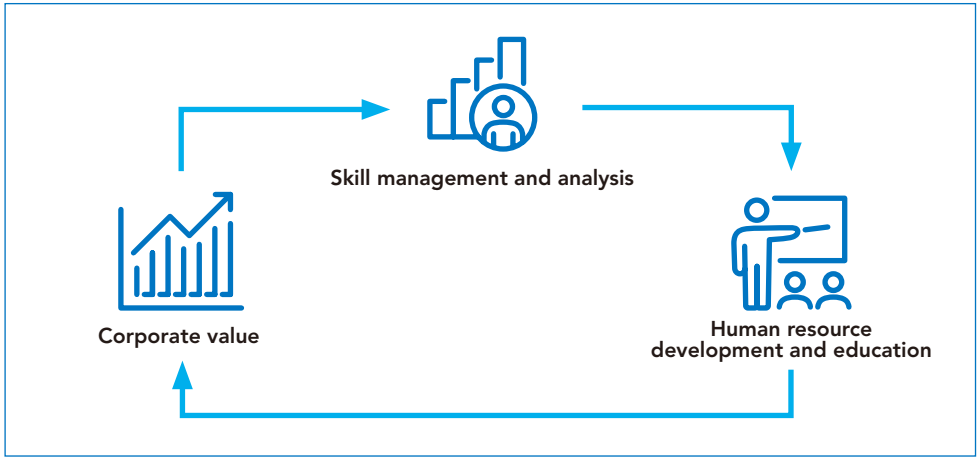
Since its establishment in 1946, Sanken Electric has made semiconductors its core business and accumulated achievements under the mission of providing optimal solutions. To realize this mission, the Company has established the following management philosophy as the foundation of its human resources policy: Innovation in technical and creative capabilities, pursuit of quality, sharing of values, provision of a fair workplace environment, growth as individuals and corporate members, ethics and fairness, and social responsibility with environmental awareness. Based on these principles, we have continuously worked to develop human resources and enhance our working environment. Strengthening human capital is essential for achieving sustainable growth and building a team of capable employees who support the Company. To secure and develop human resources with the skills and mindset required for our growth strategy, we actively pursue multiple recruitment methods in addition to referral hiring. By improving matching accuracy and ensuring immediate readiness, we strive to attract strategic and high-performing personnel.

1. Creating a Workplace Where Employees Find Fulfillment
   - ① Promoting Diversity in Human Resources
   - ② Enhancing the Work Environment
2. Promoting Human Resource Development
   - • Human Resources Development Policy
   - • Training System
3. Supporting Employee Health
   - p. 32: Health and Productivity Management
4. Organizational Transformation
   - ① Employee Satisfaction (ES) Survey
   - ② Facilitation Training

Human Capital Management Initiatives

① Visualization and Enhancement of Skills

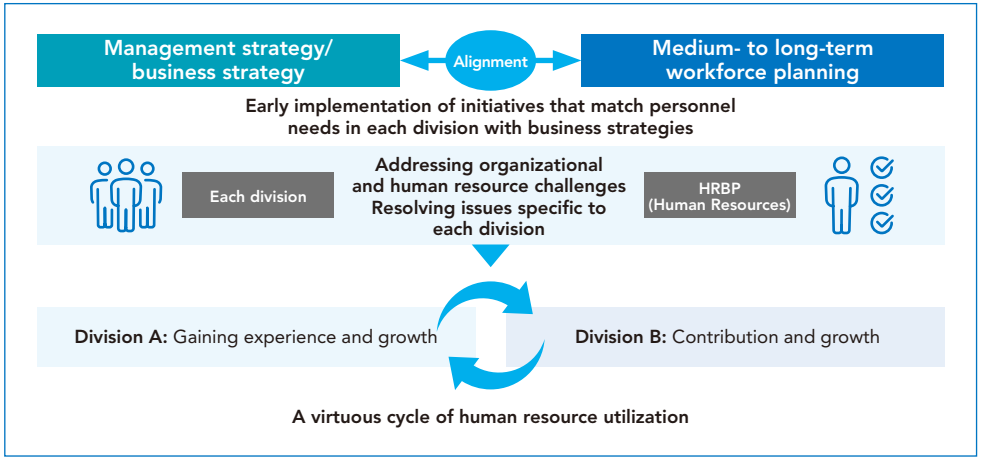
We visualize the skills required of each employee through a skill management system and conduct skill analysis to continuously implement education and training linked to individual skills. These initiatives contribute to improving corporate value.



② Promotion of HRBP Initiatives* for Optimal Workforce Management

We are building a human resources strategy aligned with our business strategy and implementing initiatives to resolve workforce and organizational issues at the operational level. Through these efforts, we aim to establish a sustainable and virtuous cycle of securing and utilizing human resources.

*HRBP initiatives: Support for addressing workforce and organizational challenges such as transfers, recruitment, and development.
HRBP = Human Resource Business Partner



1. Creating a Workplace Where Employees Find Fulfillment

Based on the concept that diverse individuals can work efficiently and connect their efforts to new value creation, we are promoting diversity and work style reforms to build an environment where everyone can work with peace of mind and a sense of fulfillment.

① Promoting Diversity in Human Resources

We are strengthening our human resource foundation as the basis for organizational transformation by promoting the recruitment of individuals with diverse backgrounds, regardless of nationality or gender, and by advancing initiatives that include not only the active participation of women but also the utilization of senior employees.







② Enhancing the Work Environment

We continue to promote initiatives that encourage greater flexibility and activate communication, not only by establishing flexible work systems such as flextime and telework, but also by introducing satellite offices near employees' homes or business trip destinations of employees who find it difficult to work from home, and by fully implementing a hot-desking office system at our domestic production sites and offices.

In addition, to create a workplace environment where everyone can find fulfillment in their work, we began examining the renewal of our personnel system in fiscal 2024.

2. Promoting Human Resource Development

Human Resources Development Policy and Framework

We have established our Human Resources Development Policy, and in fiscal 2023, we revamped our training system and actively conduct training seminars under the philosophy that employee growth leads to company growth. At Sanken Nexus School, which was established in April 2023, we offer a wide range of curricula designed to enhance element development, production, manufacturing, and quality evaluation technologies, thereby contributing to the advancement of power semiconductor technologies as well as to improvements in productivity and added value. We have established a learning structure that enables employees to acquire the necessary knowledge and smoothly pass down technical expertise across generations.

Human Resources Development Policy

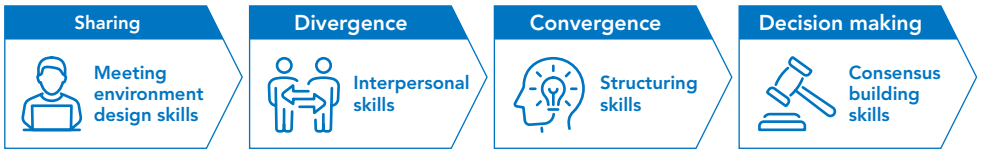
- Our Company provides growth opportunities and supports the progress of each employee through self-improvement, OJT, and other training sessions, while fostering a corporate culture of learning and development.
- Managers have a responsibility to support the development of their team members as they work to foster a desire for growth, provide opportunities for progress, offer feedback, and also lead by example as they work toward their own personal growth.
- Employees are responsible for their own personal growth and undertake initiatives in a proactive and systematic manner.
- We will strengthen managers' ability to develop their team members and support employees' growth and independence.
- We will provide diverse career opportunities regardless of nationality, race, ethnicity, religion, age, or gender, promote diversity, and encourage innovation.
- We will develop global human resources and global leaders who can support our worldwide business operations.

Human Resources Training Framework

	Basic training flexible study	Technical training Nexus School	Stratified training	Management	Global	Other
Managers	Development	Specialization practice		Next-generation leaders	Language learning	Digital transformation (DX) / Correspondence education and self-improvement, etc.
Team leaders	Basic	Introduction	Trainers, coaching, career, leadership, strategy, etc.		GCD	Women's careers and overseas study
General employees						
New employees			New employee training			

Facilitation Training

Based on the results of skill management system analyses, employee satisfaction (ES) surveys, and dialogue sessions held in workplaces, we identified the need to improve consensus-building skills that foster mutual understanding in the workplace. Accordingly, we launched facilitation training in fiscal 2025.



Materiality (Material Issues)

Promoting ESG management by establishing material issues unique to our core power semiconductor businesses

The Company has established two key material issues that we must address in order to allow us to contribute to the resolution of global environmental and social challenges and foster industrial, economic, and cultural advancements.
By integrating this materiality approach into our business practices and promoting ESG management, we aim to simultaneously achieve business growth and contribute to the environment and society.

Sanken Group's Approach to Social Challenges

Sanken Group's corporate philosophy, which describes our basic stance toward social challenges, states that our mission is to provide optimal solutions in our core semiconductor businesses for power electronics and peripheral fields, thereby contributing to the advancement of industries, economies, and cultures all over the world. We believe that ESG initiatives must go beyond so-called social contribution activities, and represent the mission that companies undertake to contribute to the economy and society. To this end, we will promote ESG management by specifying our materiality (material issues) and integrating them into our management initiatives.

Materiality That Represents Sanken Electric's Values

To achieve sustainable growth, the Sanken Group examined materiality from a comprehensive range of perspectives, including our corporate philosophy and medium-term management plan. We mapped and organized material issues by their degree of social interest and degree of impact on our business, identifying material issues that we are uniquely positioned to address as a company that specializes in power semiconductors as one of its core businesses.

We aim to advance energy conservation by providing power semiconductors that contribute to the improvement of society's energy efficiency as a whole. However, since the process of developing and producing power semiconductors involves the use of water resources and the emission of CO_2 and waste, it is also essential that we reduce the environmental impact of our business activities. The Sanken Group has identified "CO_2 reductions through promotion of our main business (energy savings, higher efficiency)" and "reducing the environmental impact of our business activities" as the material issues it should address, as these are closely associated with our business operations. We will promote our initiatives effectively by regularly checking and reviewing these material issues based on changes in the external environment and other factors.

Organizing Materiality Priority and Impact

Materiality (Material Issues) and Activity Themes

While the Company's materiality strongly emphasizes reducing environmental impact, we also believe that in order to realize our materiality goals, it is important to utilize our human capital to improve organizational effectiveness and to strengthen our business foundation, which is the cornerstone of our materiality efforts. As such, we have established and are promoting activity themes that will help us address material issues from each ESG perspective, including those aimed at creating a comfortable working space for employees through health and productivity management and occupational safety and health efforts, as well as initiatives to strengthen governance in areas such as compliance and human rights.

Materiality (Material Issues)



Activity Themes for Achieving Materiality Goals

Environment

- Decarbonization
- Biodiversity

p. 27: Environment

Social

- Health and Productivity management
- Occupational safety and health
- Social contributions
- Diversity
- Respect for human rights

p. 30: Social

Governance

- Raising compliance awareness
- Understanding of the internal reporting system
- Enhancement of information security and cybersecurity

p. 33: Governance

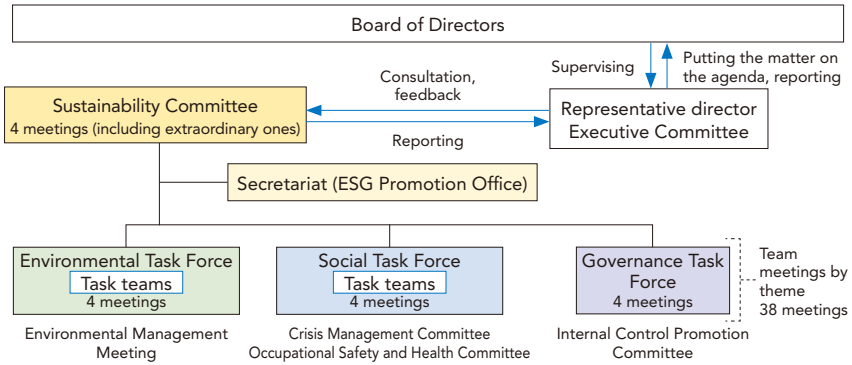
ESG Management

As we seek to respond to diverse changes in our business environment, including measures to protect the global environment, respect for human rights, and sound corporate governance, we intend to make steady progress with our ESG management initiatives. In doing so we will adopt a unified approach that aligns our business operations with the enhancement of our social value as a company, thereby striking a harmonious balance between the creation of social and economic value.

ESG Management Promotion Structure

Since 2020, the Sanken Group has incorporated the SDGs into its management and identified two priority issues: promoting the power semiconductor business that contributes to energy conservation and higher efficiency and reducing environmental impact and CO_2 emissions through business activities. Centered on the Sustainability Committee established in October 2021, three task forces—Environment, Social, and Governance—and thematic teams such as Climate Change work together to advance Group-wide initiatives. Each task force and team reports to the Committee semiannually. Beginning in fiscal 2024, external directors have participated in the Committee as observers, engaging in discussions on a wide range of ESG-related issues. The results of the Committee's deliberations are reported to the Executive Committee, chaired by the president and representative director as its highest authority, and then reported to and discussed by the Board of Directors. These discussions are fed back to the Committee and its task forces and teams and reflected in their respective initiatives. The Committee is chaired by Director Katsumi Kawashima, who serves as the officer in charge of ESG. The Director serving as Audit and Supervisory Committee Member receives activity reports every two months and provides opinions and advice. In fiscal 2024, the Sustainability Committee held four meetings, including extraordinary sessions.

ESG Management Promotion Structure Chart and FY2024 Activities



Risk Management Compliance

Environment

The Sanken Group's core business is semiconductors, and we contribute to reducing environmental impact by providing energy-saving, high-efficiency products. At the same time, we recognize that semiconductor manufacturing and procurement throughout our supply chain also have environmental impacts. We have identified "climate change," "preservation of biodiversity," and "waste management" as key activity themes, and to prioritize these initiatives, we conducted an environmental impact assessment across the entire organization using Life Cycle Assessment (LCA). Specific approaches and responses are discussed at monthly meetings of the Environmental Activities Promotion Team and advanced through ongoing deliberation and confirmation by the Environmental Task Force.

Environment (E) Task Force: 4 meetings

Environmental Activities Promotion Team Meetings: 9 meetings (including one extraordinary meeting)

ISO 1/2 Team Meetings: 6 meetings

Main Agenda Items

- Examination of risks, opportunities, policies, and targets in line with the Taskforce on Nature-related Financial Disclosures (TNFD)
- Calculation and verification of greenhouse gas emissions generated in the development and manufacturing of semiconductor products
- Understanding social trends and the Company's internal management practices concerning chemical substance control
- Environmental ISO 1/2 Integration: Integration of environmental management systems across four domestic Group companies (excluding Niigata Sanken)

Strategy, Indicators, and Targets

LCA analysis revealed that, in addition to climate change, water, and waste, environmental impact from chemical substances and product procurement is also significant. Beginning in the second half of fiscal 2025, we have initiated consideration of carbon footprint calculation for products, enhancement of chemical substance management, and assessment of water-related risks in our supply chain. Regarding chemical substance management, we are starting by building a database to manage chemical substances comprehensively across the entire Sanken Group.

Theme	KPIs	Fiscal 2024 results
Decarbonization	**Reduce CO_2 emissions** 33% reduction in Scope 1 and 2 emissions by FY2030 (FY2020 standard) *	Scope 1 and 2: 81,991 t-CO_2, 23% reduction (FY2020 standard)
	Reduce electricity consumption Reduction of 1.5% year per unit of net sales (By FY2030)	4.5% reduction year on year (per unit of net sales) (12,666MWh increase)
Biodiversity	**Reduction of water consumption** Reduction of 1% year per unit of net sales (By FY2030)	2.7% reduction year on year (per unit of net sales) (197m^3 increase)

* Sanken Core (Sanken Electric, Ishikawa Sanken (Horimatsu, Shika, Noto), Yamagata Sanken, Fukushima Sanken, Sanken Plaza, Semi Devices Reliability Evaluation Center and Dalian Sanken)

Efforts Regarding Climate Change

At the Sanken Group, one of our Basic CSR Policy is to realize a sustainable social environment, we will contribute to the development of the international community through the development, production and sale of products in power electronics and peripheral areas that use high reliability and state-of-the-art technologies. We recognize that addressing climate change is a critical issue in achieving a sustainable society and that our business is also likely to be affected by climate change in many ways. Therefore, from a medium- to long-term perspective, we identify climate-related risks and opportunities, assess their impact on the Group's business, and incorporate appropriate responses into our management plans through scenario analysis. For disclosures on our climate change initiatives in line with the TCFD framework, please refer to our website.

Climate Change Initiatives

FY2024 Progress Highlights

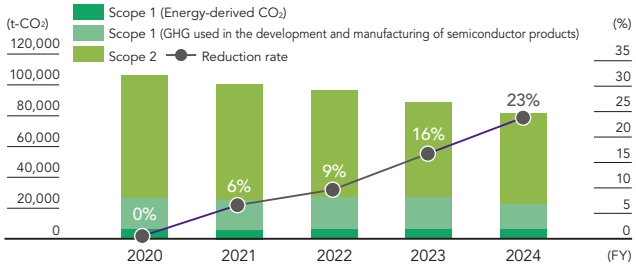
- Third-party verification was conducted for greenhouse gases (GHG) used in the development and manufacturing of semiconductor products. (During semiconductor wafer manufacturing, unreacted gases such as PFCs are emitted as greenhouse gases.)
- Environmental data (excluding Scope 3) from EK Co., Ltd., which was acquired in November 2023, has been included from fiscal 2024.
- Expanded the volume of wind power purchased by Dalian Sanken (from 4.9% to 30.6%).

FY2024 Results

		FY2020 (Base Year)	FY2024 (Post Verification)	Unit	Change from FY2020
Scope 1	① Energy-derived CO_2	6,440	6,235	[t-CO_2]	96.8%
	② GHG used in semiconductor product development and manufacturing	20,002	16,711	[t-CO_2e]	83.5%
Scope 2 ③		79,855	59,044	[t-CO_2]	73.9%
Scope 3		—	387,957	[t-CO_2]	—
Total (① + ② + ③)		106,297	81,990	[t-CO_2]	77.1%

*Scope 1 and 2 calculation scope: Sanken Core (excluding Niigata)
*Scope 3 calculation scope: Sanken Core (excluding EK and Niigata)

Scope 1 and 2: Emissions and Reduction Rates



p. 47: Environmental Data

Fiscal 2024 Scope 3 Emissions by Category

	Category	Fiscal 2024 total (t-CO_2)	Year-on-year
1	Purchased goods and services	306,712	126%
2	Capital goods	11,733	65%
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	38,176	93%
4	Upstream transportation and distribution	10,451	117%
5	Waste generated in operations	2,590	98%
6	Business travel	329	97%
7	Employee commuting	3,808	92%
8	Upstream leased assets	—	—
9	Downstream transportation and distribution	—	—
10	Processing of sold products	—	—
11	Use of sold products	—	—
12	End-of-life treatment of sold products	14,157	143%
13	Downstream leased assets	—	—
14	Franchises	—	—
15	Investments	—	—
Total		387,957	118%

Note: Our emissions are calculated using secondary data

Specific Initiatives Taken So Far

2021	Sustainability Committee established
2022	Sanken Group CO_2 emission reduction targets set Fukushima Sanken purchased 100% of its electricity from renewable sources
2023	Introduced onsite PPAs at the Horimatsu Plant and Noto Plant at Ishikawa Sanken Introduced onsite PPAs at Fukushima Sanken Introduced onsite PPAs at Dalian Sanken Electric and partially replaced purchased electricity source with wind power
2024	Expanded the wind power purchase ratio at Dalian Sanken Electric

Horimatsu District

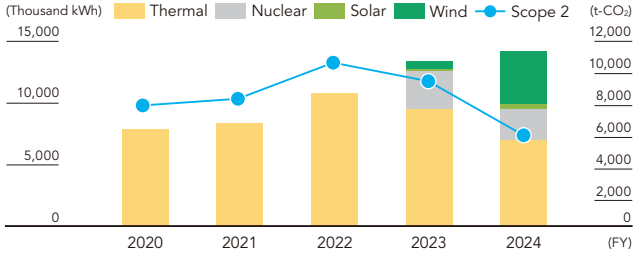




Noto District



Dalian Sanken – Electricity Usage and Scope 2



Future Initiatives

- Ongoing energy-saving measures (internal activity target: reduce electricity consumption per unit of net sales by 1.5%)
- Considering participation in regional greenhouse gas reduction programs
- Examining the further expansion of renewable energy power purchases

Biodiversity Initiatives

Semiconductor manufacturing, the core business of Sanken Electric, uses large amounts of water in the wafer cleaning process and is therefore highly dependent on water resources. Recognizing the potential impact on other industries, local communities, and ecosystems, we view the proper use of water and the preservation of biodiversity as key issues for both our business and the regions where we operate. In line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD), we have identified our dependencies and impacts on natural capital, analyzed and assessed the related risks and opportunities, and, based on these findings, established our basic approach and targets for water resources and biodiversity.

Biodiversity Initiatives

Policy Based on TNFD

Referring to TNFD Guidance

Scoping

Reference to TNFD (ENCORE[1]) in the semiconductor business

Understanding location characteristics

Identifying regional ecosystem characteristics using various tools[2]

Conducting LEAP approach analysis

Identifying dependencies and impacts, risks and opportunities, and management indicators

1. An online tool that helps organizations understand their dependencies and impacts on nature.
2. Water Risk Filter, Aqueduct, Key Biodiversity Areas (KBAs), The World Database on Protected Areas (WDPA)

Assessment of Impact on Natural Capital

LEAP Approach

In accordance with the recommendations of the TNFD, we expanded the scope of our assessment from one domestic plant to six sites across four prefectures in Japan and one site overseas. Following the LEAP approach recommended by the TNFD, we investigated the impacts and opportunities of our business activities on natural capital.

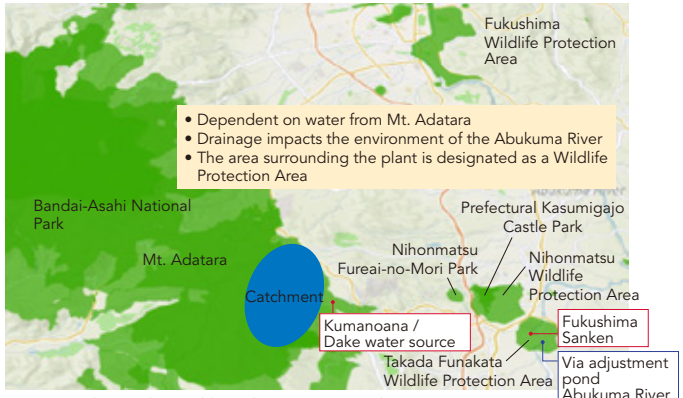
Survey Outline

First, using ENCORE, we researched the main dependencies and impacts of direct operations and the manufacturing of semiconductors, focusing on water, chemicals, waste, and climate change.

At our operational sites and their surrounding watersheds, we used tools such as the Key Biodiversity Areas (KBAs) and the World Database on Protected Areas (WDPA) to identify regions that are ecologically important or particularly susceptible to biodiversity impacts, and examined points of interaction between our business activities and nature. In doing so, we considered the positional relationships of each plant's water intake sources, catchment areas, drainage areas, and downstream locations.

To conduct a more detailed assessment, we also referred to local governments' publicly available Red Lists to examine the potential impacts on species and habitats, as well as the presence of designated invasive alien species.

Water Intake Sites, Catchment Areas, Protected Areas, Drainage Outlets, and Related Rivers (Fukushima Sanken)



Map created using the World Database on Protected Areas (WDPA)

Survey Results

Our study found that the water used at our sites depends on regional mountain areas (catchment basins), some of which are located in areas with high water stress, and that certain plants face flood risks. Information such as river BOD* levels indicates that the BOD of major rivers has improved over time, and the impact of our wastewater is considered limited. Some plants use groundwater; however, there have been no reports of land subsidence.

Regarding biodiversity, regions such as the Midare river alluvial fan in Higashine City and the Noto Peninsula are ecologically important areas where rare species inhabit. Because various chemical substances are used in manufacturing, their proper management is critical. At the same time, under appropriate management practices, it was determined that the impact on species and habitats is minimal.

Based on these results, no sites were identified as requiring immediate action. Although some regions experience water stress or intake restrictions, these risks are considered manageable through planned responses. Going forward, we plan to extend the scope of our risk assessments to include our supply chain.

*BOD (Biochemical Oxygen Demand): An index indicating the amount of oxygen consumed when organic matter in water is decomposed by microorganisms.

Identified Risks and Opportunities

Site	Risk	Opportunity
Group-wide	Reputational risk arising from concerns about the impact of chemical substance use on living organisms and human health	Building trust through communication on chemical substance management
Yamagata Sanken	Shutdown of water-supply pumps due to river flooding	—
	Restriction of water-supply pump capacity	Avoiding operational shutdowns and reducing water costs through water reuse
Dalian Sanken	Located in an area with high water stress , which could result in future restrictions on water supply	Avoiding operational shutdowns and reducing water costs through water reuse

*It was determined that the level of risk identified this time is low.

Social

Amid ongoing technological innovation, diversification of work styles, and changing values, companies are increasingly expected to create environments that support employee growth and engagement. Recognizing human capital as the source of corporate value, we have made respect for human rights a fundamental policy. We are committed to creating a workplace where all employees can find fulfillment in their work by respecting individual abilities and diversity, and by introducing flexible work styles that reflect employee feedback. We also place importance on coexistence with local communities, strengthening initiatives as a responsible corporate citizen through environmental conservation activities, educational support, and assistance during disasters. We have identified health and productivity management, occupational safety, social contribution, diversity, and respect for human rights as key themes of our initiatives, aiming to achieve sustainable corporate growth and contribute to society.

Social (S) Task Force: 4

Safety and Health Promotion Team Meetings : 10

Diversity Promotion Team Meetings: 6

PPAP* WT Meetings: 16

Work Barrier-Free WT Meetings: 9

Main Agenda Items

- Respect for Human Rights – Implementation of human rights due diligence
- Promotion of Diversity – Supporting the balance between caregiving and work; employee interviews (PPAP)
- Occupational Safety and Health – Sharing information on workplace accidents and conducting workplace education
- Health Promotion – SG Joint Health Challenge (Walking Event)

*PPAP: Positive-Thinking Promotion AND Psychological Safety
Purpose: Initiatives aimed at improving employee satisfaction (ES) and mental well-being to promote workplace fulfillment

Strategy, Indicators, and Targets

Our current focus is on addressing global standards related to respect for human rights and developing environments that enable diverse work styles. To this end, we have begun implementing human rights due diligence to identify risks and establish mechanisms for appropriate response. We have also launched two working teams, one focused on work barrier-free initiatives and the other on enhancing job satisfaction, to promote the creation of a comfortable and supportive work environment. Going forward, based on these initiatives, we aim to further develop systems and measures that respond to the diverse life stages and values of our employees.

Theme	KPIs	Fiscal 2024 results
Respect for Human Rights	Human rights education Raising employee awareness of human rights (Human rights education is implemented every two months)	• FY2024: e-learning (two times: January and March 2025)
Health and Productivity Management	Reduction in rate of findings requiring health check follow ups Rate of findings requiring health check follow ups: Decrease fiscal year on year	Rate of findings requiring health check follow ups: 70.5% (-4.3 pts year on year)
	Reduction in smoking rate Smoking rate among total employees 16.0%	Smoking rate: 17.6% (+0.5 pts year on year)
	Mental health • Regular consultations: Once a year • Improvement of rate of paid annual leave usage: Increase year on year	• Consultation services (2 times a year) • Rate of paid annual leave usage: 64.7% (+1.7 pts year on year)
Occupational Safety and Health	Number of workplace accidents Reduction in frequency of occupational accidents from the previous fiscal year • Continue record of zero accidents resulting in lost workdays at Sanken Electric and its domestic Group companies	• No. of workplace accidents: 3 (no change from previous fiscal year) • Occupational accident frequency rate: 0.00 (no change from previous fiscal year) • Sanken Electric Head Office, Fukushima Sanken, and Niigata Sanken achieve zero accidents resulting in lost workdays
Social Contribution Activities	Visualizing social contribution activities • Cumulative time spent on social contribution activities: 4,000 hours • No. of social contribution activity participants: 3,000 people	• Extended activity hours: 9,005 hours (41-hour increase year on year) • No. of participants: 5,554 people (1-person decrease year on year)
Diversity	Support for diverse work styles • Percentage of female employees: Increase year on year • Percentage of managerial positions held by women FY2023: 4%, FY2025: 11% • Rate of eligible men taking childcare leave: Increase year on year[1]	• Percentage of female employees: 20.8% (+0.6 pts year on year) • Percentage of managerial positions held by women: 3.8% (+0.5 pts year on year) • Rate of eligible men taking childcare leave: 114.3%[2] (+20.5 pts year on year)
	Improvement of employment rate of people with disabilities Employment rate of people with disabilities: Increase year on year Statutory employment rate of people with disabilities: 2.5%	Employment rate 2.19% (-0.24 pts year on year)

1. Non-consolidated
2. Because the number of employees taking childcare leave can span multiple fiscal years, while the denominator is the number of employees whose spouse gave birth within the fiscal year, the childcare leave acquisition rate can exceed 100%.

Respect for Human Rights

Approach to Respecting Human Rights

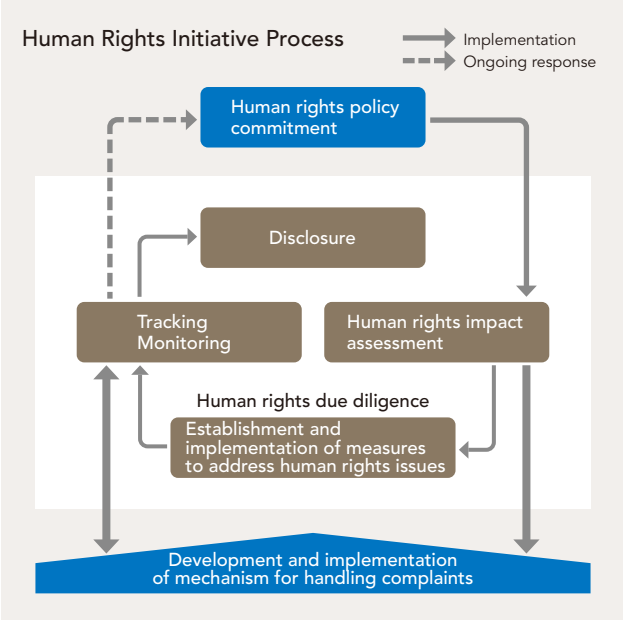
In addition to the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, the Sanken Group also adheres to other international norms and principles related to human rights including the Children's Rights and Business Principles (developed by UNICEF, the UN Global Compact and Save the Children), and is committed to respecting human rights. In November 2022, we formulated the Sanken Group Human Rights Policy and revised the Conduct Guidelines. We have also been working to ensure they are known and practiced throughout the entire Group in Japan and overseas.

Through our products and services, we aim to help realize both physical and mental well-being for people and a sustainable society. In addition to our own employees, we strive to ensure that all individuals working throughout our supply chain can work under conditions that uphold dignity and equality.

Basic Policy

- Respect for basic human rights
- Prevention of harassment
- Prohibition of forced labor and child labor
- Gender equality
- Appropriate management of working conditions

Sanken Group Human Rights Policy



Human Rights Impact Assessment (Domestic Operations)

To ensure respect for the human rights of those who may be affected by our business activities, we established the Sanken Group Human Rights Policy in November 2022 and have been conducting human rights impact assessments to develop a human rights due diligence process. In fiscal 2024, we identified eight human rights–related issues, including harassment, compliance, and respect for human rights, at Sanken Electric and our domestic group companies. As a result of the assessment, we identified occupational safety and health, harassment, and long working hours as key human rights issues that could potentially arise in Japan based on our business environment.

We recognize the importance of incorporating the perspectives of rights-holders in our human rights initiatives and are committed to ongoing dialogue and engagement with these stakeholders.

Going forward, in addition to implementing measures within Sanken Electric and domestic Group operations, we plan to gradually conduct human rights impact assessments at our overseas affiliates and among our suppliers and will continue to advance human rights due diligence on an ongoing basis.

Human Rights Education at Sanken Electric

We believe that respecting human rights is a corporate responsibility that goes hand in hand with expanding our business operations globally. As such, we have been implementing e-learning across the Sanken Group on a total of 14 themes every two months since fiscal 2024. By fostering a culture of mutual respect among employees through human rights education, we aim to create a comfortable working environment, reduce employee turnover, and improve productivity. Additionally, we believe that preventing harassment and promoting understanding of LGBT issues are crucial for creating a workplace that values diversity.

Responsible Mineral Procurement

The Sanken Group is in agreement with international efforts to address the issue of conflict minerals, and strives to obtain the latest information, making reference to the Seminar on Responsible Mineral Procurement held by the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA). We will also cooperate with our business partners to ensure supply chain transparency and promote procurement of components and materials that does not allow human rights violations.

Health and Productivity Management*

Approach to Health and Productivity Management

Faced with social issues such as the decline of the working population due to the aging of society, the Ministry of Economy, Trade and Industry is promoting the strategic implementation of management-oriented initiatives to maintain and improve the health of employees, with the aim of achieving healthy longevity.

At Sanken Electric, we believe that the mental and physical health of our employees and their families is crucial.

With this in mind, we have been promoting a "Health Declaration" since May 2018 in order to foster a working environment in which employees can work with energy and vitality by helping them to improve their wellbeing.

Promoting Health and Productivity Management

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

Sanken Electric appointed its president as Chief Health Officer (CHO), and established a Health Promotion Council comprised of the manager of the Human Resources Division, industrial physicians, and the president of the Health Insurance Association. The Company and the Health Insurance Association work together on various measures to promote health and productivity management, which is positioned as a core strategy of management.

*Health and Productivity Management is a registered trademark of the non-profit organization Kenkokeiei.

Health Management Promotion System

Occupational Safety and Health

Safety Education

The Sanken Group holds annual basic life support (BLS) training sessions to raise employees' awareness of safety. Beginning in fiscal 2025, participation in this training will be mandatory for all new employees, further strengthening our system for responding to emergencies. We believe that equipping each employee with knowledge and awareness of first aid contributes to fostering a stronger safety culture in the workplace, and we will continue to promote ongoing education and awareness-raising activities.

FY2025 Occupational Safety and Health Activity Policy

Social Contribution Activities

Cleanup and Beautification Activities

As part of our social contribution activities that emphasize coexistence with local communities, Sanken Electric conducts monthly cleanup activities around its business sites, led primarily by members of the Social Action Leaders (SAL). These activities not only contribute to improving the local environment but also serve as opportunities to foster employees' sense of social responsibility and teamwork, thereby contributing to value creation as a company. We will continue to strengthen relationships of trust with local communities and carry out initiatives that help realize a sustainable society.





Diversity

Initiatives to Reduce Work Barriers (Balancing Work and Caregiving)

As the Sanken Group's workforce demographics evolve, the number of core employees in their 40s and 50s is increasing. We therefore recognize support for balancing work and caregiving as an important social issue. Respecting each employee's work-life balance, we are introducing flexible work arrangements to create an environment where everyone can continue working with peace of mind. To promote understanding among employees facing caregiving responsibilities and to encourage the use of related systems, we have produced and distributed a Work–Caregiving Balance Support Handbook and established a company-wide support structure. These initiatives are also positioned as part of our diversity promotion efforts, focusing on effective human capital utilization and respect for human rights.



Initiatives of Employee Engagement Working Team

To enhance employee satisfaction (ES) and promote well-being, we have established the Job Satisfaction Working Team to advance related initiatives. In fiscal 2025, the team conducted interviews to gather insights from employees who approach their work positively. The results were compiled, shared within the Group, and published as articles to provide opportunities for employees to better understand one another's work styles and values. In the future, the working team will use these findings to develop measures that further enhance job satisfaction and translate them into concrete initiatives. In addition, we will analyze free-response comments from the employee satisfaction (ES) survey to identify issues and areas for improvement, evolving these efforts into more effective and actionable initiatives.

Governance

Sanken Group promotes management that emphasizes governance to achieve sustainable growth and fulfill its social obligations. The Group has identified the following materiality priorities: "raising compliance awareness," "promoting and ensuring the establishment of internal reporting systems and compliance with the amended Whistleblower Protection Act," and "improving external evaluations." Based on the principles of transparency, responsibility, and fairness, we are strengthening our internal control systems, enhancing information disclosure, and actively communicating with stakeholders. Through these activities, we aim to build trust and confidence in society and establish a sound and sustainable corporate structure.

Governance (G) Task Force: 4 meetings

Main Roles

- **Development and Operation of the Compliance Framework**
  We are enhancing compliance awareness by reviewing internal regulations, ensuring strict adherence to laws and regulations, and planning and conducting employee training programs.
- **Strengthening the Internal Reporting System**
  In response to the amended Whistleblower Protection Act, we are improving the reliability and internal penetration of the internal reporting system.
- **Enhancing Information Disclosure and Ensuring Transparency**
  We are reinforcing ESG-related information disclosure through our Integrated Report and corporate website to fulfill our accountability obligations.
- **Responding to External Evaluations**
  We aim to improve corporate credibility and recognition by addressing ESG ratings and third-party evaluations.
- **Promoting Dialogue with Stakeholders**
  In May 2025, we added an "Other Inquiries (General Contact)" section on our corporate website to collect and respond to inquiries and opinions, thereby building stronger relationships of trust between the Company and society.

Main Agenda Items

- Strengthening Compliance
- Enhancing Information Disclosure – Improving corporate value through analysis of external rating evaluations –
- Supply Chain Management

Strategy, Indicators, and Targets

To address the growing need for risk management across our global supply chain and the increasing social expectations for corporate ethics, we are strengthening supply chain management and working to establish a robust compliance framework that includes our business partners. We are also enhancing the quality of our information disclosure by utilizing analysis of external rating evaluations. Going forward, we will continue these initiatives to further improve the stability of our management foundation and increase transparency in management.

Area	KPI (Indicator)	FY2024–First Half FY2025 Results
Compliance (Companywide Awareness Survey)	Response rate	• FY2024: 97% • FY2025: 98%
Internal Reporting System	Number of reports	FY2024: 11 cases (total for domestic Sanken Group)
External Evaluation	ESG rating score	• Selected as a constituent of the FTSE Blossom Japan Sector Relative Index • MSCI ESG Rating: BBB
Information Disclosure	Enrichment of content / Number of disclosures	• Sustainability information disclosed in the Securities Report • Sustainability website updated • FY2024: 33 cases (FY2023: 28 cases)
Stakeholder Dialogue	Other Inquiries (General Contact): Number of Inquiries	Total inquiries: 118 (0 risk-related inquiries) • Participated in the Saitama Prefecture Road Support Program and conducted community cleanup and volunteer activities at the Head Office and regional sites (Ishikawa, Yamagata, Fukushima, etc.) as part of Social Action activities to promote communication with local communities. • Held workplace dialogue sessions following the employee satisfaction (ES) survey. • Revived the in-house newsletter as a communication tool for messages from management to employees.

Evaluation from external organizations

Selected as a Constituent of the FTSE Blossom Japan Sector Relative Index

"FTSE Russell confirms that Sanken Electric Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products."

FTSE Blossom Japan Sector Relative Index
https://www.lseg.com/ja/ftse-russell/indices/blossom-japan

FTSE Blossom Japan Sector Relative Index

Raising Compliance Awareness

Ongoing Compliance Training

Heads of each department act as compliance leaders, sharing information about their department's compliance challenges with the staff. Additionally, a "Compliance Awareness Survey" is conducted regularly for all executives and employees within the Group to visualize the state of compliance within the Company, employee awareness, and the corporate culture. We believe that adhering to compliance contributes to revitalizing our organizational culture, strengthening governance, and building a better company where every employee can realize their hopes and dreams.

Since April 2023, we have been posting study materials on our intranet every month under the banner of "Establishing compliance study as a regular monthly habit." Rather than simply covering legal compliance, each piece of content sets out examples of situations that could arise in business or at home, encouraging employees to learn about such issues as a jumping off point for their own actions. By deepening employees' knowledge of a variety of topics, including fraudulent transactions, falsification of quality, harassment, and human rights issues, we will raise awareness of the importance of compliance. We designate October each year as "Compliance Reinforcement Month" and conduct comprehension tests to review the compliance case studies covered up to that point.


Compliance leader training


Compliance training content

Compliance

Understanding of the Internal Reporting System

Promoting and Ensuring the Establishment of Internal Reporting Systems and Compliance with the Amended Whistleblower Protection Act

We believe that, as part of fair corporate management, it is essential to detect and correct any misconduct, illegal acts, violations of internal regulations, harassment, etc., within the Company at an early stage. As such, we are promoting a deeper understanding and wider adoption of relevant systems through the establishment of an internal reporting system (helpline) and regular training for all executives and employees.

In response to the growing importance of internal reporting systems and the stricter protection of whistleblowers, the Whistleblower Protection Act has been amended. In line with the enforcement of this revised law, we are enhancing and reviewing the structure and operation of our internal reporting system.

Activity theme and results

- **Strengthening of internal reporting system**
  Enhancing disclosure and management of the number of internal reporting system consultations (including harassment claims)
- **Established a new "Other Inquiries" section**
  On our corporate website to handle comprehensive inquiries related to environmental issues, local communities, human rights, compliance, CSR, and other matters.
- **Fiscal 2024 results**
  - No. of consultations: 11 (total for Sanken Group in Japan)
  - Enhanced reporting channels through the establishment of 4 internal and external reporting channels
  - Conducted a compliance comprehension test for all executives and employees as part of "Compliance Enhancement Month"
  - "Other Inquiries (General Contact)" category newly established in May 2025, with 118 inquiries received as of August; however, there were no inquiries related to company risks such as human rights issues

Internal reporting system

Enhancement of Information Security

The Sanken Group handles confidential and personal information belonging to customers and business partners, as well as confidential and personal information within the Group. To prevent external leakage, falsification, or loss of such information, we have established the Information Management Rules and other related rules and are working to strengthen information management through measures such as developing a Group-wide management structure and formulating a privacy policy. However, there are risks that information could be leaked, falsified, or lost as a result of cyberattacks from external sources or misconduct by officers or employees, or that the information systems of the Group or its business partners could be disrupted. Should such incidents occur, there is a possibility that they could adversely affect the Group's business performance and financial position due to loss of social credibility or the incurrence of compensation costs.

To address these risks, we are implementing various measures to reduce exposure to cyber and information security threats. In terms of cybersecurity, our System Management Group takes the lead in responding to cyberattacks, preventing and detecting unauthorized access, restricting data access, and conducting response training for all employees. We also conduct regular internal evaluations related to cybersecurity. Regarding human security, we ensure proper use of social networking services (SNS), restrict the use of portable storage media, and strictly prevent the removal of confidential information by departing employees. In addition, we strengthen awareness by incorporating information management topics into our compliance education programs for employees.

Risk Management (Information Security)

Board of Directors



1 Tatsuaki Seki
External Director

2 Osamu Yanagisawa
External Director

3 Yumiko Moritani
External Director, Audit and Supervisory Committee Member

4 Mizuki Utsuno
Director
Senior Corporate Officer

5 Hiroshi Takahashi
Representative Director, President and CEO

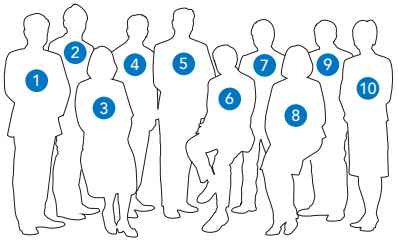
6 Hideki Hirano
External Director

7 Katsumi Kawashima
Director
Senior Vice President, CFO

8 Yumi Ogose
External Director, Audit and Supervisory Committee Member

9 Yasuhisa Kato
Director, Full-time Audit and Supervisory Committee Member

10 Mariko Sugawara
External Director



Directors

Representative Director, President and CEO	
Hiroshi Takahashi	
Directors	
Katsumi Kawashima	Senior Vice President, CFO
Mizuki Utsuno	Senior Corporate Officer
External Directors	
Hideki Hirano	
Mariko Sugawara	Chief concurrent position(s): Attorney at Ohara Law Office and Director of Sozei Soshou Gakkai (Tax Litigation Association)
Tatsuaki Seki	
Osamu Yanagisawa	Chief concurrent position(s): Executive Officer, IGW Japan Limited
Directors (Full-time Audit and Supervisory Committee Member)	
Yasuhisa Kato	
External Directors (Audit and Supervisory Committee Members)	
Yumiko Moritani	
Yumi Ogose	Chief concurrent position(s): Adjunct professor at Department of Management of Technology (MOT), Graduate School of Management, Tokyo University of Science

Directors' Work Experience (Notice of Convocation of the 108th Ordinary General Meeting of Shareholders p. 6-17)

Corporate Officers

Executive Vice President, COO	
Satoshi Yoshida	
Senior Vice President, CFO	
Katsumi Kawashima	Head, Corporate Design Headquarters
Senior Vice Presidents	
Myungjun Lee	Head, Strategic Business Headquarters
Senior Corporate Officers	
Mizuki Utsuno	Head, Business Promotion Headquarters
Mitsunobu Fukuda	Head, Engineering Development Headquarters
Kazuo Akaishi	Head, Manufacturing Headquarters
Toshio Noguchi	Head, Sales Headquarters
Corporate Officers	
Hironobu Soh	Deputy Head, Engineering Development Headquarters
Hirokazu Maruo	General Manager of Corporate Planning Office, Corporate Design Headquarters
Kojiro Hatano	General Manager of North America Market Research Office, Corporate Design Headquarters & Seconded to Sanken Electric USA Inc.
Hirofumi Mizuno	General Manager, DX Promotion Management Division, Business Promotion Headquarters
Keiji Hannuki	General Manager, Process Engineering Division, Engineering Development Headquarters
Yasuhiro Ifuku	General Manager, Business Promotion Division , Business Promotion Headquarters

Approach to Skill Sets

To ensure that the Board of Directors as a whole possesses the skills necessary to execute management strategies, we prepared a skills matrix for the new management structure following the Annual General Meeting of Shareholders and conducted deliberations on its content at a meeting of the Board of Directors. The details of this skills matrix are disclosed in the Notice of Convocation of the Annual General Meeting of Shareholders.

Recognizing that external directors are expected to play an important role in reflecting changes in the business environment in our management strategies, we appoint external directors who have experience in corporate management.

Skills Matrix of Directors and Definitions of Each Skill

	Name	Corporate management	Finance and accounting	Industry knowledge	ESG	DX	Global operations	Risk management Compliance
Director	Hiroshi Takahashi	●		●		●	●	●
	Katsumi Kawashima	●	●		●		●	●
	Mizuki Utsuno	●	●	●		●		
External Director	Hideki Hirano	●	●					
	Mariko Sugawara				●			●
	Tatsuaki Seki	●	●	●	●			●
	Osamu Yanagisawa	●	●			●	●	
Director, Full-time Audit and Supervisory Committee Member	Yasuhisa Kato			●	●			●
External Director, Audit and Supervisory Committee Member	Yumiko Moritani	●	●		●	●		
	Yumi Ogose	●			●			●

Field	Definition of skill
Corporate management	Contribute to the management of business operations with a broad, strategic outlook amid changing business environments.
Finance and accounting	Contribute to financial strategies that incorporate medium- to long-term perspectives, such as optimal allocation of capital and reinforcing the Group's financial base to mitigate risk.
Industry knowledge	Contribute to high-level business decisions based on knowledge and personal connections related to the Company's business, including semiconductors.
ESG	Contribute to the realization of a sustainable society by pursuing ongoing improvements to corporate value and working to foster harmonious coexistence with all stakeholders involved with the Group through its business activities.
DX	Strengthen the Group's ability to respond to cyberattacks while promoting efficiency in development, production, and sales through innovative use of digital technologies and data.
Global operations	Contribute to business promotion based on international business experience and knowledge of market trends and country risk, as many of the Company's customers and business domains are overseas.
Risk management Compliance	Recognize external environmental changes and understand the laws and regulations relevant to those changes in order to identify and manage significant business risks.



Messages from External Directors

We have adopted a company structure with an audit and supervisory committee, in which external directors constitute a majority, enabling us to leverage their diverse knowledge and experience in management. Going forward, we will enhance the effectiveness of the Board of Directors by engaging in constructive discussions that draw on each director's area of expertise. In this message, our external directors share their perspectives and aspirations.

Key Perspectives from the Messages

- Role, expertise, and experience as an external director
- Key discussion points for enhancing the Company's corporate value



Hideki Hirano External Director

Triggered by the Noto Peninsula Earthquake, fiscal 2024 marked a year in which we rapidly accelerated our transformation through decisive actions, including the partial sale of Allegro shares, a third-party allotment at PSL, and the difficult decision to close the Ishikawa Sanken Shika Plant. As a result, Sanken Core is now operating with renewed resolve, determined to meet the expectations of its shareholders.

Having steadily implemented structural reforms over the past several years, the necessary actions have already taken root among all employees, who are now focusing on three key priorities: thorough cost reduction, strengthening new product development capabilities, and top-line expansion. As an external director, I will closely monitor the progress of these initiatives from a shareholder perspective and ensure proper oversight to improve the Company's share and corporate value.

Since I was appointed an external director in June 2024, I have made it a priority to deepen my understanding of Sanken Electric. Although the Company has adopted a structure with an audit and supervisory committee in which external directors constitute a majority, enhancing the effectiveness of the Board of Directors is essential to improving corporate value and addressing risks. Achieving this requires that external directors actively engage in discussions, leveraging their diverse backgrounds and maintaining perspectives that reflect those of shareholders, employees, business partners, and other stakeholders.

As an attorney, I have been involved in various risk management, compliance, and M&A matters. Drawing on this experience, I intend to contribute to invigorating discussions at the Board from an external perspective and to play a role in monitoring management execution.



Mariko Sugawara External Director



I was newly appointed as a director this year. In my previous position at Seiko Epson Corporation, I held multiple executive roles, including CFO (Finance and Accounting), CCO (Compliance), CSO (Corporate Strategy), and CSuO (Sustainability), and led a companywide project to completely renew the global IT infrastructure.

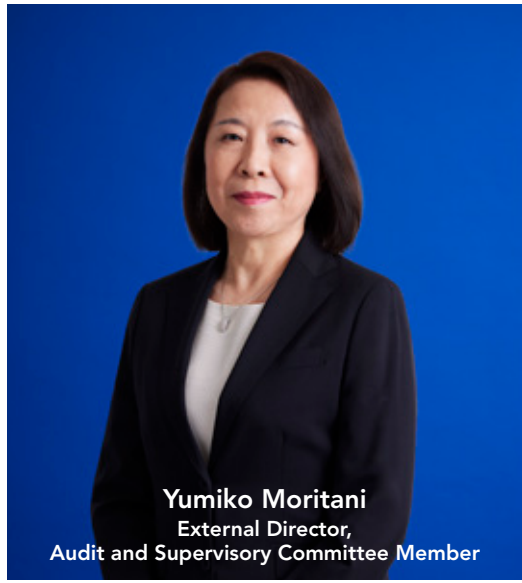
In corporate management, I believe it is essential to enhance risk awareness with a forward-looking perspective, formulate long-term strategies to transform existing success patterns—such as portfolios, business models, and organizational design—and execute them with unwavering determination.

As an external director, I intend to leverage my external perspective and prior experience to stimulate discussions, support the management team in decision-making and execution, and contribute to enhancing the Company's corporate value.



This year I was newly appointed as a director. After working at several major foreign-affiliated companies where I was involved in finance and accounting, corporate strategy and planning, and post-merger integration (PMI), I have spent the past decade gaining broad experience launching startup businesses. I also served for seven years as a reviewer and advisor for a program under the Ministry of Education, Culture, Sports, Science and Technology (MEXT), supporting the commercialization of technological seeds. I have long been connected to the semiconductor industry, having previously worked in the trading of used fabrication equipment and leasing of new equipment, as well as at a leading CPU manufacturer.

As the environment surrounding the power semiconductor business continues to undergo significant change, I will, as an external director, provide oversight and guidance to strengthen the Company's agility and help Sanken Electric establish a solid industry position as an independent manufacturer both in Japan and overseas.



It has been two years since I was appointed as a member of the Audit and Supervisory Committee. I believe last year was one of the most transformative periods in Sanken Electric's history. Through the partial sale of shares in Allegro and a third-party allotment at PSL, both of which had been consolidated subsidiaries, the two companies were excluded from the scope of consolidation.

The use of funds from the sale of Allegro shares for shareholder returns, new investments, and financial strengthening demonstrates the Company's strong determination to survive and grow in the competitive semiconductor industry. To ensure sound, sustainable growth, strengthening Sanken Core's profitability and developing the next generation of human resources are key priorities. While closely monitoring the uncertain global environment, I will continue to fulfill my supervisory responsibilities by overseeing the Company's efforts to address these challenges.



I have served as an external director since 2023, and beginning this year, I will also take on the responsibilities of an Audit and Supervisory Committee member, approaching this role with a renewed sense of commitment. Going forward, I intend to contribute to enhancing the Company's corporate value by supporting the formulation of a clear vision and strategy, while emphasizing decision-making that strengthens governance, promotes innovation, fosters human resource development and organizational culture, advances sustainability initiatives, and maintains sound financial health.

At the Japan Patent Office, I handled cases involving intellectual property disputes between companies, and at the university level, I have provided advice on corporate management issues and legal challenges. Drawing on these experiences, I aim to contribute to the Company's sustainable growth and development.

Corporate Governance

Basic Approach

In order to contribute to society through power electronics and enhance corporate value, the Company positions corporate governance as a material management issue and works to enhance its corporate governance system and functions. Effective corporate governance should enable us to consider demands from a wide range of stakeholders and take timely and appropriate actions across our global businesses, which are increasingly diversified and complex, and help us to improve medium- to long-term corporate value while ensuring transparency and fairness. To this end, we will implement the necessary measures and ensure accountability, and actively engage in dialogue with a wide range of stakeholders to further improve corporate governance. Looking ahead, we will continue to examine appropriate internal systems while giving comprehensive consideration to the demands of stakeholders and matters such as the requirements of society regarding corporate governance.

Governance features

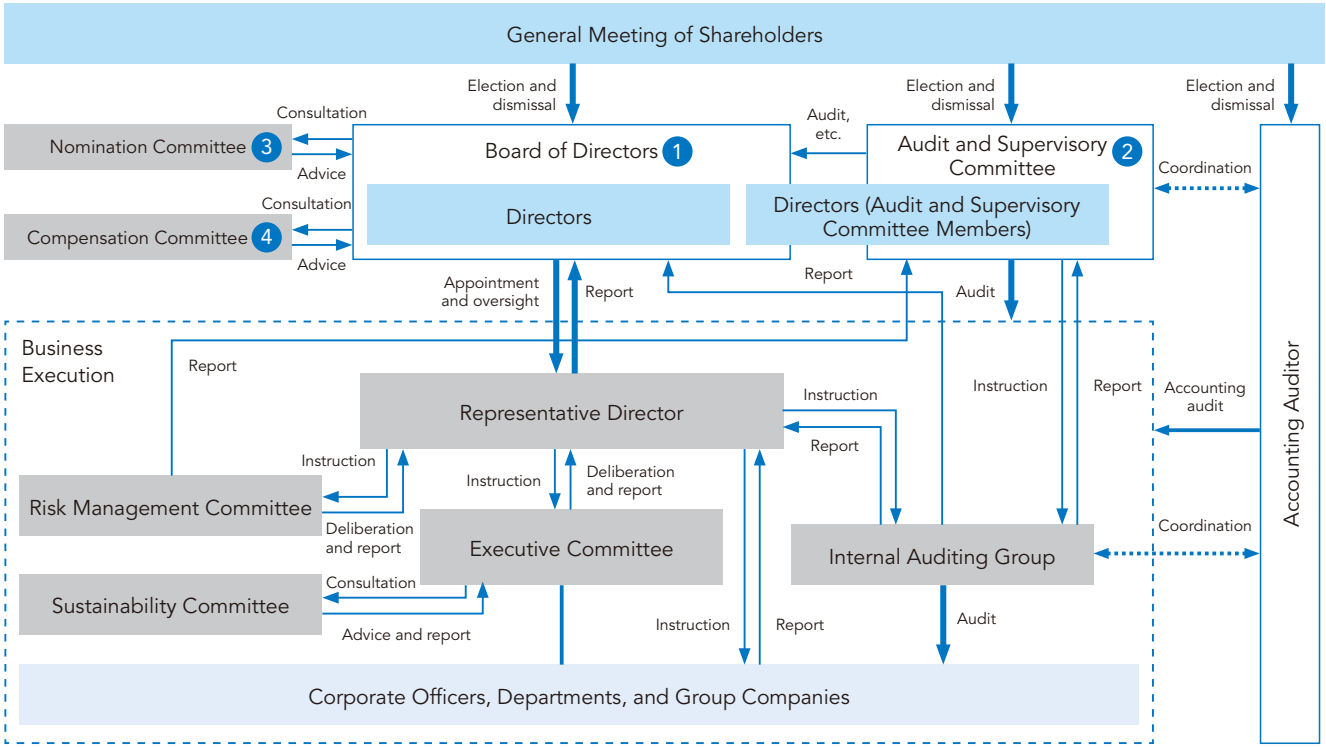
(1) Company with Audit and Supervisory Committee

Comprising a majority of external directors, the Audit and Supervisory Committee ensures transparency in management and more accurately reflects the expectations of stakeholders in Japan and overseas by taking responsibility for auditing and supervising the legality and appropriateness of business execution. By expanding the scope of authority delegated to directors for business execution, we aim to further accelerate management decision-making and execution under the appropriate supervision of the Board of Directors.

(2) Independent external directors make up the majority in the Board of Directors

Among the 10 directors, the Company has appointed 6 independent external directors (2 of whom are Audit and Supervisory Committee members). This ensures objective and neutral management oversight.

Corporate Governance Structure



Composition of the Board of Directors and Committees



Board of Directors

The Board of Directors meets approximately nine times a year, and has the function of deliberating over the Company's material business execution and supervising the execution of duties by directors. The Board of Directors comprises 10 directors, 6 of whom are independent external directors, thereby constituting the majority. Furthermore, 3 of the directors, 2 of whom are external directors, also serve as Audit and Supervisory Committee members. In addition, we have adopted a chief officer system to clarify roles and responsibilities in business execution. Through the executive officer system, we separate management decision-making and supervision functions from business execution functions, thus establishing a structure that is able to rapidly respond to changes in the business environment. As of June 26, 2025, Sanken Electric has 13 corporate officers, 2 of whom concurrently serve as directors.

In fiscal 2024, the Board of Directors met 11 times, including extraordinary meetings, and for important agenda items we provided advance explanations to external directors as necessary regarding the background, purpose, and content of each proposal. In addition, we regularly hold meetings outside the Board to facilitate discussions with external directors on key topics.

Main matters discussed:
- Partial sale of shares and third-party allotment of shares at overseas subsidiaries
- Shareholder returns through the acquisition of treasury stock
- M&A for accelerating the commercialization of compound semiconductors (GaN Devices)
- Activity status of the Sustainability Committee
- Setting of indicators for performance-linked compensation plan for executive officers
- Matters related to the Board of Directors effectiveness evaluation

Audit and Supervisory Committee

The Audit and Supervisory Committee sets the audit policy, audit standards, and audit plan. As necessary, it also revises the internal audit regulations and pre-approvals of the audit plans of the Internal Auditing Group. The committee also audits the legality and appropriateness of the directors' execution of duties in cooperation with the Internal Auditing Group by conducting on-site audits of the Company's divisions and Group companies and surveying the status of matters such as the Company's operations and assets and its use of internal control systems.

Main matters discussed:
- Audit policy
- Regulations, standards, and auditing plans pertaining to audits conducted by the Audit and Supervisory Committee
- Pre-approval of regulations pertaining to internal audits and auditing plans conducted by the Internal Auditing Group
- Reappointment / Refusal of Reappointment of Accounting Auditor(s)
- Appropriateness of the methods and results of audits conducted by Accounting Auditors
- Key decisions made by the Executive Committee

Nomination Committee

The Nomination Committee is made up of a majority of external directors and is chaired by an external director. The Nomination Committee's purpose is to enhance the independence and objectivity of the function of the Board of Directors as well as its accountability regarding the nomination of representative directors, directors, and corporate officers, etc. The committee deliberates on successor candidates for the position of president and representative director, makes plans for the development of successor candidates, the appointment of directors and corporate officers, and other matters, and reports the results of its discussions and provides advice to the Board of Directors.

Main matters discussed:
- The status and direction of the Board of Directors, and based on that, the composition of the Board of Directors and related matters
- Confirmation of the requirements for the successor to the president
- Deliberation on the appropriateness of a development plan utilizing the skill matrix

Compensation Committee

The Compensation Committee is made up of a majority of external directors and is chaired by an external director. The Compensation Committee's purpose is to enhance the independence and objectivity of the function of the Board of Directors and its accountability regarding compensation for Directors, etc. The committee deliberates on the Company's compensation plan for directors and corporate officers, compensation for individual directors, and other matters, and reports the results of its discussions regarding directors (excluding directors who are Audit and Supervisory Committee members) and corporate officers and provides advice to the Board of Directors.

Main matters discussed:
- Review of performance-linked compensation
- Discussion on revision of indicators
- Exchange of opinions on issues and items for examination in director compensation aimed at increasing corporate value
- Determination of recommendations to Board of Directors regarding director compensation

Risk Management Committee

The Risk Management Committee, chaired by the Representative Director, President and CEO, was established in June 2025 to strengthen the Sanken Group's resilience against a wide range of risks surrounding its business.

As society becomes increasingly complex and globalized, the environment in which companies operate continues to change rapidly, creating a greater need for more systematic risk management across the entire Group.
By identifying, assessing, managing, and mitigating risks faced by the Sanken Group, the Committee aims to maintain sound Group management and further enhance corporate value. The status of these initiatives is reported regularly to the Board of Directors, and information is also disclosed to stakeholders in a transparent manner.

Views on Balance, Diversity and Size of the Board of Directors

In terms of the number of members of the Company's Board of Directors, the Company's basic view is that the Board of Directors should comprise an appropriate number of members to ensure an effective management structure and substantive discussions in meetings of the Board of Directors, which are essential to Group management. Furthermore, we select individuals with knowledge of corporate management and international experience, those qualified as attorneys and those with knowledge of finance and accounting to serve as external directors and external Audit and Supervisory Committee members. In addition, we also endeavor to ensure diversity and specialization through such means as appointing female external directors.

Policy and Process for Nominating Officer Candidates

In order for the Board of Directors to perform its duties and responsibilities effectively, the Company believes it is important that a certain number of members of the Board of Directors should be well-versed in the Company's businesses and related issues. Furthermore, in order to ensure the independence and objectivity of the Board of Directors, independent external directors should comprise the majority of the Board, and when nominating such candidates it is important to select individuals who are not only independent but also diverse from the standpoints of gender, knowledge, experience and skills. In this context, candidates for executive director positions who are well-versed in our businesses and related issues are nominated in order to align management in the same strategic direction. For candidates for external director positions, individuals who are independent, have diverse knowledge and backgrounds and are able to contribute to ensuring fairness in business execution from an objective standpoint are nominated. These candidates are expected to provide advice that will lead to improvements in corporate value.

Based on these policies, the Nomination Committee, which comprises a majority of independent external directors, is consulted to advise on candidates for director and corporate officer positions. The committee deliberates and reports to the Board of Directors, which makes decisions while paying the utmost respect to the committee's report. For director candidates who are Audit and Supervisory Committee members, individuals with the skills, experience, and knowledge necessary for audits of the Company, who are deemed able to contribute to the soundness of management, are nominated, and decisions regarding those candidates are made by the Board of Directors after obtaining the agreement of the Audit and Supervisory Committee.

Training Policy for Directors

To ensure that directors possess the knowledge necessary to fulfill their roles and responsibilities, we conduct training programs for newly appointed directors and future executive candidates, with plans to expand the scope and further enhance the content going forward. In addition, we provide and arrange training opportunities tailored to each director, encourage self-development, and support the associated expenses as needed.

Analysis and Assessment of the Effectiveness of the Board of Directors

In order to improve the effectiveness of our Board of Directors, we regularly conduct effectiveness assessments. We will continue our efforts to further improve effectiveness going forward. Based on the evaluation results, we will continue to hold discussions at the Board of Directors to identify issues and consider improvement measures, with the aim of further enhancing the effectiveness of the Board.

Assessment Process

A questionnaire survey was conducted among all directors, and one-on-one interviews were held with external directors.	**Assessment items** (1) Functions and composition of the Board of Directors (2) Board of Directors operations (3) Information disclosure to external directors (4) Improvements implemented since the previous year (5) Comprehensive evaluation

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Disclosure and discussion of the results of the questionnaire and interviews at Board of Directors meetings

Results of Assessment

Overall assessment
- The Company's corporate governance system is seen as generally effective

Opinions and findings from results of questionnaire and external director interviews
- Opinions recognizing the value of holding discussions aimed at providing external directors with information on key themes
- Comments regarding the appropriate number of Board members and age diversity in light of the Company's current scale and business scope
- Opinions on the extent to which external directors should be involved in discussions on business execution to ensure the appropriateness of such execution

Executive Compensation

Matters related to the policy for determining the amount or calculation method of executive compensation

Basic Approach to Officer Compensation System

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

- The system should contribute to the recruitment and retention of outstanding human resources
- Compensation should be appropriate for the rank and role of the officer, and the scope of his/her responsibility
- The system should be a motivator in improving Sanken Electric's corporate value and sustainable growth
- The system should ensure transparency and objectivity in procedures for deciding compensation

Overview of the Executive Compensation System

Based on the basic approach outlined above and the results of deliberations made by the Compensation Committee, which is made up of a majority of external directors, the Company's Board of Directors has chosen a policy for determining the details of compensation, etc. for individual directors (excluding directors who are Audit and Supervisory Committee members), and the outline of this policy is as follows below.

- The compensation for directors is determined according to their position and role and consists of a fixed monthly base compensation and performance-linked compensation that varies depending on the degree of achievement of performance targets. The performance-linked compensation is structured to include a short-term incentive, which fluctuates based on annual performance and is paid each fiscal year, and a long-term incentive in the form of stock-based compensation (a stock delivery trust system), which fluctuates based on medium- to long-term performance and is, in principle, granted in Company shares upon retirement.
- For setting compensation levels, standard total compensation amounts are defined for each position. To ensure market competitiveness, these standards are benchmarked against the results of compensation surveys participated in by major Japanese companies, and the appropriateness of these levels is reviewed annually. The performance indicators and weighting for performance-linked compensation are determined based on the basic policy outlined above and the results of deliberations by the Compensation Committee. The ratio of performance-linked compensation is designed to be approximately 40% when performance targets are achieved.

○ Compensation for external directors (excluding Audit and Supervisory Committee members) consists solely of base compensation, as their roles are not directly tied to business performance. Similarly, compensation for directors who are Audit and Supervisory Committee members is limited to base compensation, reflecting the nature of their auditing duties, and is determined through discussions within the Audit and Supervisory Committee.

<table>
<tr><th>Fixed component</th><th colspan="2">Variable component</th></tr>
<tr><td rowspan="2">Basic compensation 60%</td><td colspan="2">Performance-linked compensation 40%</td></tr>
<tr><td>Short-term incentives 27%</td><td>Long-term incentives (stock-based compensation) 13%</td></tr>
</table>

○ Short-term incentives vary within a range of 0–150% of standard pay, in principle, and are linked to performance indicators for individual fiscal years in order to further raise the motivation of directors to achieve the Company's performance targets for that fiscal year. The performance-linked indicators for all directors are determined through deliberations by the Compensation Committee, and include consolidated operating profit, which is the Company's key performance indicator. Additional individual indicators are set depending on the results expected of each director. With regard to consolidated operating profit, which serves as the main indicator for determining short-term incentives for the current fiscal year, we had initially left our performance forecast undecided due to the exclusion of Allegro MicroSystems, Inc. and Polar Semiconductor, LLC (collectively, the "U.S. business") from the scope of consolidation. However, in November 2024, we announced a forecast of a consolidated operating loss of 5.6 billion yen. Subsequently, Sanken Core recorded an improvement to a consolidated operating loss of 3.7 billion yen. This was due to profits being boosted by the yen's depreciation, which increased foreign currency–denominated sales, as well as higher utilization rates resulting from intensified production ahead of the closure of Ishikawa Sanken Co., Ltd.'s Shika Plant. Nonetheless, losses in the U.S. business during its consolidation period could not be fully recovered. While consolidated operating profit is ordinarily used as the primary performance indicator for short-term incentives, in light of these exceptional circumstances, Sanken Core's operating profit was also used as a key indicator for the current fiscal year.

	Target value	Actual value
Operating profit	(¥5.6 billion)	(¥3.7 billion)
Sanken Core' s operating profit	¥0.4 billion	¥2.0 billion

○ With regard to long-term incentives, a stock remuneration plan has been introduced to enhance the incentive to contribute to medium- and long-term corporate value, align the interests of directors with those of shareholders, and raise the motivation to achieve such goals as performance targets and structural reform stated in the Company's medium-term management plan. Long-term incentives vary within a range of 0–150% of standard pay, in principle, and are linked to rank and performance indicators for the duration of the medium-term management plan. Performance-linked indicators for all directors are determined in deliberations by the Compensation Committee, and consolidated operating profit and consolidated ROE have been designated as performance indicators to emphasize raising business profitability over the medium and long term. In addition, as an expression of our commitment to raising shareholder value, which includes appropriate shareholder returns, relative total shareholder return (relative performance against TOPIX Electric Appliances (IELEC.T)) has been set as a performance-linked indicator. Furthermore, with the aim of enhancing ESG management, we established "ESG items" as performance indicators.

Matters Related to the Resolution on Director Compensation at the General Meeting of Shareholders

In conjunction with the transition to a company with an audit and supervisory committee, the compensation system for directors was revised at the 106th Annual General Meeting of Shareholders held on June 23, 2023.

For monetary compensation, the total compensation limit for directors (excluding Audit and Supervisory Committee members) is set at 500 million yen per fiscal year, of which up to 200 million yen is allocated to external directors. For directors who are Audit and Supervisory Committee members, the total compensation limit is set at 80 million yen per fiscal year.

Separately from the above monetary compensation, a performance-linked stock compensation plan was introduced at the same General Meeting as a long-term incentive for directors (excluding Audit and Supervisory Committee members and external directors), with a total limit of 90 million yen per fiscal year. The total number of points granted to directors under this plan is capped at 90,000 points per fiscal year (with one point equivalent to one share of the Company's stock). As of the conclusion of the 106th Annual General Meeting of Shareholders, there were ten directors (excluding Audit and Supervisory Committee members), including five external directors, and three directors serving as Audit and Supervisory Committee members, including two external directors.

<table>
<tr><th></th><th colspan="2">Directors (excluding those who are Audit and Supervisory Committee members)</th><th>Directors who are Audit and Supervisory Committee members</th></tr>
<tr><th></th><th></th><th>External directors therein</th><th></th></tr>
<tr><td>Monetary compensation</td><td>Up to 500 million yen</td><td>Up to 200 million yen</td><td>Up to 80 million yen</td></tr>
<tr><td>Stock-based compensation (upper limit of trust fund contribution to the Trust)</td><td>Up to 90 million yen</td><td colspan="2" rowspan="2">(not applicable)</td></tr>
<tr><td>Stock-based compensation (upper limit of points granted to directors, etc.)</td><td>Up to 90,000 points</td></tr>
</table>

Activities of the Compensation Committee

Based on the aforementioned basic policy, the Compensation Committee has been established as a voluntary advisory body to the Board of Directors to ensure transparency in the Board's decision-making process and to strengthen corporate governance. An external director chairs the Committee, and a majority of its members are also external directors. In fiscal 2024, the Committee met four times.

The Compensation Committee aims to enhance the independence, objectivity, and accountability of the Board's compensation-related functions. It deliberates on matters such as the structure of the compensation system for directors and executive officers and individual compensation amounts, and reports its conclusions to the Board of Directors.

In this fiscal year, the main topics discussed included a review of performance-linked compensation, examination of performance indicators, and exchange of opinions on issues and points for consideration regarding executive compensation aimed at improving corporate value. The Committee also finalized its recommendations to the Board of Directors concerning compensation amounts for directors.

Matters Related to Delegation for Determining Individual Director Compensation

Individual compensation amounts for directors are determined by the Chairperson of the Board of Directors (or, in the absence of the Chairperson, the President and Representative Director), who is delegated this authority by a resolution of the Board of Directors. This decision is made based on deliberations by the voluntary Compensation Committee, chaired and majority-composed of external directors, while giving maximum consideration to the Committee's recommendations. Factors such as the standard compensation amounts set for each position, set with reference to conditions at other companies, as well as individual performance and contributions to the Company are also taken into account.

In accordance with this policy, the individual compensation amounts for directors for the current fiscal year were determined based on deliberations by the Board of Directors and in line with the recommendations of the Compensation Committee. To enable flexible decision-making under the new management structure following the Annual General Meeting of Shareholders, the Board delegated authority to President and Representative Director Hiroshi Takahashi.

Reason for the Board's Determination That Compensation Decisions Align with Policy

The Board of Directors determined that the individual compensation amounts for directors in the current fiscal year were consistent with the established policy, as base compensation was provided in accordance with position- and role-based standards, and performance-linked compensation was determined based on the degree of achievement of defined performance indicators. All such matters were deliberated by the voluntary Compensation Committee, which is chaired and majority-composed of external directors.

Total remuneration of directors of the filing company by director category, total remuneration by type, and the number of directors eligible for each category

Category of Directors	Total Compensation (million yen)	Breakdown of Compensation by Type (million yen)			Number of Eligible Directors
		Base Compensation	Short-Term Incentive	Long-Term Incentive (Stock Compensation)	
Directors (excluding Audit and Supervisory Committee members and external directors)	150	90	41	17	5
Directors who are Audit and Supervisory Committee members (excluding external directors)	24	24	—	—	1
External Directors	84	84	—	—	8

(Notes) 1. The total amount of base compensation and short-term incentives for directors (excluding Audit and Supervisory Committee members) is within the annual limit of 500 million yen (of which up to 200 million yen is allocated to external directors) as approved by the resolution at the 106th Annual General Meeting of Shareholders. The total compensation limit for directors who are Audit and Supervisory Committee members is within 80 million yen per year as approved at the same meeting.

(Notes) 2. The short-term incentive amounts indicated are those to be paid for the current fiscal year based on a resolution of the Board of Directors in accordance with the shareholder resolution described in Note 1.
3. The long-term incentive (stock compensation) amounts represent the expenses recorded for the current fiscal year.
4. The number of directors (excluding Audit and Supervisory Committee members and external directors) and the corresponding compensation amounts include two directors who retired at the conclusion of the 107th Annual General Meeting of Shareholders. The number and compensation amounts for external directors include one external director who retired at the conclusion of the same meeting.
5. Amounts are rounded down to the nearest million yen.

Cross-Shareholdings

The Company may hold the shares of suppliers and other partners for the purpose of maintaining and strengthening business relationships and increasing its corporate value over the medium and long term. Investment decisions are made by comprehensively considering the overall balance between the benefits gained by the Group through strengthened business relationships and the associated investment amounts. The Company does not hold investment stocks for which the purpose is pure investment. Our policy is to decide whether to make such investments by considering a comprehensive range of factors, such as the profits that the Group can generate by strengthening relationships, and the amount of investment. Every year, the Board of Directors verifies the rationale for owning each individual cross-shareholding from a medium- and long-term perspective by comprehensively considering factors such as the benefits gained from maintaining and strengthening business relationships with the issuing company. In cases where we cannot confirm the rationale for the cross-shareholding, our policy is to reduce ownership of such shares.

Status on Company Stock Holdings

	Stocks held (Companies)	Total balance sheet amount (Millions of yen)
Unlisted stocks	6	58
Stocks other than unlisted stocks	9	1,449

(Note) There were no increases or decreases in the number of shares during the fiscal year.

Policy on Constructive Dialogue with Shareholders

The Company emphasizes constructive dialogue with shareholders, with senior management leading efforts to engage in such dialogue through various mediums. Through engagement in such dialogue, we strive to obtain shareholders' understanding of our management policies. Concurrently, we absorb and reflect their management analysis and opinions, as we work to achieve the Group's sustainable growth and improve corporate value over the medium and long term.

(i) In all dialogues with shareholders, the Company's IR/SR activities are overseen by the CFO and the head of the Corporate Design Headquarters. We have established the necessary organizational and operational frameworks to enable constructive dialogue, with the President and CEO participating as needed.

(ii) The Company's IR/SR activities are managed collaboratively by the Corporate Planning & IR Department, the Corporate Planning & Legal Department, and the Finance Department under the Corporate Design Headquarters.

(iii) In addition to quarterly IR activities related to financial results, we also actively engage in SR activities leading up to the Annual General Meeting of Shareholders. We hold earnings briefings twice a year, participate in conferences and small meetings organized by securities firms, and conduct our own investor meetings. We also visit investors in Europe, the United States, and Asia several times a year to facilitate communication with a diverse range of domestic and overseas shareholders and investors.

(iv) The opinions, expectations, and concerns of shareholders and investors identified through dialogue are consolidated by the Corporate Planning & IR Department. Depending on their significance and nature, they are reported regularly to senior management.

(v) The Company's basic policy is to ensure the substantial equality of all shareholders and investors by maintaining fair information disclosure. Based on this principle, we disclose important information in a timely and fair manner and make every effort to prevent selective disclosure to specific shareholders or investors and ensure thorough information management.

Risk Management

In order to improve the corporate value of the entire Group and achieve sustainable growth, we are working to establish a risk management system that will enable us to appropriately manage the diverse risks associated with our business operations.
Furthermore, we are analyzing and evaluating the various risks associated with our business activities as a whole and taking preemptive measures based on their priority levels to mitigate the potential emergence of risks that could have a substantial adverse impact on our business.

Business Risks and Responses

The Sanken Group assumes the following risks that could affect its business performance, financial position, and other aspects.
The forward-looking statements in this section are based on information available as of March 31, 2025 and contain uncertainties. Therefore, actual results may differ significantly from these statements.

Risks	Risk description	Responses to risks
External environmental risks	 Securities Report p.19 Environmental Risks	
International conditions	Risks to the Group's business operations and financial position arising from global factors such as frequent international conflicts and policy changes in the United States, including increased costs due to soaring raw material prices and energy expenses, difficulties in procuring components, as well as risks to the Group's business operations arising from fluctuations in customer demand caused by reciprocal tariffs, and the impact of legal, institutional, or regulatory changes in various countries.	The Group collects and monitors information on political and economic conditions as well as market trends, striving to build and continually review an optimal supply chain. We have established an internal system for responding to unexpected situations based on the nature of the incident, its seriousness, and the level of impact. The status is reported to the Crisis Management Committee, which convenes regularly. This enables prompt and appropriate action to be taken. With regard to human safety management overseas, in particular, we gather and share information within the Group, enabling us to respond swiftly in times of emergency and minimize negative impacts on business activities.
Foreign exchange rates	Risk of the Sanken Group's business performance being impacted by the conversion of US dollars or other currencies used in accounting in each country and region into yen, depending on the exchange rate at the time of the conversion. Risk that an increase in the currency value of the country where components are sourced or manufactured will lead to elevated production costs.	The Group works to review and optimize the procurement of materials and production locations within the supply chain. In addition, we engage in risk hedging through foreign exchange forward contracts and secure appropriate financing by balancing fixed and variable interest rates. Through these efforts, we aim to minimize the short-term impact of exchange rate and interest rate fluctuations between major currencies, including the US dollar and the Japanese yen.
Capital procurement	Risk of a decrease in credit from the securities markets, financial institutions, or rating agencies, leading to fewer capital procurement options or an increase in the cost of capital procurement.	The Company works to maintain financial discipline in its business activities by formulating capital plans based on predicted future cash flows, constantly ascertaining and reporting the status of progress on these plans, and making appropriate management decisions. Through these efforts, we strive to improve and strengthen our financial structure to consistently meet the requirements of financial covenants. Moreover, we aim to reduce risk by diversifying the means of capital procurement and giving consideration to the periods and maturities of our asset holdings. Going forward, we will strive to realize stable capital procurement by ensuring greater disclosure transparency and maintaining appropriate communications regarding our business and financial position with markets, financial institutions, and ratings agencies.
Environmental problems	Risk that delays in addressing legal requirements and/or reducing environmental impact could result in significant costs for improvement measures, restrictions on business activities, liability for compensation to customers, and/or loss of social credibility, adversely affecting the Group's business performance and/or financial position.	Appropriate management with regard to relevant environment-related regulations is carried out under the environmental management system, through which relevant legal and regulatory systems are regularly confirmed, and information is shared among Group companies. The Environmental Task Force, established under the Sustainability Committee, considers and discusses various measures, the details of which are compiled and reported to the Sustainability Committee, then shared at the Executive Committee and reported to the Board of Directors. This serves to minimize the impact on business activities and promote sustainable business activities, thereby mitigating risk.
Disasters and infectious diseases	Risk that suspension of business activities and disruptions in supply chains due to major earthquakes or abnormal weather events presumed to be caused by global warming, such as torrential rain and major typhoons and hurricanes, could impact business performance. Risk of impact on business performance due to restrictions on business activities or changes in customer and supplier conditions resulting from the spread of infectious diseases.	The Crisis Management Committee conducts assessment and countermeasures of risks related to natural disasters and similar threats, prepares supplies and conducts disaster drills in normal times. Furthermore, the committee works to further strengthen close cooperation with each business location. Since many of the Sanken Group's production subsidiaries are located in Japan, where there is a relative high risk of earthquake, we are working on planning and the practical implementation of earthquake countermeasures under the basic policy to minimize direct damage and enable the rapid and smooth resumption of operations at the Company and Group companies. To highlight a specific contingency response, the Noto Peninsula Earthquake that occurred on January 1, 2024 damaged three Ishikawa Sanken plants (Horimatsu, Shika, and Noto) located near the epicenter of the earthquake, causing a temporary suspension of production and shipments of products at these plants. A disaster response headquarters was promptly set up to confirm the safety of employees as the first priority and then to resume operations at the plants as soon as possible. By the end of March 2024, all plants had fully resumed production. Learning from these lessons, our routine initiatives include the preparation of disaster readiness manuals to prepare for the event of a disaster (such as earthquake, storm, flood, lightning damage, power outages, or fires). Moreover, we are continuing efforts to enhance our ability to respond to major disasters. For example, in disaster evacuation drills, we have adopted hot desking at our offices and the flextime system and implemented an emergency communications system (ECS) as part of a framework for rapidly confirming the safety of employees and their families and swiftly providing assistance during a crisis. Our business continuity initiatives include preparation of business continuity manuals, mainly assuming the risk of major earthquakes, at our production subsidiaries in Japan as part of an effort to minimize damage when a disaster occurs, enabling the rapid and smooth resumption of operations. Drawing on the lessons and experience gained from past disasters, we are actively reviewing our response plans for emergency situations and working to strengthen business continuity by dispersing production sites across Japan and overseas, as well as developing systems and management structures to enhance our resilience. With regard to the risk of infectious diseases, we have established a disaster response headquarters to minimize the impact of new outbreaks of infectious diseases and to examine measures for ensuring the continuation of business operations should such an outbreak occur, based on our experience with countermeasures against COVID-19. In addition, each company within the Group coordinates and shares information with the Company.

Risks	Risk description	Responses to risks
Business activity risks		
New product development	Risk of reduced profitability and adverse impact on the Group's business performance and financial position if it is unable to introduce products in a timely fashion or if its products are rejected by the markets, despite developing and selling products aligned with evolving market needs.	The Company promotes information gathering by each business division regarding market trends, customer needs, and competing products. We also propose and manage marketing strategies based on information analysis by marketing departments and the planning of next-generation products. In tandem, we are working to drive product development that anticipates customers' latent needs, bring products to market promptly, and improve profitability. In new product development, we are also strengthening gate control to monitor quality, cost, and schedule adherence, thereby improving feasibility and adaptability to status changes. We are also accelerating new product development activities by promoting development reforms centered on the Production Development Center.
Price competition	Prices in the semiconductor industry fluctuate depending on demand trends, but in the long term, maintaining competitiveness requires continual cost reductions. As competition intensifies with the rise of rival companies, our product prices are significantly affected, and price competition is expected to become increasingly severe. Risk of reduced profitability due to the appearance of low-priced products from competitors that surpass the Company's ability to compete on price, changes in customer demand, and increases in energy and raw material prices, among others.	The Company promotes information gathering by each business division regarding market trends, customer needs, and competing products. We also propose and manage marketing strategies based on information analysis by marketing departments and the planning of next-generation products. In tandem, we are working to drive product development that anticipates customers' latent needs, bring products to market promptly, and improve profitability. In new product development, we are also strengthening gate control to monitor quality, cost, and schedule adherence, thereby improving feasibility and adaptability to status changes. We are also accelerating new product development activities by promoting development reforms centered on the Production Development Center.
Intellectual property	Risk of increased expenses or restrictions on developing and selling products if a third party establishes intellectual property rights related to the Company's business or if there are intellectual property rights that the Sanken Group is unaware of, which may result in the royalty payments, prohibition of the use of such intellectual property rights, or the filing of lawsuits.	The Group actively promotes intellectual property education to raise employee awareness and conducts thorough investigations of third-party intellectual property rights during product development and design. In its Medium-Term Management Plan 2024, the Group has positioned the acceleration of compound semiconductor device development as a key initiative. Using its own proprietary technologies and expertise, the Group works to differentiate its products from those of competitors and, to protect these unique technologies, files and registers intellectual property rights as necessary, mainly in Japan, other parts of Asia, and Europe and the United States.
Quality problems	Risk of significant costs and a decline in social trust due to product defects that lead to major product recalls, repairs, or compensation for damages.	In addition to strengthening quality control for products currently in production, the Company conducts verification and trend analysis using its proprietary design expertise and accumulated historical defect data. It also implements various measures to ensure quality from the development stage onward via product planning, design, prototyping, and mass production inspection stages, in an effort to ensure the reliability of its increasingly advanced and complex products.
Performance of Equity-Method Affiliates and Investment Partners	Risk of impact on the Company's business operations, performance, and financial position due to deterioration in the performance of affiliates and investment partners.	We regularly monitor affiliates and investment partners and conduct interviews to assess their management status.
Corporate risks		
Information security	Risk of leakage, alteration, or loss of confidential or personal information of customers, business partners, or the Group. Risk of information leakage, falsification, loss, or a suspension of the Group's or its business partners' information systems due to external cyber-attacks or misconduct by the Company's officers or employees. Risk of loss of public trust or the incurrence of compensation costs, which could adversely affect the Group's business performance and financial position in such events.	Through the System Management Group, the Company takes damage prevention measures, such as responding to cyberattacks, preventing and detecting attempts at unauthorized access, introducing data access restrictions, and implementing response training for all employees to mitigate risks, while also conducting periodic internal assessments of cyber security. In terms of personnel security measures, the Company ensures the proper use of social media, restricts the use of removable storage media, and prevents employees who leave the Company from taking confidential information outside of the Company. We have also strengthened information security topics in compliance training for employees to raise security awareness.
Compliance	Risk of serious compliance issues that may result in restrictions on the Company's business activities as well as a loss of social credibility.	To ensure legal and regulatory compliance, the Company has built a system for gathering, analyzing, and discussing information in the supervising departments for each business, Group companies and the Legal Department, consulting and receiving advice from attorneys and other external experts as necessary. With regard to societal standards, the Company conducts periodic compliance awareness surveys of all employees, and has added workplace-based education to individual compliance training, thereby enhancing the quality and quantity of training content. In addition, the Company is continuously reviewing its internal reporting system, which is already in operation, in an effort to improve its usefulness.
Taxation	Risk of significant additional taxation in the event of differences of opinion with tax authorities in various countries and risk of double taxation due to transfer pricing taxation. Risk of changes to taxation systems that exceed the Group's expectations adversely affecting its business performance and financial position.	In addition to its own tax governance system, the Company shares information with its overseas subsidiaries regarding changes to taxation systems in each country or region. This allows the Group to gather information on tax risks early and make decisions regarding how to handle taxes in light of the legislative intent of laws and regulations. When uncertainties regarding tax issues persist, the Company consults with external experts to mitigate tax risks.
Recruitment and retention of human resources	Risk that retaining and securing top-tier human resources will become increasingly difficult due to rapid market expansion and intensified competition for personnel with expertise in technological innovation.	While promoting HRBP initiatives to strengthen people and organizational support for business growth, the Company strives to secure diverse human resources by implementing and reinforcing various recruitment methods, including scheduled regular and mid-career hiring, recruitment of foreign nationals, and referral hiring. We are also leveraging senior employees, promoting work style reforms, and enhancing employee benefits. In addition, as part of our efforts to reduce turnover and strengthen human resource development, we are expanding financial support for employees obtaining professional qualifications after joining the Company, as well as increasing and supporting in-house training programs for acquiring specialized knowledge.

Financial Data (11 Years)

(Millions of yen)

(FY)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Results of operations											
Net sales	¥160,724	¥155,919	¥158,772	¥175,209	¥173,650	¥160,217	¥156,795	¥175,660	¥225,387	¥235,221	**¥121,619**
Operating profit (loss)	11,199	6,803	5,930	12,026	10,531	4,309	(1,198)	13,720	26,156	19,539	**(3,788)**
Operating margin (%)	7.0	4.4	3.7	6.9	6.1	2.7	(0.8)	7.8	11.6	8.3	**(3.1)**
Profit (loss) before income taxes	11,575	2,068	4,582	(6,505)	9,028	(1,638)	(7,197)	13,275	26,250	9,530	**50,501**
Profit (loss) attributable to owners of parent	7,942	171	1,739	(11,421)	3,967	(5,559)	(6,952)	3,204	9,533	(8,112)	**50,934**
Cash flows											
Net cash provided by operating activities	9,973	7,799	19,237	14,521	14,604	13,118	7,629	13,675	19,200	15,528	**(9,706)**
Net cash provided by (used in) investing activities	(14,234)	(11,344)	(10,931)	(16,644)	(21,783)	(8,311)	(12,294)	(12,598)	(27,679)	(89,111)	**98,051**
Net cash provided by (used in) financing activities	5,692	5,044	(3,360)	13,233	(1,990)	12,215	21,086	(6,592)	11,712	51,275	**(47,891)**
Financial indicators											
Return on assets (ROA) (%)	5.8	2.0	2.7	6.4	4.9	1.4	(1.6)	5.7	10.0	(7.0)	**(4.4)**
Return on equity (ROE) (%)	14.3	0.3	3.2	(20.8)	7.0	(10.3)	(10.4)	3.6	9.3	(7.0)	**38.2**
Per share*											
Total net assets per share (yen)	516.22	441.96	448.87	2,283.31	2,405.01	2,063.21	3,463.44	3,934.87	4,601.59	4,943.45	**6,371.74**
Profit (loss) per share (yen)	65.50	1.41	14.35	(471.22)	163.70	(229.83)	(287.96)	132.79	394.87	(335.99)	**2,119.53**
Cash dividends per share (yen)	6.50	3.50	3.50	30.00	30.00	30.00	0.00	30.00	30.00	15.00	**0.00**

* Figures for fiscal 2017 onward have been adjusted to reflect a 5:1 stock consolidation implemented on October 1, 2018.

Non-Financial Data (5 Years)

Environmental Data

(FY)	2020	2021	2022	2023	2024
Power consumption (MWh)	150,688	153,252	143,655	135,630	**148,296**
Scope 1 CO_2 emissions (t-CO_2)	26,442	25,486	27,572	27,541	**22,947**
Scope 2 CO_2 emissions (t-CO_2)	79,855	74,938	69,458	61,338	**59,044**
Scope 3 CO_2 emissions (t-CO_2)	242,837	–	285,935	329,213	**387,957**
Water intake amount (m^3)	2,120,489	2,062,447	1,990,970	1,711,233	**1,908,155**
Service water (m^3)	343,314	319,945	301,649	296,696	**333,731**
Groundwater (m^3)	720,002	620,965	634,982	458,260	**554,540**
Industrial water (m^3)	1,057,173	1,121,536	1,054,339	956,277	**1,008,506**
Water intake per unit of sales (m^3/1 billion yen)	13,524	11,741	8,834	7,275	**15,692**
Total waste emissions (t)	4,521	4,170	3,318	1,915	**1,972**

1. Scope 1 CO_2 emissions represent the total of energy-related CO_2 and greenhouse gases generated in the development and manufacture of semiconductor products.
2. Scope of calculations includes all Group companies (Group companies include: Sanken Electric Head Office, Ishikawa Sanken[3], Yamagata Sanken, Fukushima Sanken, Dalian Sanken[4], Former Kawagoe Plant[5], Sanken Opt Products[6], Kashima Sanken[7], Sanken Electric Semi Devices Reliability Evaluation Center, non-production sites (Sanken Plaza)
   From fiscal 2022, calculated for Sanken Core (reporting scope: Sanken Electric, Ishikawa Sanken (Horimatsu, Shika, Noto), Yamagata Sanken, Fukushima Sanken, Sanken Plaza, Semi Devices Reliability Evaluation Center, Dalian Sanken and EK[8])
3. January 2022: Reorganization of Ishikawa Sanken's internal plants (Machino Plant was integrated into Uchiura Plant and reorganized as Noto Plant). As of April 2023, Horimatsu Plant, Shika Plant, and Noto Plant were in scope.
4. April 2022: Added to scope of calculation
5. April 2021: Reorganization of business within the Group (transferred to other companies)
6. April 2021: Reorganization of business within the Group (integrated into Ishikawa Sanken Horimatsu Plant)
7. December 2021: Reorganization of business within the Group (integrated into Ishikawa Sanken Horimatsu Plant; closed in May 2022)
8. Wholly owned subsidiary as of December 2023; included in calculations from fiscal 2024 (excluding Scope 3)

Human Resources Data

(FY)	2020	2021	2022	2023	2024
Employees (people)	8,431	8,101	8,707	8,534	**3,312**
└ Domestic employees (people)	3,092	2,547	2,479	2,408	**2,353**
└ Overseas employees (people)	5,339	5,554	6,228	6,126	**959**
└ Percentage of overseas employees (%)	63.3	68.6	71.5	71.8	**29.0**
└ Percentage of managerial positions held by women[9,10] (%)	2.0	3.2	4.5	3.3	**3.8**
Rate of paid annual leave usage[9,10] (%)	52.90	57.00	59.20	63.00	**63.6**
Employment rate of people with disabilities[9,10] (%)	1.96	2.38	2.50	2.43	**2.19**
Frequency rate of workplace accidents[9] (%)	0.00	0.00	0.00	0.00	**0.00**
Severity rate of workplace accidents[9] (%)	0.000	0.000	0.000	0.000	**0.000**
Rate of eligible men taking childcare leave[9] (%)	18.8	47.1	53.8	93.8	**114.3**
Total number of working hours per person[9] (annual)	1,790	1,804	1,884	1,834	**1,839**
Total number of working hours per person[9] (daily equivalent)	7.61	7.61	8.40	8.40	**8.3**
Smoking rate[9] (%)	15.93	15.18	13.01	10.89	**9.50**
Number of whistleblower reports[11]	16	7	6	15	**11**

9. Non-consolidated
10. Calculated based on updated calculation methodology (including restated data for past years)
11. Total for domestic sites

Corporate and Stock Information

Corporate Information

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

► Please visit the following websites or streaming video account for more detailed information.

Corporate Website



https://www.sanken-ele.co.jp/en/

Investor Relations



https://www.sanken-ele.co.jp/corp/en/tousika/index.htm

Sustainability



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

Official YouTube Channel



https://www.youtube.com/@sankenelectric/about

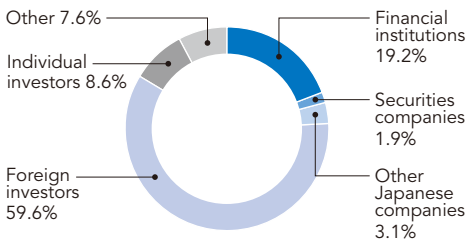
Contact Form https://www.sanken-ele.co.jp/corp/en/tousika/contact/form.htm

Share Information (As of March 31, 2025)

Number of authorized shares	51,400,000 shares
Number of shares outstanding	25,098,060 shares (incl. 1,886,896 shares of treasury stock)
Number of shareholders	7,334

Distribution of Shareholders by Category

(As of March 31, 2025)



Principal Shareholders (As of March 31, 2025)

Shareholder name	Number of shares owned (Thousands)	Ownership percentage
GOLDMAN SACHS INTERNATIONAL	2,406	10.36%
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,025	8.72%
CGML PB CLIENT ACCOUNT / COLLATERAL	1,000	4.30%
MLI for Segregated PB Client	1,000	4.30%
ECM MF	972	4.18%
SAITAMA RESONA BANK, LIMITED	934	4.02%
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	930	4.01%
SUNTERA (CAYMAN) LIMITED AS TRUSTEE OF ECM MASTER FUND	905	3.90%
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	890	3.83%
BNP PARIBAS LUXEMBOURG / 2S / JASDEC SECURITIES / UCITS ASSETS	778	3.35%

(Notes) 1. The Company holds 1,886 thousand (7.52%) shares of treasury stock but is excluded from the principal shareholders listed above.
2. Shareholding ratio is calculated by subtracting treasury stock from the total number of shares outstanding.

Share Price and Trading Volume

	FY2020	FY2021	FY2022	FY2023	FY2024
Total shareholder return (TSR)	246.8%	248.7%	505.0%	322.3%	323.5%
TOPIX (Total Return Index)	142.1%	145.0%	153.4%	216.8%	213.4%

