

Sustainability Report

2023

Brightening the Future



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Editorial Policy

We publish a Sustainability Report to give our stakeholders an understanding of the Shinko Group's initiatives, centered on our environmental, social, and corporate governance efforts.

Period Covered

Focusing on initiatives in FY2022 (from April 1, 2022 to March 31, 2023) and including some of our prior and most recent initiatives

Boundary of the Report

As a general rule, the report focuses on initiatives and data for the Shinko Group as a whole. The boundary is narrowed to individual cases regarding matters for which group-wide data are not available.

- The overall group of companies including SHINKO ELECTRIC INDUSTRIES CO., LTD. is referred to as the "Shinko Group."
- The overall group of companies in Japan including SHINKO ELECTRIC INDUSTRIES CO., LTD. is referred to as the "Shinko Group in Japan."
- SHINKO ELECTRIC INDUSTRIES CO., LTD. is referred to as "Shinko."

Date of Publication

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Reference Guidelines

- GRI, *Sustainability Reporting Standards*
- Ministry of the Environment, *Environmental Reporting Guidelines* (Fiscal Year 2018 version)

Contact Information

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CSR Promotion Department, Sustainability Promotion Division (Tel: +81 (26) 283-6450)

Message from the President

We aim to contribute to the creation of a prosperous future society through advanced devices and technologies, and approaches to the solution of various sustainability issues.

Susumu Kurashima

Representative Director of Board, President
SHINKO ELECTRIC INDUSTRIES CO., LTD.



The environment surrounding us is undergoing major changes. Social and economic digitalization is being driven by the spread of 5G, the rapid expansion of AI use, and the promotion of digital transformation (DX). At the same time, the green transformation (GX) is making progress toward a decarbonized society.

The Shinko Group is contributing to a sustainable society by providing advanced devices and technologies that support the ever-evolving functions of high-performance semiconductors. At the same time, in order to solve diverse social problems that are becoming increasingly global and serious, we address environmental issues such as energy conservation activities and the use of renewable energy in our business, and also deal with social issues such as respect for human rights and diversity, and contributions to local communities. Through all these efforts, our Group aims to contribute to the creation of a prosperous future society.

Toward the Realization of Green Factories

At a time when environmental issues are becoming more serious on a global scale, the manufacturing industry is rapidly expanding its response to GX, which aims to drastically reduce environmental impact by fundamentally rethinking conventional manufacturing practices, such as moving away from massive consumption of fossil fuels and resources and improving production processes that have a significant impact on the environment. In order to further accelerate our efforts to solve environmental problems on which the clock is ticking, we need to transform our corporate activities.

The reduction of environmental impact that is a key responsibility of manufacturing companies has been positioned by the Shinko Group as one of the most important management issues. We aim to contribute to the realization of a sustainable society by harmonizing the global environment with corporate activities. Based on our Group's consistent management stance, and in light of the changing circumstances surrounding the Group, we formulated a new "Environmental Vision 2050" last year to clarify our goals of "climate change," "resource circulation," and "living in harmony with nature." With these goals as our objective, we will further accelerate the entire group activities. In addition, we have

strengthened company-wide activities by significantly advancing our existing medium- to long-term targets for environmental issues and setting new targets.

In particular, in response to climate change, we have established a working group at each plant based on the recognition that it is an urgent environmental issue that must be addressed with the highest priority. Our activities focus on the reduction of greenhouse gas emissions from manufacturing processes and utility facilities and the expansion of the use of renewable energy. With the aim of achieving carbon neutrality as soon as possible, the entire company is now accelerating its efforts.

In light of the medium- to long-term growth in demand for semiconductors, our company is currently constructing a new plant and new buildings to enhance its production system. We aim to make these new facilities as environmentally friendly as possible by, for example, meeting all of our electricity needs with renewable energy. It is our goal to make all plants, including the existing ones, into "green factories" that contribute to solving environmental issues such as climate change by significantly reducing environmental impact.

Creating a Workplace That Respects Diversity

Employees are the greatest asset of the Shinko Group, and we believe that diverse employees who can fully demonstrate their abilities and expertise will bring about changes within the company and become the driving force for sustainable growth as a company. One of the Corporate Values set by our group is to respect the diversity of its employees and support their growth. We are striving to improve the working environment, introduce and operate various systems, educate our employees to improve their understanding of diversity, and to retain diversity within our Group.

In addition, in order to nurture the next generation and support the balance between work and family, we are promoting initiatives to realize diverse and flexible working styles by continuously improving the work environment and expanding various systems. In recognition of these efforts, we were awarded "Platinum Kurumin Plus" certification (childcare support company certification system by Japan's Ministry of Health, Labor and Welfare) in December of last year, becoming the first business in Nagano Prefecture to receive this certification.

Going forward, we will continue to focus on creating a work environment in which everyone, including employees from all backgrounds and those who aim to balance work with childcare and nursing care, can actively demonstrate their abilities and work with pride and satisfaction.

Fostering a Corporate Culture for New Growth

In order for the Shinko Group to achieve sustainable growth in the face of significant changes in the surrounding environment, we believe it will be necessary to create a corporate culture in which all of our Group's employees have a sense of ownership and boldly strive to achieve highly challenging goals by combining their vectors. The basis for this is the Shinko Way, which sets forth our Group's reason for existence, values, and principles of activities. It is essential that we implement the Shinko Way as a common philosophy for our increasingly diverse employees, and that we always act with compliance in mind.

Through these efforts, we aim to achieve sustainable growth and development as a company by building a resilient corporate foundation that can respond flexibly to diverse changes.

I hope that this report helps you to understand the Shinko Group's initiatives introduced here, and we look forward to your further support and encouragement.

Shinko Group Outline

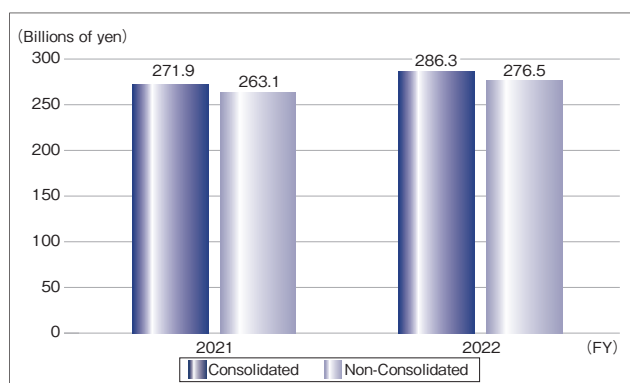
(as of March 31, 2023)

Corporate name	SHINKO ELECTRIC INDUSTRIES CO., LTD.
Established	September 12, 1946
Head office	80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan
Capital	24,223 million yen
Number of employees	4,848 (Consolidated 5,596)
Major business lines	Manufacturing and sales of plastic laminated packages (PLPs), leadframes, glass-to-metal seals, heat spreaders, and ceramic electrostatic chucks IC assembly

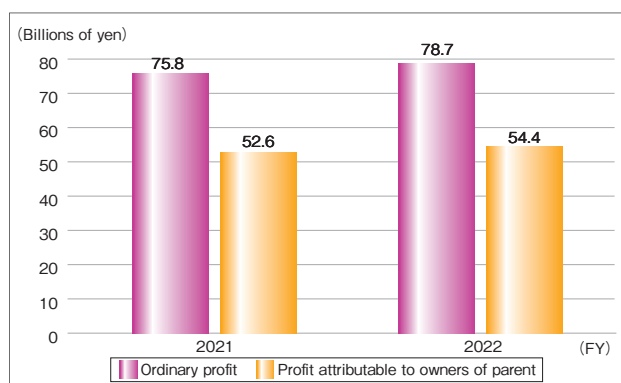
Financial Highlights for FY2022 (Consolidated) (Millions of yen)

Item	FY2022
Net sales	286,358
Ordinary profit	78,755
Profit attributable to owners of parent	54,488
Total assets	251,014
Net assets	386,934
Capital expenditure	25,758
Depreciation	34,511

<Net Sales> (Billions of yen)



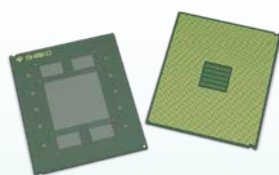
<Ordinary profit/Profit attributable to owners of parent (Consolidated)> (Billions of yen)



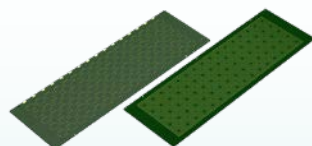
Business Overview by Segment

Plastic Packages

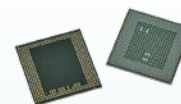
The Plastic Packages segment consists of flip-chip type packages, plastic BGA substrates, and IC assemblies.



Flip-Chip Type Packages



Plastic BGA Substrates



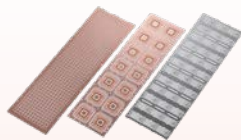
IC Assemblies

Applications:

PCs, servers, smartphones, automobiles, consumer products, etc.

Metal Packages

The Metal Packages segment includes such products as leadframes, heat spreaders, ceramic electrostatic chucks and glass-to-metal seals.



Leadframes



Heat Spreaders



Ceramic Electrostatic Chuck

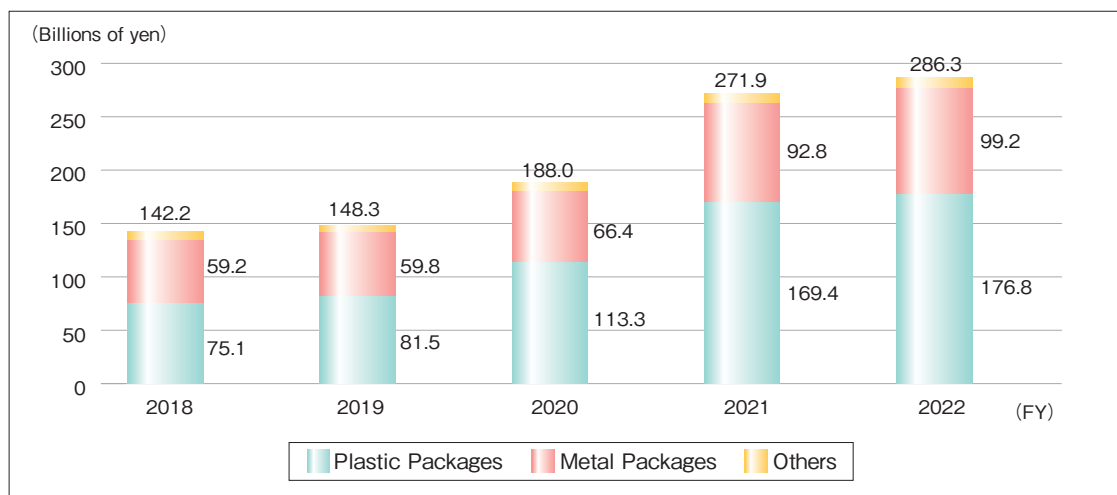


Glass-to-Metal Seals

Applications:

Automobiles, smartphones, PCs, consumer products, semiconductor manufacturing equipment, communication equipment, etc.

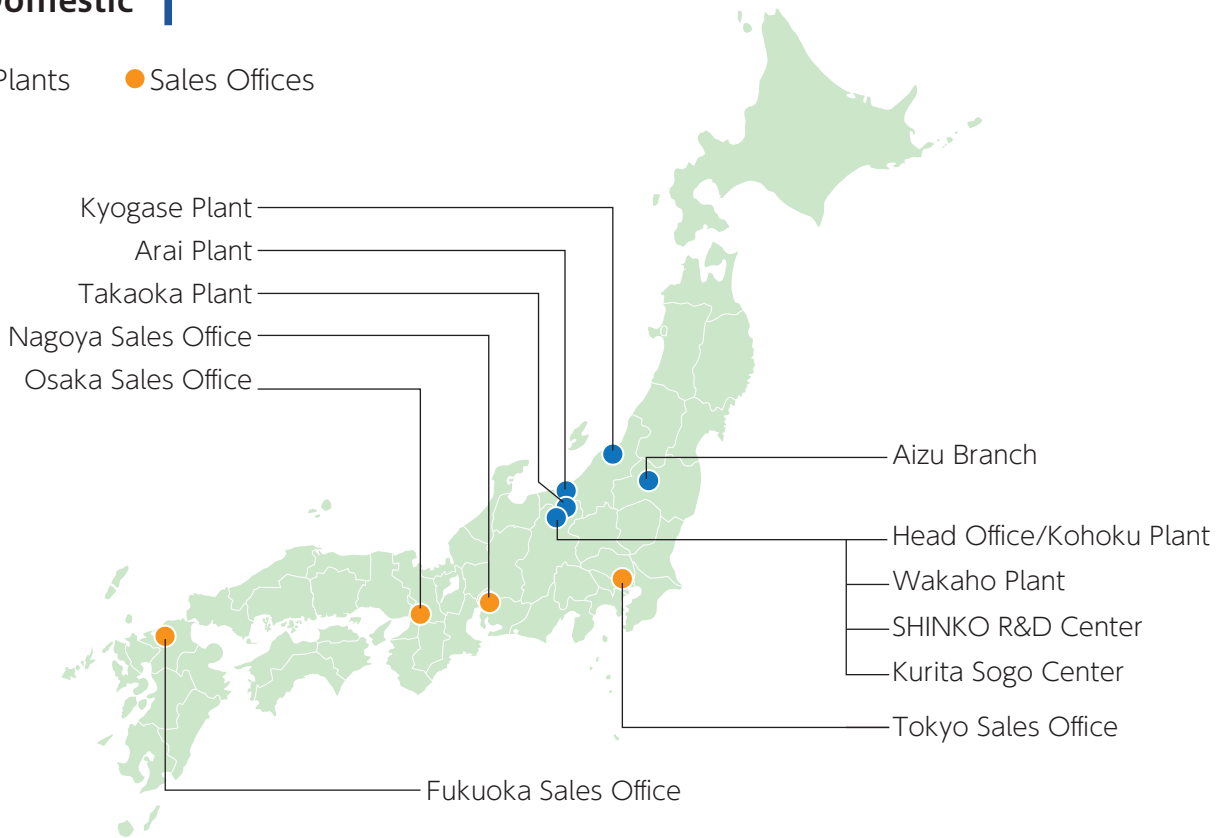
<Net Sales by Business Segment (Consolidated)> (Billions of yen)



Global Network

Domestic

● Plants ● Sales Offices



Major Sites



Head Office/Kohoku Plant (Nagano City)



Wakaho Plant (Nagano City)



Takaoka Plant (Nakano City, Nagano Pref.)



Arai Plant (Myoko City, Niigata Pref.)



Kyogase Plant (Agano City, Niigata Pref.)



Kurita Sogo Center (Nagano City)

Sales Offices

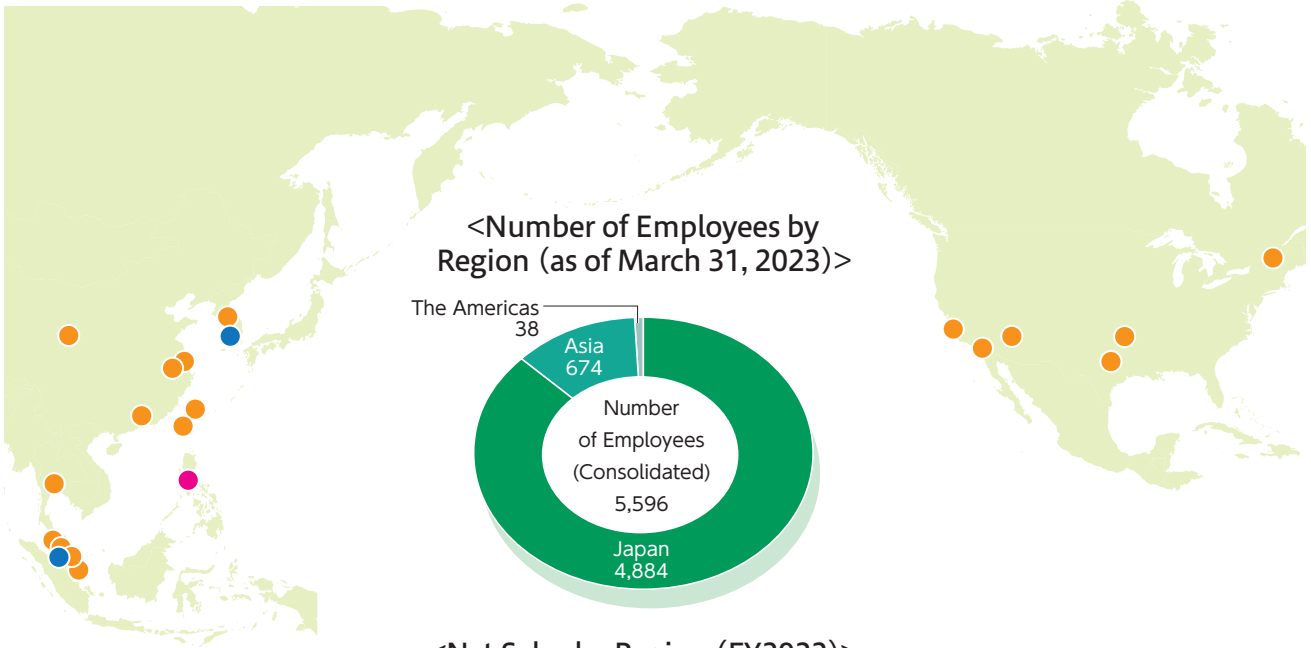
Tokyo/Osaka/Nagoya/Fukuoka

Group Company

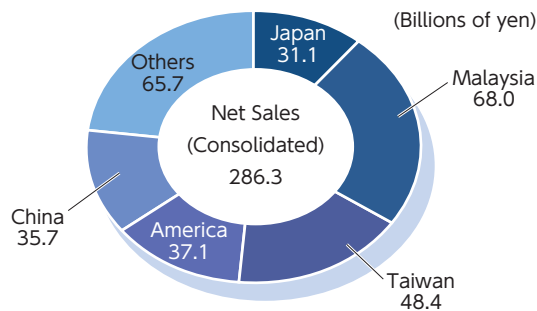
SHINKO TECHNOSERVE CO., LTD. (Nagano City)

Overseas

● Plants ● Sales Offices ● Representative Office



<Net Sales by Region (FY2022)>



Asia

Group Companies (Manufacturing)

KOREA SHINKO MICROELECTRONICS CO., LTD. (Korea)

SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (Malaysia)



Group Companies (Sales)

SHINKO ELECTRONICS (SINGAPORE) PTE. LTD. (Singapore)

KOREA SHINKO TRADING CO., LTD. (Korea)

TAIWAN SHINKO ELECTRONICS CO., LTD. (Taiwan)

SHANGHAI SHINKO TRADING LTD. (China)

SHINKO MICROELECTRONICS (THAILAND) CO., LTD. (Thailand)

Representative Office

Manila (Philippines)

North America

Group Company (Sales)

SHINKO ELECTRIC AMERICA, INC. (U.S.A.)

The Shinko Way

The Shinko Way embodies the philosophy of the Shinko Group, our reason for existence, values and the principles that we follow in our daily activities. The Shinko Group continuously increase corporate value through practice of the Shinko Way, together with our consistent functioning as a corporate group.

Through the provision of products and services to customers and society, we help to enrich the lives of people all over the world, and by practicing the Shinko Way, we aim to fulfill our social responsibility as a company and contribute to the development of society.

Corporate Vision

Technology Leadership

Our company has adopted technological development as one of the most important guidelines of its management since its foundation. It aims to make great strides with the development and the accumulation of new technologies as its driving force.

The Art of Manufacturing

We aim to be the most excellent manufacturing company in the world by concentrating our wisdom and ideas towards the manufacturing site where profits are generated for the enterprise.

Long Term Vision

We aim for unlimited progress, while retaining enthusiasm for sustained creation and development in the field of electronics, which is advancing at a very quick pace.

Global Outlook

We promote business by meeting globally diversifying needs, while bearing in mind coexistence and co-prosperity in the international society as an international corporation.

Responsibility to Individual

Society and enterprises are comprised of groups of people that cannot coexist without good human relations. We will promote business through management plans based on a people-friendly approach.

Founder's Philosophy

Economizing

Innovation by manufacturing site

“Dreams in one hand, and a *soroban* in the other.”

Responsibility to Individual

Corporate Values

What we strive for

Society and Environment

In all our actions, we protect the environment and contribute to society.

Profit and Growth

We strive to meet the expectations of customers, employees and shareholders.

Shareholders and Investors

We seek to continuously increase our corporate value.

Global Perspective

We think and act from a global perspective.

Employees

We respect diversity and support individual growth.

Customers

We seek to be their valued and trusted partner.

What we value

Business Partners

We build mutually beneficial relationships.

Technology

We seek to create new value through innovation.

Quality

We enhance the reputation of our customers and the reliability of social infrastructure.

Principles

Global Citizenship

We act as good global citizens, attuned to the needs of society and the environment.

Customer-Centric Perspective

We think from the customer's perspective and act with sincerity.

Firsthand Understanding

We act based on a firsthand understanding of the actual situation.

Spirit of Challenge

We strive to achieve our highest goals.

Speed and Agility

We act flexibly and promptly to achieve our objectives.

Teamwork

We share common objectives across organizations, work as a team and act as responsible members of the team.

Code of Conduct

We respect human rights.

We protect and respect intellectual property.

We comply with all laws and regulations.

We maintain confidentiality.

We act with fairness in our business dealings.

We do not use our position in our organization for personal gain.



Sustainability Management

How We Are Promoting Sustainability

Promotion System for Sustainability
Activities

Material Issues (Materiality)

Sustainability Targets

Initiatives for SDGs

Communication with Stakeholders
and External Evaluation

How We Are Promoting Sustainability

In 1946, with the main aim of ensuring local employment during the chaos of the postwar period, we launched our business starting with the refurbishment/recycling of unusable lightbulbs. From that time until now, the Shinko Group has consistently carried out business operations that always take into account coexistence with local communities, consideration for the global environment, and respect for humanity.

The Shinko Group aims to contribute to lives of abundance for people around the world by developing, manufacturing, and selling advanced products that meet the needs of an increasingly sophisticated market. By implementing the Shinko Way, which embodies the spirit inherited from our founder and our Group's reason for existence in society, the Group aims to promote activities that address a variety of sustainability issues and contribute to the realization of a sustainable society and the creation of a bright future.

In response to sustainability issues, we identify material issues from the perspective of both the Shinko Group's business and the stakeholders, establish specific action themes and targets for resolving these issues, and promote activities centered on each division in charge.

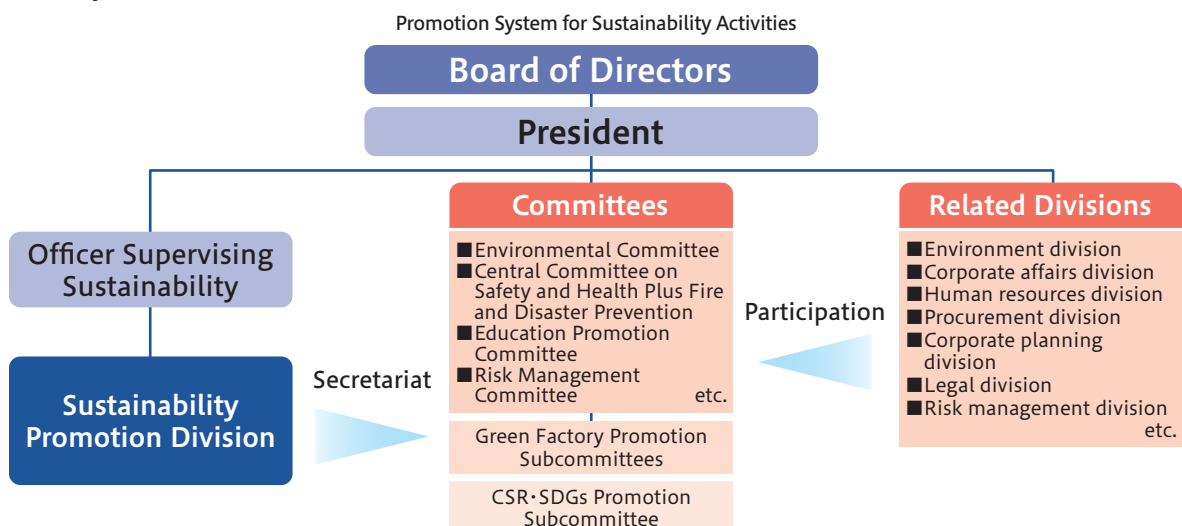
We also aim to contribute to the achievement of the Sustainable Development Goals (SDGs) advocated by the United Nations by addressing climate change and other worsening environmental issues, as well as social issues that are growing more diverse and complex.

Promotion System for Sustainability Activities

As the person responsible for promoting the sustainability activities of the Shinko Group, the Representative Director of Board, President oversees all activities, and the Sustainability Promotion Division serves as company-wide secretariat. In response to each sustainability issue, committees composed of members from related divisions are established for each field, and the divisions responsible for each issue implement various measures to address sustainability issues throughout the Group.

In addition, the Green Factory Promotion Subcommittees established at each plant promote activities to address environmental issues such as reducing greenhouse gas emissions, waste generation, and use of water resources. The CSR·SDGs Promotion Subcommittee, in which relevant divisions participate, strengthens activities taken to address social issues and the SDGs.

Our overseas manufacturing subsidiaries, in addition to establishing a new sustainability promotion system last year, have set specific targets for various issues and are taking measures to strengthen their sustainability activities. The Board of Directors periodically receives reports on the progress and results of initiatives that address sustainability issues.

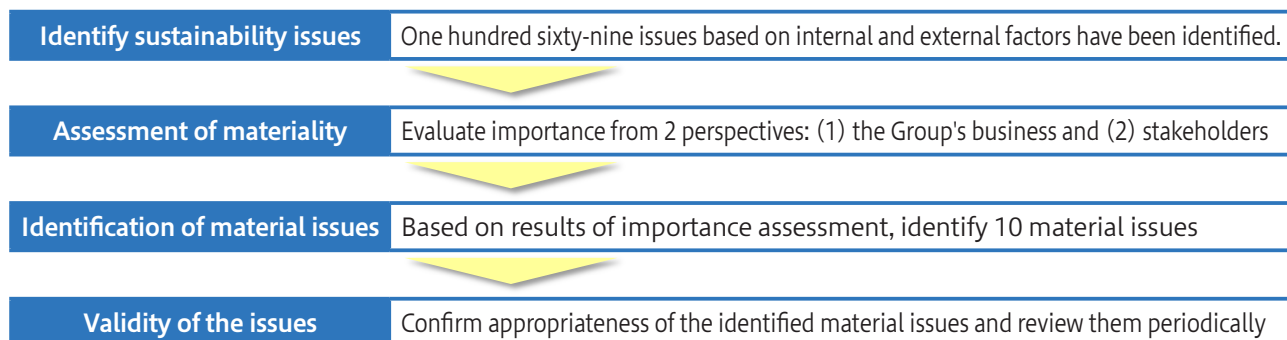


Material Issues (Materiality)

Based on internal factors such as the Corporate Values of the Shinko Way and management policies, as well as external factors such as major international sustainability-related guidelines and social requirements, the Shinko Group identifies material issues (materiality) to prioritize among the various sustainability issues. When identifying material issues, we evaluate their importance from two perspectives: their importance to the Shinko Group's business and their importance to stakeholders.

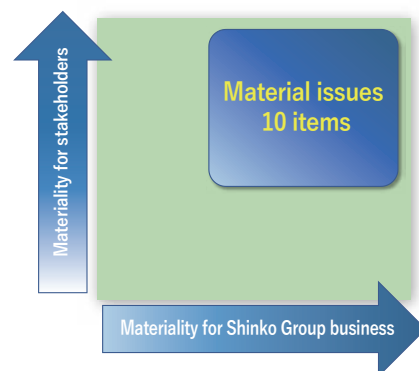
We confirm the appropriateness of the selected material issues and periodically review them.

Process for Identifying Material Issues



International Reference Guidelines on Sustainability

- (1) GRI Sustainability Reporting Standards
- (2) Responsible Business Alliance (RBA) Code of Conduct
- (3) ISO 26000
- (4) United Nations Global Compact
- (5) Sustainable Development Goals (SDGs)
- (6) Sustainability Accounting Standards Board (SASB)



Material Issues (Materiality)

Each year, the divisions in charge set specific targets for the 10 material issues (materiality) that have been identified and then conduct various activities while monitoring progress and issues. The activities are continuously improved through a PDCA cycle that leads to the next year's activities.

Field	Materiality	Action Themes
Environmental issues	1. Climate change	(1) Responding to climate change
		(2) Reducing energy consumption
	2. Resource circulation	(1) Reducing waste
		(2) Reducing water use
		(3) Reducing raw material use
	3. Living in harmony with nature	(1) Biodiversity conservation
(2) Prevention of pollution		
(3) Management of toxic substances		
Social issues	4. Contributing to and coexistence with local communities	(1) Dialogue and coexistence with local communities
	5. Respect for human rights and diversity	(1) Respecting human rights
		(2) Use of diverse employees
		(3) Responding to LGBTQ issues
6. Creating a dynamic corporate culture	(1) Work-life balance	
	(2) Human resource development	

Field	Materiality	Action Themes
Social issues	6. Creating a dynamic corporate culture	(3) Fair evaluation
		(4) Labor relations
	7. Creating a safe and comfortable working environment	(1) Occupational safety and health
		(2) Emergency Preparedness
8. Promoting social responsibility in the supply chain	(1) Promotion of green procurement	
	(2) Responsible minerals sourcing	
9. Contributing to society through technology and quality	(3) Respecting human rights in the supply chain	
	(1) Contributing to society through technology and manufacturing	
	(2) Fulfilling social responsibility by pursuing quality	
Governance	10. Strengthening governance	(1) Corporate governance
		(2) Compliance
		(3) Risk management
		(4) Information protection

Sustainability Targets

We set annual activity targets for addressing material issues, improving corporate value, strengthening governance, etc.

We intend to contribute to the UN's Sustainable Development Goals (SDGs) by achieving these targets.

Our Targets and Results for FY2022

Environment

Theme	FY2022 Targets	FY2022 Results
Climate change	●Reduction of CO ₂ emissions at our facilities by at least 11.2% of the base year (FY2020)	●Reduction in CO ₂ emissions: 22.6%
	●Increase renewable energy use by 8%	●Rate of renewable energy use: 30.4%
	●Collect market and customer requirements and share information with related departments	●Conducted surveys on customer demands, etc. (top 10 companies) ●Education to improve understanding within the sales division
	●Survey and understand greenhouse gas (GHG) emissions at major suppliers (Object of survey: 10 major suppliers)	●Conducted surveys of 13 major suppliers and shared information with related divisions
Resource circulation	●Reductions in generation of waste Hold below 7,254 tonnes	●Waste generated: 6,126 tons
	●Reductions in use of water resources Reduction: 19,329m ³ or more	●Reduction in water consumption: 30,974 m ³
Living in harmony with nature	●Promotion of local biodiversity conservation activities · Participate in the adopt-a-forest program in Nagano Prefecture (2 times)	●Promotion of local biodiversity conservation activities · Participation in the adopt-a-forest program in Nagano Prefecture: Conducted twice (May/November), 116 employees participated
	●Engage in biodiversity conservation activities in the Kurita Sogo Center · Natural environment surveys · Survey of the actual condition of the ecosystem · Biodiversity conservation activities based on the survey of the actual condition of the ecosystem	●Biodiversity conservation activities at the Kurita Sogo Center · Nature survey: Implemented as planned · Ecosystem field study: Implemented as planned · Conservation activities based on field study: Implemented as planned
	●Implement environmental education and awareness activities to foster consciousness of biodiversity (5 times)	●Environmental education and awareness activities: Conducted 5 times
Promote green procurement	●Promote upstream initiatives in the supply chain to reduce CO ₂ emissions and contribute to the maintenance of water resources · Perform surveys on 100% of applicable suppliers · Survey response rate: more than 90%	●Promotion of efforts to reduce CO ₂ emissions and conserve water resources upstream of the supply chain · Environmental survey of 29 target suppliers: Implemented 100% · Survey recovery rate: 100%
Initiatives to protect the local environment	●Continuation and expansion of environmental beautification activities at all plants	●Environmental beautification activities at each plant: Held in June, 95 employees participated

Social

Theme	FY2022 Targets	FY2022 Results
Respect for human rights	●Promote human rights education for all employees	●Company-wide power harassment prevention education ●Implementation of human rights education as part of rank-specific training
Work-life balance	●Improve productivity and achieve work-life balance by strengthening the Transforming Work Styles initiative ●Increase male childcare participation rate	●Development and expansion of various systems related to childcare and nursing care ●Labor Management Council on Transforming Work Styles ●Review of intervals between work shifts, etc.

Diversity & Inclusion (D&I)	●Improve working environments to encourage the full participation of women	●Selection of female leaders; training for female leaders and mentors
	●Acquire Platinum Kurumin certification (childcare support company certification system by Japan's Ministry of Health, Labor and Welfare)	●Platinum Kurumin Plus Certification (first in Nagano Prefecture)
	●Hire international students	●Recruitment of international students (2 people)
	●Create a workplace environment where employees with disabilities can demonstrate their abilities and work comfortably	●Promotion of employment of persons with disabilities and expansion of accepting workplaces (10 new employees)
	●Establish a system that allows older employees who are willing to work to exercise their abilities and play an active role	●Revised post-retirement rehiring program
Human resource development	●Improve the training system for developing employees who will lead in the future	●Expanded scope of training and programs for manufacturing process leaders
	●Expand training programs for developing globally aware employees	●Expanded business English courses and introduction of English education for new employees
Worker safety and health management	●Conduct safety and health plus fire and disaster prevention activities that are required by laws and regulations	●Promoted safety and health activities in accordance with safety and health management manual based on RBA Code of Conduct, implemented fire prevention and disaster prevention activities, and conducted evacuation drills for all employees
	●Prevent accidents by raising awareness of safety and following all work procedures and work rules ●Number of serious accidents: 0	●Conducted on-site inspections (periodic inspection and protective equipment inspection), implemented safety education for all employees, implemented hazard perception education, implemented traffic safety education, etc. ●Number of serious accidents: 0
	●Conduct continual risk reduction activities by identifying and assessing hazards and adverse factors	●Risk assessments (for Safety Week, chemical substances, before long holidays, and new equipment), risk extraction and improvement by employees, and company-wide deployment and promotion of similar disaster prevention measures
	●Improve employees' health management awareness and create workplace environments where they can work enthusiastically in good physical and mental health ●Specific health guidance implementation rate: 75%	●Obtained certification as an Outstanding Health and Productivity Management Organization, promoted activities to reduce smoking rate, implemented stress checks, and took measures to prevent long overtime hours ●Specific health guidance implementation rate: 75.1%
Community contribution / Youth development / Sports promotion	●Conduct tours at every plant	●Accepted factory tours (129 high school students)
	●Fully participate in and sponsor local events	●Participation in and sponsorship of local events: Implemented as planned
	●Sponsor a soccer team	●Sponsorship for a soccer team: Implemented as planned
Enriching communication with stakeholders	●Promote constructive dialogues with shareholders and investors	●Increased and enhanced opportunities for dialogue with institutional investors; resumed visiting and accepting visits from institutional investors for interviews
	●Improve dissemination of information to stakeholders	●Updated and enhanced website information, enhanced the content of the Sustainability Report, increased news releases, and increased disclosed information
Promoting CSR throughout the supply chain	●Make sure suppliers are aware of our purchasing policy	●Disseminated our purchasing policy: 738 companies in Japan and 27 companies overseas
	●Give CSR questionnaires to main suppliers	●Conducted CSR questionnaires of main suppliers: 34 companies (Reviewed questionnaire content, evaluated responses, and provided feedback to each company)
	●Confirm CSR compliance of subcontractors working on company premises	●Conducted CSR questionnaires of subcontractors working on company premises: 9 companies (Reviewed questionnaire content, evaluated responses, and provided feedback to each company) ●Performed field validation of CSR status and on-site contracting optimization (2 times)

Initiatives for and promotion of the responsible sourcing of minerals	<ul style="list-style-type: none"> ● Upstream surveys of raw materials using the RMI¹ template and improvement activities to promote due diligence 	<ul style="list-style-type: none"> ● Conducted surveys using RMI templates and hearing risk assessments based on survey responses ● Requested improvement of RMI-compliant procurement rate based on risk assessment
Conducting BCP ² questionnaire surveys of purchased goods and for formulating BCPs	<ul style="list-style-type: none"> ● Improve risk reduction through BCP questionnaire surveys and by formulating BCPs 	<ul style="list-style-type: none"> ● Conducted surveys using BCP questionnaire and hearing risk assessments based on survey responses ● Requested improvements based on risk assessment

¹ RMI : Responsible Minerals Initiative

² BCP : Business Continuity Plan

■ Governance

Theme	FY2022 Targets	FY2022 Results
Strengthening corporate governance	<ul style="list-style-type: none"> ● Respond as a TSE Prime listed company (establish a Special Committee; make TCFD disclosures) 	<ul style="list-style-type: none"> ● Complied with revised Corporate Governance Code ● Secured and enhanced disclosure through various publications and websites (Nomination and Remuneration Advisory Committee, Special Committee, TCFD, etc.) ● Introduced a share-based remuneration system
Strengthening compliance	<ul style="list-style-type: none"> ● Implement countermeasures to reduce compliance risks <ul style="list-style-type: none"> • Hold training sessions related to compliance • Operate an internal whistleblowing system • Conduct monitoring to understand risks 	<ul style="list-style-type: none"> ● Implemented various types of compliance training ● Operated and handled internal whistleblowing system ● Established and revised compliance-related regulations
Strengthening compliance systems at overseas sites	<ul style="list-style-type: none"> ● Reinforce compliance and reduce compliance risks in line with the Fujitsu Group's Global Compliance Program (GCP) 	<ul style="list-style-type: none"> ● Implemented compliance training for all employees, including operators ● Operated internal whistleblowing system ● Developed e-Learning infrastructure for overseas, etc.
Building trusting relationships with customers	<ul style="list-style-type: none"> ● Conduct education and training for applicable departments on the security trade control system and the specified export declaration system 	<ul style="list-style-type: none"> ● Implemented education and training of security trade control system (for all managers, indirect departments, overseas assignments, etc.) and of specified export declaration system (manufacturing divisions, etc.)
Strengthening risk management	<ul style="list-style-type: none"> ● Understand risks through potential risk surveys; consider and revise measures in advance for important risks ● Raise risk awareness by implementing and improving company-wide education ● Address climate change risks 	<ul style="list-style-type: none"> ● Conducted potential risk surveys and reported the results of the surveys ● Implemented various risk-related education and training (disaster prevention BCM education, rank-specific training, training for manufacturing process leaders) ● Disclosed climate change risks in line with TCFD recommendations
	<ul style="list-style-type: none"> ● Strengthen ability to respond to COVID-19 ● Strengthen ability to respond to the risk of natural disasters 	<ul style="list-style-type: none"> ● Implemented and reviewed COVID-19 prevention and control measures (year-round) ● Conducted table-top exercises using Typhoon and Flood Damage Timeline, and initiated the Timeline ● Reviewed and distributed disaster prevention cards
Strengthening information management	<ul style="list-style-type: none"> ● Operate an information protection management system (in-house, other companies, and for individuals) <ul style="list-style-type: none"> • Conduct periodic inventories • Raise employee awareness of information management • Comply with other countries' legal systems applied outside those countries 	<ul style="list-style-type: none"> ● Operated information protection and personal information protection management system ● Implemented information security training ● Complied with overseas legal systems
Protecting and strengthening our intellectual property	<ul style="list-style-type: none"> ● Strengthen patent applications ● Enhance intellectual property-related information disclosure 	<ul style="list-style-type: none"> ● Promoted patent applications ● Disclosed intellectual property-related information on our company website
Respecting the intellectual property (IP) of others	<ul style="list-style-type: none"> ● Raise awareness through intellectual property education for engineers 	<ul style="list-style-type: none"> ● Implemented intellectual property education

Our Targets for FY2023

Environment

Materiality	Action Themes	FY2023 Targets
Climate change	Responding to climate change	<ul style="list-style-type: none"> ● Reduce greenhouse gas emissions <ul style="list-style-type: none"> • Reduce CO₂ emissions at all domestic sites: 16.8% or more (compared to FY2020) • Rate of renewable energy use: 34.1% or more
		<ul style="list-style-type: none"> ● Collect information on market and customer requirements, and share them internally ● Conduct environmental survey of logistics suppliers
		<ul style="list-style-type: none"> ● Conduct survey of greenhouse gas emissions of major suppliers and assess actual conditions
		<ul style="list-style-type: none"> ● Promote green procurement (reduction of CO₂ emissions upstream of the supply chain) <ul style="list-style-type: none"> • Conduct surveys on 100% of target suppliers, with a questionnaire recovery rate of 90% or more
Resource circulation	Reducing waste	<ul style="list-style-type: none"> ● Waste reduction: Reduce by at least 970 tons, equivalent to 16.2% of the FY2020 waste emissions ● Promote measures to reduce amount of plastic materials used and amount of waste plastic
	Reducing water use	<ul style="list-style-type: none"> ● Reduce water consumption: Reduce by at least 38,270m³, equivalent to 1% of the FY2020 water consumption ● Promote green procurement (conservation of water resources upstream of the supply chain) <ul style="list-style-type: none"> • Conduct surveys on 100% of target suppliers, with a questionnaire recovery rate of 90% or more
Living in harmony with nature	Biodiversity conservation	<ul style="list-style-type: none"> ● Promote biodiversity conservation activities <ul style="list-style-type: none"> • Forest maintenance through participation in the adopt-a-forest program in Nagano Prefecture (Iizuna Town, Nagano Prefecture) • Biodiversity conservation at the Kurita Sogo Center • Biodiversity education and awareness activities ● Reduce negative impacts on ecosystems <ul style="list-style-type: none"> • Promote climate change and resource circulation initiatives • Proper management of chemical substances

Social

Materiality	Action Themes	FY2023 Targets
Contributing to and coexistence with local communities	Dialogue and coexistence with local communities	<ul style="list-style-type: none"> ● Continue and expand environmental beautification activities at each plant ● Conduct tours at each plant ● Participate in and sponsor local events; sponsor a soccer team
		<ul style="list-style-type: none"> ● Promote human rights education for all employees
Respect for human rights and diversity	Respecting human rights	<ul style="list-style-type: none"> ● Develop a working environment that promotes the active participation of women ● Hire international students ● Create a workplace environment where employees with disabilities can exercise their individual abilities and work easily
	Diversity & Inclusion	<ul style="list-style-type: none"> ● Improve productivity and achieve work-life balance by strengthening the Transforming Work Styles initiative ● Increase male childcare participation rate
Creating a dynamic corporate culture	Work-life balance	<ul style="list-style-type: none"> ● Improve the training system for developing employees who will lead in the future ● Expand training programs for developing globally aware employees ● Support career development to encourage the full participation of women
	Human resource development	<ul style="list-style-type: none"> ● Improve productivity and achieve work-life balance by strengthening the Transforming Work Styles initiative ● Increase male childcare participation rate

Creating a safe and comfortable working environment	Occupational safety and health	<ul style="list-style-type: none"> ● Promote safety and health, fire prevention, and disaster prevention activities in compliance with laws and regulations
	Emergency Preparedness	<ul style="list-style-type: none"> ● Engage in disaster prevention activities by raising employee safety awareness and complying with work procedure and rules ● Number of serious accidents: 0
		<ul style="list-style-type: none"> ● Conduct continual risk reduction activities by identifying and assessing hazards and adverse factors
		<ul style="list-style-type: none"> ● Raise employee awareness of health care and promote the creation of a workplace environment in which employees can work with robust physical and mental health ● Specific health guidance implementation rate: 75% ● Increase attendance at health-promoting walking events by 10% year-on-year
Promoting social responsibility in the supply chain	Responsible minerals sourcing	<ul style="list-style-type: none"> ● Upstream surveys of raw materials using the RMI template and improvement activities to promote due diligence
	Conducting BCP questionnaire surveys of purchased goods and for formulating BCPs	<ul style="list-style-type: none"> ● Improve risk reduction through BCP questionnaire surveys and by formulating BCPs
	Promote CSR and respect for human rights in the supply chain	<ul style="list-style-type: none"> ● Disseminate purchasing policy to suppliers ● Conduct CSR questionnaire surveys of major suppliers ● Confirm CSR status of on-site contractors
Dialogue with stakeholders	Enriching communication with stakeholders	<ul style="list-style-type: none"> ● Promote constructive dialogue with shareholders and investors
		<ul style="list-style-type: none"> ● Improve dissemination of information to stakeholders

■ Governance

Materiality	Action Themes	FY2023 Targets
Strengthening governance	Strengthening corporate governance	<ul style="list-style-type: none"> ● Respond to requests for disclosure of non-financial information
	Strengthening compliance	<ul style="list-style-type: none"> ● Implement countermeasures to reduce compliance risks <ul style="list-style-type: none"> • Hold training sessions related to compliance • Operate an internal whistleblowing system • Conduct monitoring to understand risks
	Strengthening compliance systems at overseas sites	<ul style="list-style-type: none"> ● Implement compliance risk reduction measures <ul style="list-style-type: none"> • Implement various types of compliance education • Disseminate information on the whistle-blowing system
	Building trusting relationships with customers	<ul style="list-style-type: none"> ● Conduct education and training for applicable departments on the security trade control system and the specified export declaration system
	Strengthening risk management	<ul style="list-style-type: none"> ● Conduct risk assessment and hearings based on survey of potential risks; review and revise measures for addressing important risks in advance ● Conduct training to raise risk awareness ● Enhance and implement company-wide disaster prevention and business continuity management education
		<ul style="list-style-type: none"> ● Review and strengthen risk management system ● Strengthen ability to respond to natural disaster risks
	Strengthening information management	<ul style="list-style-type: none"> ● Operate an information protection management system (in-house, other companies, and for individuals) <ul style="list-style-type: none"> • Conduct periodic inventories • Raise employee awareness of information management • Comply with other countries' legal systems applied outside those countries
	Protecting and strengthening our intellectual property	<ul style="list-style-type: none"> ● Improve registration rates for number of patent applications and assessments ● Promote technology creation and disclose and share technical information ● Conduct external disclosure of intellectual property-related information
Respecting the intellectual property of others	<ul style="list-style-type: none"> ● Provide intellectual property education to engineers 	

Initiatives for SDGs

The Sustainable Development Goals (SDGs) are included in the 2030 Agenda for Sustainable Development, which was adopted at the Sustainable Development Summit held at the United Nations Headquarters in 2015. The SDGs consist of 17 goals and 169 targets that are common issues for the entire international community, regardless of level of development. As a common language that transcends different cultures and positions, the SDGs aim to ensure that no one on the planet is left behind.

The Shinko Group aims to contribute to the realization of the kind of society that meets the SDGs through efforts to address diverse sustainability issues, with a focus on coexistence with local communities, consideration for the global environment, and kindness toward people.

Basic Policy for Achieving SDGs

Through the implementation of the Shinko Way, our corporate philosophy, we aim to harmonize with our diverse stakeholders and contribute to the sound development of society by supporting lives of abundance for people around the world through manufacturing. This basic policy aligns with the achievement of the SDGs adopted by the United Nations.

Our Group will contribute to the realization of a sustainable society by providing products and services of high value to its customers and society, and by developing activities for addressing various sustainability issues in order to fulfill its social responsibility as a member of the international and local communities.

Relationship between Our Group's Material Issues and SDGs

Materiality		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Environment	Climate change	1.5	2.4					7.2 7.3		9.4				13.1 13.3				
	Resource circulation						6.4		8.4	9.4		11.6	12.2 12.5 12.4					17.17
	Living in harmony with nature		2.4 2.5	3.9			6.3					11.7	12.4		14.1	15.1 15.4 15.2 15.5		
Social	Contributing to and coexistence with local communities			3.6	4.3											15.1 15.4 15.2		17.17
	Respect for human rights and diversity				4.5 4.a 4.7	5.1 5.5	6.2		8.7 8.8		10.2 10.7 10.3							
	Creating a dynamic corporate culture				4.2 4.4 4.3 4.7				8.2 8.5									
	Creating a safe and comfortable working environment			3.6 3.d					8.8									
	Promoting social responsibility in the supply chain						6.4	7.3	8.7 8.8	9.4	10.7		12.4	13.1 13.3			16.2 16.4 16.3	17.17
	Contributing to society through technology and quality									9.4 9.5								
Governance	Strengthening governance			3.3								11.5					16.3 16.7 16.5 16.10	

Registration as an SDG Promoting Company in Nagano Prefecture

Nagano Prefecture has established the Nagano Prefecture SDG Promoting Company Registration System as a way to promote concrete action on the SDGs while enhancing the value and competitiveness of companies with headquarters and branch offices in Nagano Prefecture. In order to further promote efforts to achieve the SDGs through its registration as an SDG-promoting company in Nagano Prefecture, Shinko applied and was registered as an SDG-promoting company in October 2022.

At the time of registration, we formulated a "Declaration for Achieving the SDGs" (Requirement 1) and "Specific Initiatives for Achieving the SDGs" (Requirement 2). We have positioned reduction of net greenhouse gas emissions, reduction of waste, and increasing the ratio of female managers as priority issues and have been developing activities for addressing them.

[Declaration for Achieving the SDGs \(Requirement 1\)](#)

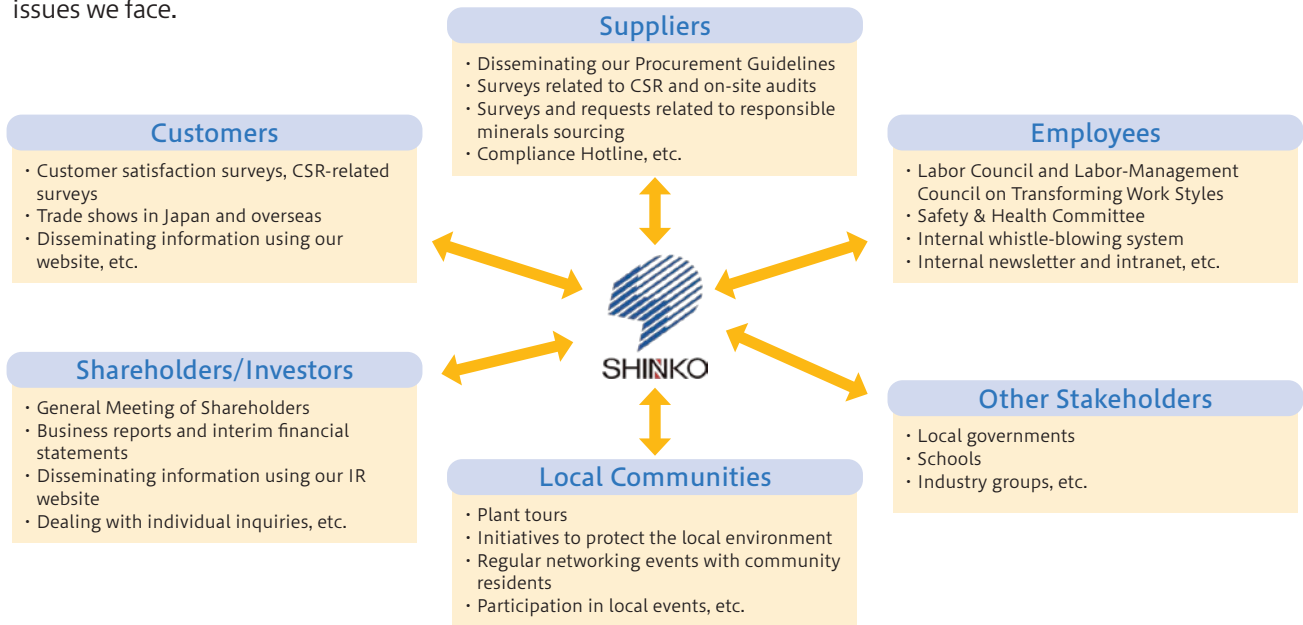
[Specific Initiatives for Achieving the SDGs \(Requirement 2\)](#)





Communication with Stakeholders and External Evaluation

The business of the Shinko Group is supported by a wide range of stakeholders, including our customers, suppliers, shareholders, investors, employees, and local communities.

Through communication with stakeholders, we aim to fulfill our social responsibility and contribute to the sustainable growth of society by understanding the expectations and wishes of our group as well as the social issues we face.



External Evaluation: Status of Inclusion in ESG Index

FTSE4Good Index Series	Created by FTSE Russell, a global index provider, this is a representative index designed to measure the performance of companies that are doing a good job of addressing environmental, social and governance (ESG) issues. Our company has been selected for inclusion since 2022.	 FTSE4Good
FTSE Blossom Japan Index	This index of Japanese stocks was designed by FTSE Russel to measure the performance of companies with superior ESG practices and is one of the ESG indices adopted by the Government Pension Investment Fund (GPIF). Our company has been selected for inclusion since 2021.	 FTSE Blossom Japan Index
FTSE Blossom Japan Sector Relative Index	This index of Japanese stocks reflects the performance of companies with relatively superior environmental, social, and governance practices in each sector, and it is one of the ESG indices used by the Government Pension Investment Fund (GPIF). Our company has been selected for inclusion since the index was first calculated in 2022.	 FTSE Blossom Japan Sector Relative Index
MSCI Japan Empowering Women Index	This index of Japanese stocks created by MSCI is composed of companies that are making superior efforts in gender diversity. It is one of the ESG indices adopted by the Government Pension Investment Fund (GPIF).	2023 CONSTITUENT MSCI日本株女性活躍指数 (WIN)
S&P/JPX Carbon Efficient Index	This ESG index jointly developed by S&P Dow Jones Indices and Japan Exchange Group (JPX) considers the status of environmental information disclosure and carbon efficiency when determining constituent selection and weighting. It is one of the ESG indices adopted by the Government Pension Investment Fund (GPIF).	

Note: The inclusion of SHINKO ELECTRIC INDUSTRIES CO., LTD. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of SHINKO ELECTRIC INDUSTRIES CO., LTD. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.



Initiatives for Environmental Issues

Environmental Policy

Environmental Vision 2050

Medium- to Long-Term
Environmental Targets

Environmental Action Program

Environmental Management

Climate Change

Information Disclosure Based on TCFD
Recommendations

Resource Circulation

Living in Harmony with Nature

Initiatives at Overseas Plants

Environmental Policy

We have defined our responsibilities toward the global environment in an Environmental Policy, so that we can contribute to a healthy environment and rich society that will be handed down to future generations. We developed the “Shinko Environmental Charter” to clarify our basic stance on environmental conservation in January 1994, and in December 2002, we revised the Charter to the “Shinko Environmental Policy” because environmental problems have been increasingly diversifying and environmental management has become more important.

Environmental Policy

Through the implementation of the Shinko Way, our fundamental vision is to harmonize our corporate activities with the global environment to maintain and improve the global environment through our product manufacturing.

Guiding Principles

1. Prioritize environmental conservation as a critical management focus and reduce our impact to the environment.
2. Seek to reduce risk to human health and the environment.
3. Make every effort to perform our social responsibility by observing environmental regulations and standards in Japan and abroad.
4. Strive for continuous improvement of our environmental management system in order to enhance environmental performance.
5. Contribute to the creation of an abundant society through countermeasures for climate change, effective utilization of resources and conservation of biodiversity.

We set environmental objectives to achieve this environmental policy, and this policy and the objectives are reviewed at least once a year.

Representative Director of Board, President
SHINKO ELECTRIC INDUSTRIES CO., LTD.

Environmental Vision 2050

The Shinko Group formulated its Environmental Vision 2050 in 2022 to further strengthen its activities designed to help solve environmental problems from a long-term perspective. It is our responsibility of a manufacturing company to contribute to the realization of a sustainable society by working to reduce environmental impact. To this end, we have established goals in the 3 areas of "climate change," "resource circulation" and "living in harmony with nature."



Medium- to Long-Term Environmental Targets

The Shinko Group in Japan has established medium- to long-term environmental targets (for FY2030 and FY2050) and is working to achieve the Shinko Group's goals in the three areas set out in our Environmental Vision 2050.

In order to strengthen our response to climate change and other serious environmental issues, we revised our medium- to long-term environmental targets in September 2022. On "climate change", we significantly accelerated our FY2030 targets. On "resource circulation" and "living in harmony with nature," we set new targets for FY2050 in addition to the FY2030 targets in order to develop activities from a long-term perspective.



Climate Change

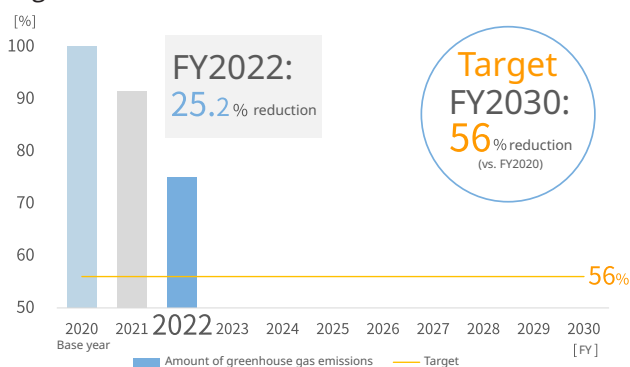
●Targets

	FY2030 Targets	FY2050 Targets
Net reduction in greenhouse gas emissions	56% reduction (vs. FY2020)	Net-zero emissions
Rate of renewable energy use	100%	100%

Boundary: Shinko Group in Japan

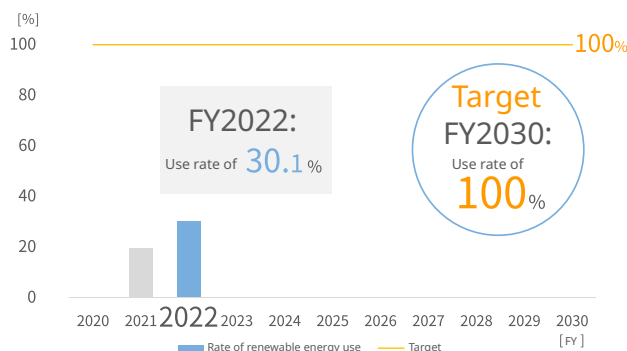
●Status of progress

Net reduction in greenhouse gas emissions



Note: Net greenhouse gas emissions: FY2021, Scope 1 (energy source) + Scope 2 (location-based)
FY2022, Scope 1 + Scope 2 (market-based)

Rate of renewable energy use



See "Climate Change" (page 33) for details of activities



Resource Circulation

●Targets

	FY2030 Targets	FY2050 Targets
Waste	50% reduction (vs. FY2020)	Minimization
Water use	5% reduction (vs. FY2020)	Minimization

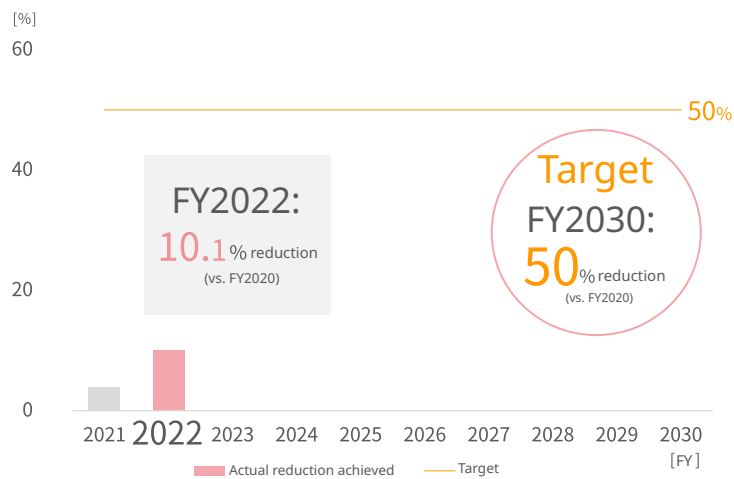
Boundary: Shinko Group in Japan

Note: Target figures for FY2030

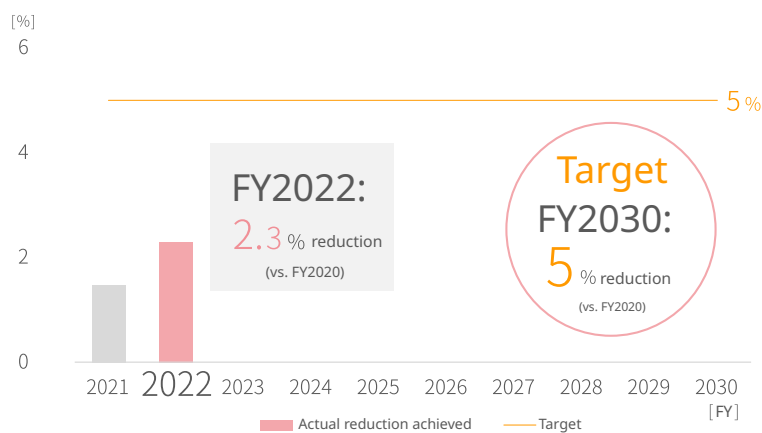
- The waste target is to reduce the amount of waste equivalent to 50% of the base year FY2020
- The water use target is to reduce the amount of water consumption equivalent to 5% of the base year FY2020

●Status of progress

Reduction of waste emissions



Reduction of water consumption



See "Resource Circulation" (page 39) for details of activities



Living in Harmony with Nature

●Targets

	FY2030 Targets	FY2050 Targets
Local communities	Work with the local community to contribute to continuing biodiversity conservation activities.	Work with the local community to contribute to continuing biodiversity conservation activities.
Inhouse green spaces	Robust conservation of the healthy ecosystems in the Kurita Sogo Center.	Robust conservation of the healthy ecosystems in the Kurita Sogo Center and at all plants.
Employees	Work to improve each employee's awareness of biodiversity.	Work to improve each employee's awareness of biodiversity.

Boundary: Shinko Group in Japan

●Status of progress

	FY2030 Targets	Index	FY2021 Result/Target (%)	FY2022 Result/Target (%)
Local communities	Work with the local community to contribute to continuing biodiversity conservation activities.	Forest conservation activities	2 times/2 times (100%)	2 times/2 times (100%)
Inhouse green spaces		Survey of natural environment	Survey/Survey (100%)	Survey/Survey (100%)
Inhouse green spaces	Robust conservation of the healthy ecosystems in the Kurita Sogo Center.	Index selection	Selection/Selection (100%)	—
		Effect measurement	—	Measurement/Measurement (100%)
Employees	Work to improve each employee's awareness of biodiversity.	Environmental education	3 times/3 times (100%)	3 times/3 times (100%)
		Awareness raising activities	3 times/2 times (150%)	2 times/2 times (100%)

For details of activities, see page 43, "Living in Harmony with Nature"

Environmental Action Program





The Environmental Action Program sets forth the short-term target for concrete efforts to achieve the medium- to long-term environmental targets.

Since Stage 11, all of the Shinko Group's sites in Japan have been covered by the Environmental Action Program, in line with the scope of our medium- to long-term environmental goals. As a result, we have redoubled our efforts to realize a sustainable society.

Note: Up until Environmental Action Program (Stage 10), the target was the scope of activities of the environmental management system, and therefore, a site in Japan (SHINKO R&D Center) was excluded.

Environmental Action Program (Stage 10)

Environmental Action Program (Stage 10) set forth the environmental targets to be achieved in the 2 years from FY2021 to FY2022. To the existing themes of "climate change" and "resource circulation," we added the new theme of "living in harmony with nature," and all targets were achieved by the final year of FY2022. In particular, the reduction of greenhouse gas emissions under the theme of climate change greatly exceeded the target.

Environmental Action Program (Stage 10)			Results of Environmental Action Program (Stage 10)	
Climate change 	Reduction of GHG emissions (GHG: greenhouse gas)¹	●Reduce CO ₂ emissions by 5.6% or more per year from the base year (FY2020) Reduction of 11.2% or more for total activity stage	22.6% reduction	Achieved
		●Increase renewable energy use by 4% per year Expansion of 8% or more for total activity stage	Rate of renewable energy use 30.4%	Achieved
Resource circulation 	Reducing waste	Hold generation of waste to within 7,254 tonnes by the end of FY2022	Amount of waste generated 6,126 t	Achieved
	Reducing water use²	Reduction of at least 76,000 m ³ equivalent to 2% of the FY2020 water consumption by the end of FY2022	2.3% reduction (87,645 m ³)	Achieved
Supply chain 	Promoting green procurement	●Promote upstream initiatives in the supply chain to reduce CO ₂ emissions ●Strengthen awareness of water resource conservation upstream in the supply chain	As planned 100% implementation	Achieved
Living in harmony with nature 	Conservation of biodiversity	●Participate in the adopt-a-forest program in Nagano Prefecture 4 times during total activity stage	Forest maintenance: Conducted 4 times	Achieved
		●Engage in biodiversity conservation in the Kurita Sogo Center	Natural environment survey Indicators selection Alien species control	Achieved
		●Implement environmental education and awareness activities to foster consciousness of biodiversity 10 times during total activity stage	Education and enlightenment 11 times	Achieved

Applicable to: scope of Environmental Management System activities

¹ Reduction of greenhouse gas emissions

Because we are substantially ahead of schedule on the medium- to long-term environmental targets, the target was changed midterm from an 8.4% reduction compared to base year (FY2020) to a 11.2% reduction for the 2 years from FY2021 to FY2022.





² Reduction of water use

Reflecting the results for FY2021, we changed the water consumption reduction target for the end of FY2022 from 1% (38,000 m³) equivalent to the FY2020 consumption to a 2% (76,000 m³) reduction.

Environmental Action Program (Stage 11)

Environmental Action Program (Stage 11) sets forth specific environmental targets to be achieved in the 3 years from FY2023 to FY2025. Under the theme of "resource circulation," we will launch new activities related to plastic reduction. In addition, under the theme of "living in harmony with nature," we will strive to reduce the negative impact on ecosystems by promoting activities based on the recognition that efforts to reduce environmental impact in our business activities contribute to living in harmony with nature.

Environmental Action Program (Stage 11)

Climate change 	Reduction of GHG emissions (GHG: greenhouse gas)	Reduce CO ₂ emissions at all business sites in Japan by 28% or more (compared to FY2020)
		Increase rate of renewable energy use by 4% or more every year
Resource circulation 	Reducing waste	Implement measures to achieve a cumulative reduction of at least 1,375 tons equivalent to 23% of the FY2020 waste emissions Promote measures to reduce amount of plastic materials used and amount of waste plastic
	Reducing water use	Implement measures to achieve a cumulative reduction of at least 114,810 m ³ equivalent to 3% of the FY2020 water consumption
Living in harmony with nature 	Conservation of biodiversity	Maintenance of town-owned forest in Iizuna Town, Nagano Prefecture
		Biodiversity conservation at the Kurita Sogo Center
		Biodiversity education and awareness
	Reduction of negative impact on ecosystems	Promotion of climate change and resource circulation initiatives Proper management of chemical substances
Supply chain 	Promoting green procurement	Promotion of initiatives to reduce CO ₂ emissions upstream of the supply chain
		Strengthen awareness of water resource conservation upstream of the supply chain

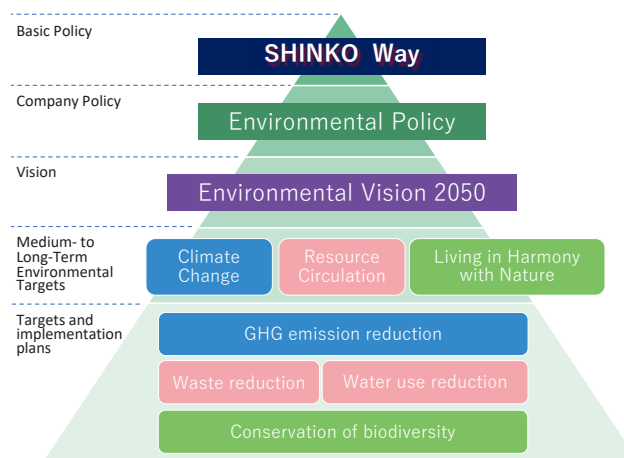
Boundary: Shinko Group in Japan

Environmental Management

To promote environmental management, the Shinko Group has established an environmental management system based on the international standard ISO 14001 as a framework for balancing business activities with social needs and environmental issues. Through the PDCA cycle, we strive for continuous improvement and betterment of our environmental performance. This section describes the activities of the Shinko Group in Japan. [See Percentage of Shinko Group Business Sites with ISO 14001 Certification \(page 98\)](#)

Environmental Activity Promotion System

We have made environmental protection a top management priority and are engaged in environmental preservation activities based on a promotion system established in accordance with the Shinko Way, the basic philosophy of the Shinko Group.



Environmental Management Promotion System

To promote environmental management, we have established an Environmental Committee chaired by the Representative Director of Board, President. As the highest deliberative body for environmental measures, the Committee reviews medium- and long-term issues, formulates policies, and proposes, deliberates, and decides upon matters related to environmental management, including measures to address business risks and opportunities related to climate change, waste, water resources, and biodiversity. These results are reported to the Board of Directors, which oversees environmental activities. We have established a structure that is described above.

We have also established an Environmental Measures Execution Committee as a subordinate organization under the Environmental Committee to deliberate matters such as the progress of activities to achieve environmental goals. While strengthening governance through the establishment of this promotion system, we are promoting the maintenance and improvement of our environmental management system.



Identifying Environmental Challenges

The Paris Agreement¹ and the Sustainable Development Goals (SDGs) are accelerating efforts to realize a globally sustainable society, and Japan has declared that it will "Aim for carbon neutrality and a decarbonized society by 2050." In tandem with efforts to fight climate change, global movements to solve social issues are accelerating in such areas as transitioning to a circular economy², tackling the marine plastic problem, conserving water resources, and achieving a nature-positive³ world.

Reflecting this situation, we have decided upon the environmental issues that we should be addressing in order to practice better business ensuring that our activities are environmentally friendly. In addition to identifying the effects that our business activities have on the environment, we clarify the challenges and requests from stakeholder related to the environment and make them the issues to work on that year, while gauging the importance and urgency of their potentially deleterious impact (risks) or beneficial impact (opportunities). We reflect these environmental challenges in the activities of our environmental management system, and are deploying our initiatives to resolve them.

¹ Paris Agreement: An international framework for the prevention of global warming agreed to at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) held in Paris in 2015

² Circular economy: A circular economic system that is designed on the premise that recycling and reuse will occur starting at the stage where goods and services are produced. It maximizes the value of resources and products and minimizes resource consumption and waste generation by reducing the input and consumption of new resources as much as possible. Intended to replace the conventional economic system based on the premise of "mass production, mass consumption, and mass disposal."

³ Nature positive: The nature positive initiative seeks to arrest the loss of biodiversity and put the environment on a recovery path. Natural restoration.

Risks and Opportunities Related to Major Environmental Issues

■ Climate Change

See Information Disclosure Based on TCFD Recommendations (page 36)

■ Resource Circulation

	Risks	Opportunities
Waste	<ul style="list-style-type: none"> ■ Risk that the cost of response will increase due to the strengthening of laws and regulations, such as the Waste Disposal and Public Cleansing Act and the Plastic Resource Circulation Act; risk that corporate value will decline in the event of a violation 	<ul style="list-style-type: none"> ■ Reduce processing costs and environmental impact by reducing input materials and waste emissions in the manufacturing process
	<ul style="list-style-type: none"> ■ Risk of accidents such as explosions, fires, and leaks due to improper storage and warehousing of waste; risk of health hazards and environmental pollution such as water pollution and soil pollution 	<ul style="list-style-type: none"> ■ Increase corporate value through de-plasticization, such as by increasing the recycling rate of plastic waste and switching to alternative materials
Water resources	<ul style="list-style-type: none"> ■ Risk of increased response costs due to restrictions on water withdrawal and stricter environmental standards for wastewater, etc.; risk that corporate value will decline in the event of a violation 	<ul style="list-style-type: none"> ■ Improving the efficiency of water consumption in manufacturing processes and facilities; reducing water consumption and costs through the use of recycled water
	<ul style="list-style-type: none"> ■ Risk of water pollution due to improper water withdrawal and wastewater management; risk of corporate value decline due to drought and land subsidence associated with groundwater use 	<ul style="list-style-type: none"> ■ Maintenance and conservation of ecosystems through appropriate water withdrawal and wastewater management; improvement of corporate value through reduction of water stress

See Water Risk and Water Stress Assessment (page 41)

■ Living in Harmony with Nature

	Risks	Opportunities
Biodiversity	<ul style="list-style-type: none"> ■ Risk of restrictions on the extraction and use of biological resources and the use and modification of land; risk that corporate value will decline in the event of a violation 	<ul style="list-style-type: none"> ■ Improvement of corporate value through biodiversity conservation and restoration activities and reduction of the establishment rate of invasive alien species
	<ul style="list-style-type: none"> ■ Risk of a decline in corporate value due to negative evaluations from stakeholders reflecting delays in responding to natural capital and biodiversity 	<ul style="list-style-type: none"> ■ Reduction of production costs by recycling resources and improving processing technologies; building supply chains that are less influenced by the reduction and degradation of biological resources
Chemical substances	<ul style="list-style-type: none"> ■ Increased burden of response costs due to restrictions on the use, inclusion, and movement of chemical substances or due to tighter information management (registration and notification); risk of a decline in corporate value in the event of a violation 	<ul style="list-style-type: none"> ■ Reduction of costs through recycling and improvement of processing technologies to reduce chemical emissions
	<ul style="list-style-type: none"> ■ Risk of increased burden of response cost of switching to other substances or technologies because of restrictions or prohibitions on materials or products containing certain chemical substances 	<ul style="list-style-type: none"> ■ Increase in corporate value owing to use of safer alternatives to the chemical substances currently used

See Biodiversity Risk Assessment (page 43)

■ Others

	Risks	Opportunities
Air pollution	<ul style="list-style-type: none"> ■ Risk of stricter emission standards for air pollutants; risk of increased response cost of introducing regulations to prevent adverse health effects of air pollution; risk of a decline in corporate value in the event of a violation 	<ul style="list-style-type: none"> ■ Reduction of costs through recycling and improvement of processing technologies to reduce emission of air pollutants
	<ul style="list-style-type: none"> ■ Risk of a decline in corporate value due to improper control of air pollutants and the generation of air pollution 	<ul style="list-style-type: none"> ■ Promotion of stable business activities by introducing equipment to prevent air pollution or reduce emissions
Raw materials	<ul style="list-style-type: none"> ■ Risk of increased response cost burden from controlling or prohibiting the use of specified resources; risk of a decline in corporate value in the event of a violation 	<ul style="list-style-type: none"> ■ Reduction in raw material costs achieved by reducing raw material consumption, practicing recycling in manufacturing processes, and switching to cheaper and more abundant alternative materials
	<ul style="list-style-type: none"> ■ Risk of disruptions in the supply of raw materials due to conflicts, trade friction, and natural disasters; risk of higher procurement costs for substitutes 	<ul style="list-style-type: none"> ■ Increase in sales owing to provision of products and services that meet market needs for weight reduction, thinness, and miniaturization and resource conservation; increase in revenues achieved by expanding markets and attracting new customers

Environmental Audits

Every year we conduct our own internal environmental audit, in addition to one conducted by the Fujitsu Group, to check ISO 14001 conformance, the effectiveness of our environmental management system, and legal compliance. The audits are conducted by internal environmental auditors, including environmental management system examiners (personnel qualified to examine ISO 14001 conformance). We continually improve our management system through the internal audits.

When nonconformity items are revealed by audits, we analyze the causes from multiple perspectives and promptly make improvements. The results of audits, including conformity items, are disseminated throughout the company and are tied in with activities in the coming fiscal year.

In FY2022, we made compliance with laws and regulations a priority check item and increased the number of items to be checked.

We have taken corrective action on all audit findings.

Response to Environmental Laws and Regulations

We strive to comply with national environmental laws and regulations as well as prefectural and city regulations, pollution prevention agreements, industry guidelines, and environmental requests from customers.

In FY2022, there were 2 cases of inadequate authorization or notification and 4 cases of complaints, but we responded appropriately and corrected them. As for others, there were no litigation issues, fines, or petty fines for violations of environment-related laws, including overseas production sites. Moreover, there were no accidents that had a serious impact on the environment.

[See Environmental Measurement Data \(Water Quality\) \(page 97\)](#)

Number of Environmental Laws and Regulations Violations or Complaints (Unit: cases)

Item		FY2020	FY2021	FY2022
Environmental laws and regulations violations	Water quality	0	0	0
	Atmosphere	0	0	0
	Noise	0	0	0
	Odors	0	0	0
	Waste	0	0	0
	Other (authorizations, notifications, etc.)	0	1	2
Complaints		0	2	4

Boundary: Shinko Group in Japan

Environmental Education and Awareness

We conduct environmental education for all employees in Japan at least once a year to ensure that each employee always acts in an environmentally conscious manner, both in conducting corporate activities and in living as a member of society. In FY2022, we initiated education on biodiversity, which is the foundation of a sustainable society and corporate activities. In addition, by incorporating the Shinko Group's "Environmental Vision 2050" into education and enlightenment programs, we aim to spread the vision among our employees and develop human resources who can recognize the necessity of environmental activities and act independently to implement them.

We disseminate information on a variety of topics throughout the company on a monthly basis, including familiar seasonal themes and environmental issues surrounding our company. In June, Environment Month provides an opportunity to think about a sustainable global environment. We conduct activities such as beautifying the area around our plants and holding environmental quizzes to contribute to the community and raise environmental awareness.

Environmental Education Achievements in FY2022 [Shinko Group in Japan]

Training	Participants
General Environmental Education	5,362
Education for Environmental Operations Personnel	3,886
Rank-specific Training	186

Environmental Risk Measures

The Shinko Group is continually making improvements to prevent and minimize environmental risks using our environmental management system. We also prepare to minimize damage in the event of a disaster.

● Preventing Environmental Pollution

Prevention of Air Pollution

We use natural gas as boiler fuel because it produces the lowest CO₂ emissions among fossil fuels and releases the smallest amounts of the environmentally harmful substances that are contained in soot and smoke (dust, sulfur oxides, and nitrogen oxides) during combustion. Some exhaust emissions from manufacturing equipment and wastewater treatment facilities also contain hazardous substances. Under thorough control, such exhaust gas is input to a unit called a “scrubber” so that hazardous substances can be removed and discharged to air.

Prevention of Water Pollution

Wastewater discharged from plants is detoxified, and its discharge into sewers or rivers is strictly controlled. The water discharged from our plants is regulated by the Water Pollution Prevention Act and the Sewerage Act, but we set voluntary standards that are stricter than the national and prefectural effluent standards, and we conduct regular water quality measurements to ensure thorough wastewater management.

Prevention of Soil and Groundwater Contamination

For soil and groundwater, we set voluntary standards that are stricter than the standards set by the Soil Pollution Countermeasures Law and other regulations, and we conduct regular surveys and management.

Preventing Leaks of Chemical Solutions and Waste Liquids

We carefully manage safety when we store chemical solutions and waste liquids. Tanks are systematically updated after a certain number of years, based on the material and the contents. Also, we have installed liquid containment walls around our tanks to prevent leaks in and outside our premises. In addition, liquid containment walls, tanks, piping, etc. are regularly inspected to detect deterioration and anomalies at an early stage, leading to the prevention of leaks.

We also conduct practical response training and protective equipment training in preparation for minimizing environmental risks in the event of a leak.

Plant Safety Management

To ensure early responses to any problems, every plant’s facilities management department conducts monthly comprehensive safety inspections of each equipment to achieve compliance, environmental protection, and the prevention of accidents.

● Disaster Response

Based on the Company-wide Disaster Prevention Guidelines and Business Continuity Management (BCM), we prepare for the occurrence of natural disasters, and implement measures and training to minimize environmental risks in the event of unforeseen circumstances.

[See Risk Management \(page 81\)](#)

Adaptation measures to climate change

[See Information Disclosure Based on TCFD Recommendations - Risk Management \(page 38\)](#)

Flood Control

In response to the frequent flood damage caused by heavy rains and typhoons in recent years, we have implemented flood control measures, after referring to hazard maps. We installed waterproof barriers to stop the flow of water as a measure against indoor flooding. In addition, outdoor equipment is raised on platforms so that even if water damage does occur, it will be minimized.

Earthquake Countermeasures

Seismic strengthening work for buildings constructed under the old quake-resistance standards has been completed at all plants, and we are now seismically retrofitting rooftop equipment (piping and ducts).

Preparing for a Largescale Blackout

As part of our business continuity planning, we installed emergency power generators at all plants in case of a largescale blackout due to an accident or disaster, ensuring power for lights, fire alarm systems, and other equipment during a blackout.



Climate Change

The Shinko Group is engaged in a variety of activities to fulfill the responsibility of a manufacturing company to reduce environmental impact. Among these, the greatest priority is given to responding to climate change, and related activities are conducted throughout the company.

International frameworks such as the Paris Agreement, together with the strengthening of global regulations and expanded application of carbon taxes, are accelerating the trend toward decarbonization in many countries throughout the world. The Shinko Group is working to respond to climate change by clarifying its goals in accordance with its Environmental Policy and Environmental Vision 2050 and by setting medium- to long-term environmental targets. We are strengthening our activities to achieve carbon neutrality as soon as possible and contribute to the realization of a decarbonized society.

Promotion System

To address environmental issues such as climate change, the Shinko Group in Japan has established an Environmental Committee chaired by the Representative Director of Board, President and an Environmental Measures Execution Committee under its umbrella to promote activities to reduce environmental impact. In addition, each domestic plant has established a Green Factory Promotion Subcommittee with members from the manufacturing divisions and related divisions to implement specific climate change measures, including promotion of energy conservation and introduction of high-efficiency equipment in manufacturing processes and plant utility equipment. Overseas manufacturing subsidiaries are also working to reduce environmental impact, including climate change, under their sustainability promotion systems.

The Board of Directors periodically receives reports on the status of initiatives for environmental issues, including response to climate change, and it provides appropriate supervision.

Results of Activities

As the Shinko Group in Japan aims to achieve the medium- to long-term environmental targets (FY2030 and FY2050 targets), it sets targets for individual fiscal years and conducts company-wide activities.

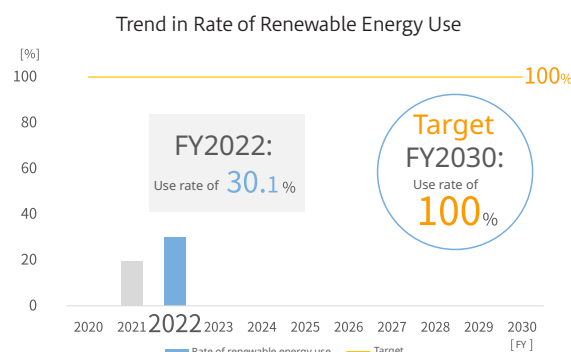
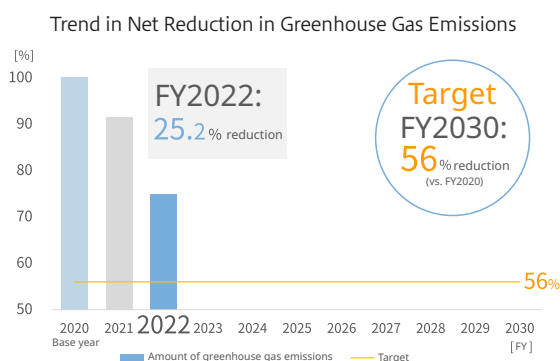
We are aiming to achieve carbon neutrality by promoting and strengthening concrete activities in the following three fields.

- (1) Reduction of CO₂ emissions by promoting energy conservation and improving efficiency
- (2) Creation of renewable energy
- (3) Introduction of renewable energy

The following table shows the FY2022 targets and results of activities. We were able to achieve results that greatly exceeded our targets for all items.

Boundary: Scope 1 + Scope 2 at all business sites in Japan

Target items	FY2022	
	Target	Result
Net reduction in greenhouse gas emissions	11.2% reduction (compared to FY2020)	25.2% reduction (compared to FY2020)
Rate of renewable energy use	Use rate of 8% or more	Use rate of 30.1%



Activities

(1) Reduction of CO₂ emissions by promoting energy conservation and improving efficiency

At each plant, the Green Factory Promotion Subcommittee, in which all manufacturing divisions, facilities management divisions, and related divisions participate, is central to promoting the reduction of CO₂ emissions through energy conservation and energy efficiency improvements in manufacturing and utility facilities. By implementing various measures at plants in Japan, including consolidation of equipment, reduction of standby power, and the switch to LED lighting, we are strengthening company-wide efforts to realize low-carbon manufacturing processes and facilities through efficient energy use.

In addition, we have introduced the concept of internal carbon pricing (ICP)*, which converts CO₂ emissions from capital investments into monetary amounts and uses them as a basis for making investment decisions, and we are using it to reduce CO₂ emissions.

Although energy consumption is expected to increase in the future due to the construction of new plants and buildings and the expansion of production facilities in line with the strengthening of the production system, we will further strengthen various measures to reduce CO₂ emissions.

* Internal Carbon Pricing (ICP): A mechanism whereby companies set their own price for CO₂ emissions and use it to make investment decisions

Examples of Activities

We reviewed the future capacity requirements of the nitrogen generating equipment installed at the Kohoku Plant in Nagano City and consolidated the number of units from two to one. This led to a reduction in CO₂ emissions and cost reductions.

【Effects of Consolidation of Nitrogen Generators (FY2022)】

- Power savings: 1.59 GWh
- CO₂ reduction: 702 t-CO₂
- Cost reduction: 22 million yen

(2) Creation of renewable energy

In order to expand the use of renewable energy, our company has been installing solar power generation facilities at its sites for some time.

In FY2022, solar power generation facilities were also installed on the rooftop of the new building being constructed at the Takaoka Plant (Nakano City, Nagano Prefecture), and we expect to use them to supply a portion of the electricity used in the building, which will start operation in the second half of FY2023 (Please refer to the topics on the next page for details). In the future, we will continue to focus on the creation of renewable energy by expanding the installation of solar power generation facilities at existing plants and promoting the installation of solar power generation facilities at the new plant and buildings that are under construction.

(3) Introduction of renewable energy

CO₂ from electricity purchased from external sources accounts for a large proportion of the CO₂ emitted in the course of the Shinko Group's business activities. We have set medium- to long-term environmental targets for achieving a renewable energy use rate of 100% by FY2030, and we are promoting a transition to renewable energy with regard to purchasing electricity.

In FY2022, through the purchase of CO₂-free electricity from electric power companies and the use of non-fossil certificates, we were able to procure approximately 96.5 GWh of renewable energy, resulting in a use rate of approximately 30%, which significantly exceeded our target. At the same time, CO₂ emissions were reduced by approximately 42,000 t-CO₂.

We will continue to strengthen our activities with the aim of achieving a renewable energy use rate of 100%.

We will continue to contribute to the achievement of carbon neutrality and the realization of a decarbonized society by strengthening and accelerating various company-wide initiatives.

Topics

Measures to Reduce Environmental Impact in the New Building at the Takaoka Plant

100% renewable energy plant (our company's first all-electric plant)

Plan to Start Operation in the Second Half of FY2023

The plant uses 100% renewable energy and has net-zero CO₂ emissions.



Boilerless

By changing the hot water production system for air conditioning from a boiler to an electric heat pump, the amount of city gas used as boiler fuel can be reduced.

CO₂ reduction: 255 t-CO₂/year (estimated)



Water Reduction

By changing the cold water production system for air conditioning from turbo chillers to air-cooled chillers, we will reduce the number of auxiliary units (cooling towers) used in chillers and reduce water consumption.

Water reduction: 91,000 m³/year (estimated)



Introduction of Solar Power Generation Facilities

Solar power generation equipment equivalent to 400 kW of power generation was installed on rooftops to cover part of the electricity used for lighting and utility facilities throughout the new building.

Power generation: 640 MWh/year (estimated)



Waste Heat Utilization

The amount of city gas used as boiler fuel can be reduced by using the heat emitted by facilities to produce cold and hot water for air conditioning.

CO₂ reduction: 474 t-CO₂/year (estimated)



Information Disclosure Based on TCFD Recommendations

The Financial Stability Board (FSB) has established the Task Force on Climate-related Financial Disclosures (TCFD) to reduce the risk of instability related to climate change in financial markets. Responding to the TCFD recommendations in 2017, the Shinko Group has committed to making disclosures in line with the recommendations, and as SHINKO ELECTRIC INDUSTRIES CO., LTD., we expressed our support for the TCFD recommendations in May 2022.

The Shinko Group actively discloses information on climate change to investors and other stakeholders.



● Governance

We have established the Environmental Committee chaired by the Representative Director of the Board, President, as a framework for promoting environmental management. The Committee deliberates on environmental issues, including policies, specific targets, and management systems (assessments and management of business risks and opportunities due to climate change). As well, the committee shares and manages progress on addressing climate change and other environmental issues. Those results are reported to the Board of Directors.

Further, as part of a company-wide risk management system, we have established the Risk Management Committee chaired by the Representative Director of the Board, President, to promote risk management throughout the entire Group. To fully understand and respond to risks that could impact our business operations, including climate change, we analyze and respond to risks Groupwide. The Board of Directors receives regular reports on the important risks that have been identified, analyzed, and evaluated.

In addition, as a member of the Fujitsu Group, the Shinko Group in Japan has established an environmental management system (EMS) based on ISO 14001 certification, and the results of EMS activities are reported to the Board of Directors.

● Strategy

Evaluation of the Importance of Risks and Opportunities

To begin our scenario analysis, we identify the current and future climate change risks and opportunities facing our group and assess their importance based on the magnitude of their impact on our business.

Evaluation of the Importance of Risks

Classification	Broad category	Narrow category	Period covered			Content	Importance
			Short-term	Mid-term	Long-term		
			-2025	-2030	-2050		
Migration	Policy and regulatory risks	Introduction of carbon pricing		→		Increase in raw material procurement costs due to the introduction of a carbon tax	High
		Not reaching emissions targets	→			Decline in corporate value due to negative evaluations from stakeholders reflecting delays in responding to climate change	Medium
	Market risks	Increase in energy and raw material prices	→			Rising energy prices due to the promotion of renewable energy (investment, etc.); increased raw material procurement costs accompanying increased demand for low-carbon products and environmentally friendly services	High
		Changing customer behavior	→			Missed business opportunities due to delays in responding to growing demand for low-carbon products and environmentally friendly services	High
	Reputation risks	Not reaching emissions targets		→		Decline in corporate value due to negative evaluations from stakeholders reflecting delays in responding to climate change	Medium
Physical	Physical risks	Extremely severe disasters due to climate change	→			Risks such as suspension of operations due to disasters such as storm and flood damage; delays in procurement of materials and goods and shipment of products due to damage to suppliers and disruption of supply chains	High

【Evaluation of the Importance of Opportunities】

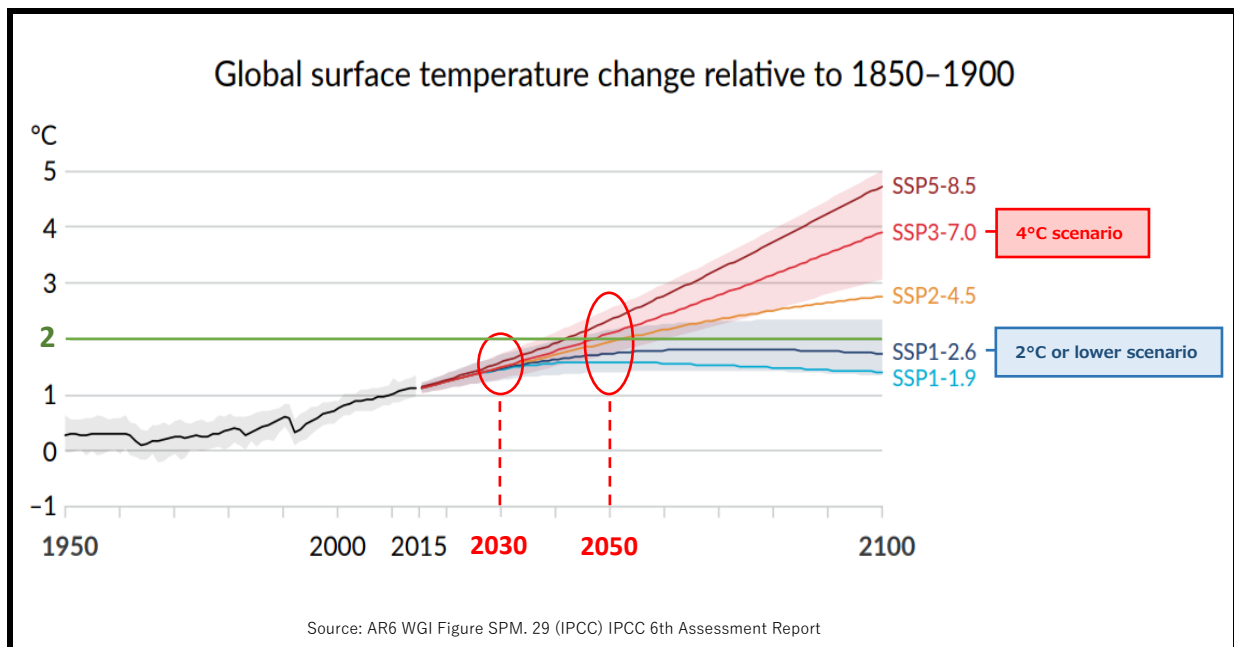
Classification	Broad category	Narrow category	Period covered			Content	Importance
			Short-term	Mid-term	Long-term		
			-2025	-2030	-2050		
Migration	Resource Efficiency Opportunities	Realization of high-efficiency manufacturing processes Reduction of energy use	→			Realization of low-carbon manufacturing processes by reducing energy use through more efficient manufacturing processes, the promotion of energy-saving design in manufacturing facilities, and improvement of the efficiency of utility facilities, and by introducing and creating renewable energy	High
	Product and Service Opportunities	Development and manufacture of energy-saving products Changing customer behavior	→			Increasing sales by providing products and services with high environmental value that match market needs, and by providing energy-saving products such as semiconductor packages that contribute to energy saving	High

Defining Scenario Groups

Based on the sixth assessment report released by the Intergovernmental Panel on Climate Change (IPCC), the Shinko Group has established a "2° C or lower scenario" and a "4° C scenario." The external information we refer to takes into account information from scenarios such as the International Energy Agency (IEA) STEPS (Stated Policies Scenario), APS (Announced Pledges Scenario), and NZE (Net Zero Emissions by 2050 Scenario) until 2050.

In the 2° C or lower scenario, we expect tighter regulations, such as the introduction of a carbon tax, and the risk of higher prices for electricity and raw materials like metal. We also expect opportunities in the form of increased sales of low-carbon, energy-saving products thanks to efficiency improvements in manufacturing facilities achieved by meeting the decarbonization needs of markets and customers, and stabilization of costs associated with the creation of renewable energy. In particular, in the 4° C scenario, it is assumed that physical risk due to increases in scale will be greater along with the frequency of high-wind and flood disasters as extreme weather events cause natural disasters to become more severe.

In order to realize these opportunities and respond to risks, we have formulated the "medium- to long-term environmental targets" and are working toward achieving carbon neutrality by reducing greenhouse gas emissions to net zero by 2050 to contribute to the realization of a decarbonized society and respond to climate change.



●Risk Management

To fully understand and respond to risks that could affect the business operations of the Shinko Group, including climate change, we identify, assess, and manage risks across the Group. In order to conduct regular company-wide risk assessments, we prepare analysis tools, distribute them to the managers responsible for risk management in each division and Group company, and gather responses. Every division and Group company uses these tools to conduct assessments on items such as the impact and likelihood of the occurrence of risks, the status of countermeasures, and to provide responses to risks. For the risks related to climate change, we use information collected from across the Group to assess policies, reputation, natural disasters, the supply chain, products and services, etc. The results of the assessments, answered by each division, are conducted using a centralized matrix analysis to investigate the possible impact and likelihood of occurrence, then high-priority risks are identified at the company-wide level. The results of these analyses are reported to the Board of Directors.

The Environmental Committee shares business risks, opportunities, and countermeasures related to climate change, and manages progress. In addition, as a member of the Fujitsu Group, the Shinko Group in Japan has established an environmental management system based on ISO 14001. Under this system, we monitor risks on compliance, etc.

As part of our efforts to adapt to climate change, we are strengthening our internal countermeasures to reflect the increasing severity and frequency of typhoons and floods caused by extreme weather events. Specifically, in addition to taking preliminary measures based on hazard maps and other information at each site, we are working to minimize damage by establishing a "Typhoon and Flood Damage Timeline" for each site and division that defines action criteria and outlines of actions to take in the event of a disaster, and by conducting training on an ongoing basis.

●Metrics and Targets

The Shinko Group, recognizing the importance of reducing greenhouse gas emissions and adopting renewable energy for countering climate-related risks, uses greenhouse gas emissions and renewable energy adoption rates as key metrics. With regard to the reduction of net greenhouse gas emissions, we aim to achieve carbon neutrality with net-zero emissions by FY2050. Backcasting from that, we have established a target for FY2030 and are conducting activities to help us meet it. In the area of renewable energy utilization, we have set a target of 100% utilization by FY2030 and are working toward that target.

We have also set annual targets and are monitoring metrics to manage the progress of our strategy and associated risks.

Note: Boundary of the targets is Scope 1 and Scope 2 at all business sites in Japan.

Medium- to Long-term Environmental Targets

Target items	FY2030 Targets	FY2050 Targets
Net reduction in greenhouse gas emissions (Base year: FY2020)	56% reduction	Net-zero emissions
Rate of renewable energy use	100%	100%

Yearly Targets and Actual Results

Target items	FY2021		FY2022	
	Target	Result	Target	Result
Net reduction in greenhouse gas emissions (Base year: FY2020)	4.2% reduction	8.6% reduction	11.2% reduction	25.2% reduction
Rate of renewable energy use	4 % or more	19.5%	8 % or more	30.1%

Resource Circulation

Securing resources and resource circulation have become important issues, especially for climate change, deforestation, as well as population and economic growth in emerging and developing countries. To create a sustainable society and reduce risks to business continuity, we have established medium- to long-term environmental targets for reducing waste and cutting water use, and we are promoting activities aimed at realizing a recycling-oriented society by using resources more effectively and by maximizing recycling.

Waste Reduction

The Shinko Group regards waste as a valuable resource and continues to work to recover and use it as an energy source.

In accordance with the (1) curbing of generation, (2) reuse, (3) recycling, and (4) heat recovery stipulated in the Basic Law for Establishing a Recycling-Based Society, we are actively introducing facilities to reduce the amount of waste acid, alkali, and sludge generated in the manufacturing process and also making efforts in the area of reuse.

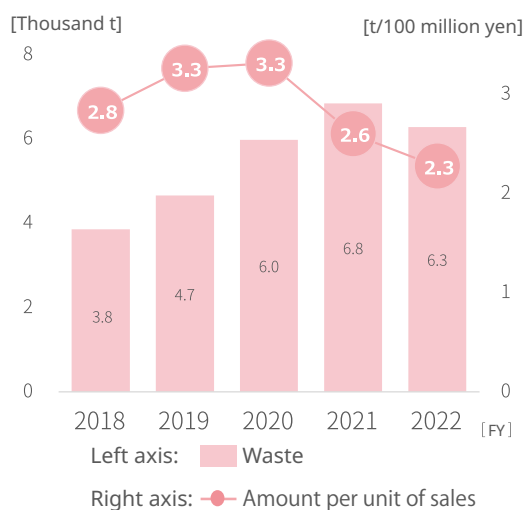
● Results of Activities

Reporting boundary: Shinko Group in Japan

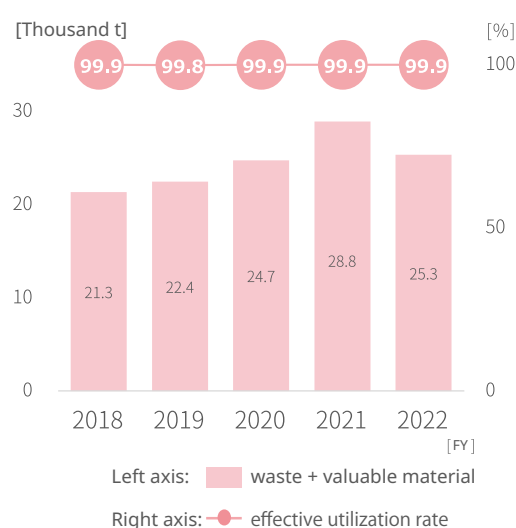
In FY2022, we achieved a reduction in waste equivalent to 6.1% (365 tons) of the total amount discharged in FY2020 by promoting the conversion of waste into valuable materials through thorough sorting. As a result, we were able to reduce the amount of waste equivalent to 10.1% (602 tons) of our FY2020 waste emissions, combined with our FY2021 results, in line with our mid- to long-term environmental targets.

In FY2023 and beyond, we will strengthen our efforts to reduce waste in expectation of further increases in the volume of waste resulting from the startup of a new plant and increased production.

【Gross Output of Waste, and Amount per Unit of Sales¹】



【Trends in Waste + Valuable Material and Effective Utilization Rate】



¹ Amount per unit of sales: Amount of waste per 100 million yen of sales

Examples of Waste Reduction Activities

1. Reduction of debris and waste through process improvement
2. Promotion of the conversion of waste into valuable materials through thorough sorting
3. Extending the period of use of cleaning liquid, plating solutions, and recycling waste liquids
4. Promotion of regeneration and reuse
5. Cutting weight by reducing moisture content
6. In-house processing

〈Reducing Waste by Reusing Wooden Palettes〉

Traditionally, wooden pallets used by material and component manufacturers at the time of delivery have become waste. We therefore asked the manufacturers to switch to reusing pallets. The wooden pallets used at the time of delivery are collected by the manufacturer and used repeatedly, resulting in a reduction of 14.4 tons of waste per year.

●Response to plastic resource recycling law

Plastic is a widely used material because of its usefulness, but it is also cited as a factor in various problems such as marine plastic pollution, climate change, and waste. In response to this global situation, Japan enacted the "Plastic Resource Circulation Act" in June 2021. As a major emitter as defined in this Law, we have newly established the "Promote measures to reduce amount of plastic materials used and amount of waste plastic" as part of the Environmental Action Program (Stage 11) in order to contribute to the resolution of issues related to plastics, and we are promoting this initiative.

〈Reducing Waste Plastic by Making Plastic Containers for Chemicals into Valuable Material〉

At the Takaoka Plant, we have begun efforts to convert plastic containers for chemicals, which were previously discarded as waste, into valuable material. Making these into valuable material takes time and effort because the chemical labels must be removed from the containers after they are washed. However, in FY2022, we were able to reduce the amount of waste plastic by converting these containers into 1.5 tons of valuable material. In FY2023 and beyond, we plan to expand the reduction of waste plastic at other plants as well.



Empty containers after removal of chemical labels

●Effective Utilization of Waste

We achieved zero emissions, eliminating landfill and simple incineration (disposal that does not make effective use of waste heat during incineration or residues left after incineration) of waste in FY2003 to help create a recycling-oriented society. Since then, the effective utilization rate for waste has remained close to 100%, and we continue to maintain zero emissions.

Note: The effective utilization rate will not reach 100% since waste for which there is no effective utilization method and waste brought to local government-operated disposal sites that do not practice effective utilization (general waste from business activities) is not subject to zero emissions calculations.

●Proper Disposal of Waste

We consign waste to industrial waste disposal operators for proper disposal in accordance with the Waste Management and Public Cleansing Act and verify proper disposal through annual on-site inspections of disposal operators. In FY2022, we used documents and remote verification of contractors, with a view to preventing the spread of COVID-19. We also properly dispose of equipment containing PCBs possessed by the Shinko Group in Japan in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

Reducing Water Use

Global water scarcity risk is growing due to the increasing world population, economic growth in developing countries, and climate change. As a business group that uses a large amount of water in its manufacturing processes, the Shinko Group recognizes the importance of water resources as a material issue from the standpoint of business continuity, and we are promoting efforts to reduce water consumption and recycle water.

● Response to water risks

The effects of increasingly severe water risks such as water scarcity, water pollution, floods and droughts, and competition for water resources are becoming more apparent worldwide, and responding to water risks is an important issue in sustainable business activities.

The Shinko Group has used Aqueduct, a global water risk assessment tool operated by the World Resources Institute (WRI), to conduct assessments of water-related physical, regulatory and reputational risks at production sites in Japan and overseas.

As a result of this assessment, it was found that none of our production sites have water risk or water stress levels that are High or Extremely High. Therefore, at the time of the assessment, there was no water withdrawal or water discharge in areas with "High" or "Extremely High" water stress.

In the future, we will continue to reduce water consumption and improve recycling rates, mainly at sites with Medium-High water stress, and we will strive to maximize resource circulation.

Assessment of Water Risk and Water Stress at Production Sites¹ (FY2022)

(Number of Production Sites/Percentage)

Risk Level ²	Water Risk ³				Water Stress ⁴			
	Japan	Asia	Total	Percentage	Japan	Asia	Total	Percentage
Low	4	0	4	57%	3	1	4	57%
Low-Medium	1	2	3	43%	2	0	2	29%
Medium-High	0	0	0	0%	0	1	1	14%
High	0	0	0	0%	0	0	0	0%
Extremely high	0	0	0	0%	0	0	0	0%
Total	5	2	7	100%	5	2	7	100%

¹ Production sites Japan: Kohoku Plant, Wakaho Plant, Takaoka Plant, Arai Plant and Kyogase Plant

Asia: KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM)

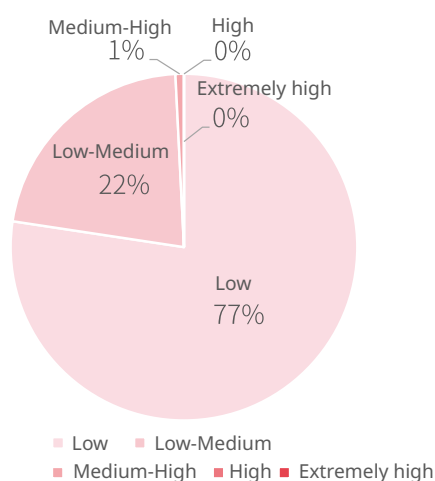
SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM)

² According to Aqueduct assessment criteria

³ Aqueduct assessment index "Overall Water Risk"

⁴ Aqueduct assessment index "Baseline Water Stress"

Water Withdrawal Rate According to Water Stress Level (FY2022 Results for Production Sites)



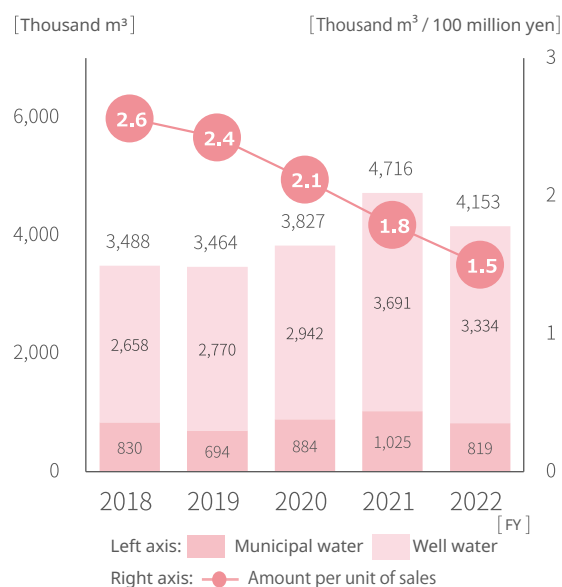
● Results of Activities

Reporting boundary: Shinko Group in Japan

Our target for FY2022 was to "reduce water consumption by at least 0.5% of FY2020 level (by 19,329 m³ or more)," but we far surpassed that to achieve a 0.8% (30,974 m³) reduction. Together with the result for FY2021 (56,671 m³), this amounted to a 2.3% (87,645 m³) reduction, meeting the reduction target of 2% (76,000 m³) set forth in the Environmental Action Program (Stage 10).

Water consumption per sales⁵ has decreased as a result of these activities to reduce water consumption. We will continue to promote these initiatives.

Total Water Withdrawal and Amount per Unit of Sales



⁵ Amount per unit of sales: Amount of water withdrawal per 100 million yen of sales

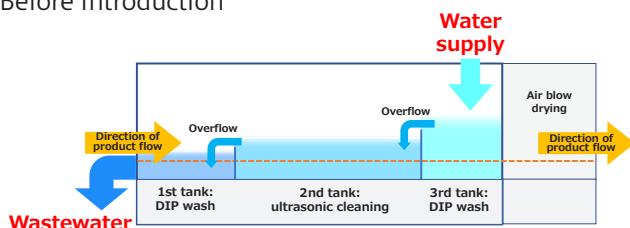
Examples of Water Consumption Reduction Activities

We approach water consumption reduction activities from the standpoint of both equipment and processes. This mainly involves reusing water in manufacturing processes, strengthening the review of the water supply for use in product washing, etc., and streamlining our production lines.

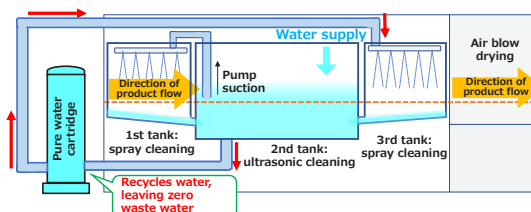
〈Water Reduction through Wastewater Reuse〉

At the Takaoka Plant, water-purifying washing machines are being introduced to reduce the amount of water used in the washing process. In the past, pure water was supplied at all times, and the entire amount of dirty water was disposed of as wastewater after washing. When our facilities are upgraded, the new water-purifying washing machines are being introduced. This will provide a significant reducing effect on water consumption. So far, water consumption has been reduced by 2,142 m³/year in the one line where the new washing machine was introduced in FY2022. We will continue to introduce water-purifying washing machines to other production lines as we upgrade our facilities.

Before Introduction



After Introduction



〈Water Reduction through Automation of Water Management〉

The Takaoka Plant is using the opportunity of the upgrading of the plating equipment to automate the management of water supply tanks. Water supply is switched on or off according to the flow status of products, and the water supply is controlled to the optimal amount to reduce waste. So far, water consumption has been reduced by 1,283 m³/year in the facility where automation was introduced in FY2022.

〈Water Reduction by Streamlining Production Lines〉

In our plants, we are consolidating operating facilities by using common manufacturing specifications and jigs, etc., for different products in order to streamline the production lines. Through these efforts, we were able to reduce water consumption in the manufacturing process at the Arai Plant by 5,780 m³/year in FY2022.



Living in Harmony with Nature

The Shinko Group has the Environmental Policy to contribute to the creation of an abundant society through countermeasures for climate change, effective utilization of resources and conservation of biodiversity. Recognizing that our business benefits from, as well as influences, biodiversity, we have established medium- to long-term environmental targets to reduce the negative impact of our business activities on biodiversity and to help realize a society in harmony with nature.

Conservation of Biodiversity

In light of our dependence on and impact on biodiversity, we aim to conserve biodiversity, which is the foundation of a sustainable and prosperous society, and we have established the Guiding Principles for Biodiversity to collaborate with society in pursuing the ideal way for people to live in harmony with nature.

Guiding Principles for Biodiversity

1. Practice conservation and sustainable use of biodiversity in our business activities.
2. Contribute to creating a society that can achieve biodiversity conservation.
3. Human resource development through biodiversity conservation.

● Addressing biodiversity risks

Global Risks Report 2023, published by the World Economic Forum (WEF), lists "loss of biodiversity and ecosystem collapse" as the fourth most serious global risk in the next 10 years, and "natural resource crisis" as the sixth most serious global risk. These are thus recognized as important issues on a par with climate change. Against this backdrop, the G7 2030 Nature Compact agreed upon the goal of becoming "nature positive," or "stopping and reversing biodiversity loss by 2030 to put nature on a recovery path."

In the future, carbon neutrality (net zero greenhouse gas emissions) alone will not be enough. An integrated approach that strives to realize nature positive business practices that restore and regenerate nature will be considered important.

In order to assess the impact of our business activities on biodiversity, the Shinko Group has conducted biodiversity risk assessments, including physical and reputational risks, at our domestic and overseas production sites, using the World Wildlife Fund (WWF) Biodiversity Risk Filter.

As a result of the assessment, it was confirmed that none of our production sites have levels of physical risk or reputational risk that are High or Very High.

We also consider our impact on ecosystems and are assessing water risk and water stress. [See Response to Water Risks \(page 41\)](#)

We will continue engaging in activities that aim to reduce the negative impact of business activities on the ecosystem and help to realize a society in harmony with nature.

Assessment of Biodiversity Risk at Production Sites¹ (FY2022) (Number of Production Sites/Percentage)

WWF Biodiversity Risk Filter Level ²		Physical Risk ³				Reputational Risk ⁴			
		Japan	Asia	Total	Percentage	Japan	Asia	Total	Percentage
Very low	(1.0-1.8)	0	0	0	0%	0	0	0	0%
Low	(1.8-2.6)	5	1	6	86%	2	0	2	29%
Medium	(2.6-3.4)	0	1	1	14%	3	2	5	71%
High	(3.4-4.2)	0	0	0	0%	0	0	0	0%
Very high	(4.2-5.0)	0	0	0	0%	0	0	0	0%
Total		5	2	7	100%	5	2	7	100%

¹ Production sites Japan: Kohoku Plant, Wakaho Plant, Takaoka Plant, Arai Plant and Kyogase Plant
 Asia: KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM)
 SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM)

² WWF Biodiversity Risk Filter Criteria

³ WWF Risk Type "Scape Physical Risk"

⁴ WWF Risk Type "Scape Reputational Risk"

● Results of Activities

Reporting boundary: Shinko Group in Japan

Conduct the adopt-a-forest program in Nagano Prefecture

Shinko and the labor union participate in the adopt-a-forest program promoted by Nagano Prefecture. Every year, employees and their families participate in forest maintenance work in the area around Lake Reisenji, which is owned by Iizuna Town.

Activity	FY2022 Target	Results
Forest maintenance	Conduct 2 times	2 times



Group photo of the participants



Scene of participants planting seedlings

In addition, starting in FY2021, we use the Nagano Prefecture Forest CO₂ Absorption Assessment Certification System to visualize (quantify) the amount of CO₂ absorption per year in the maintained forests.

Certification year	Area maintained	Amount of carbon dioxide (CO ₂) absorbed
FY2022	0.32 ha ⁵	0.2 t-CO ₂ /year ⁶
FY2021	0.19 ha	0.1 t-CO ₂ /year

⁵ Total area maintained, including area newly certified in FY2022 + previously certified area

⁶ Amount of CO₂ absorbed by trees growing in area described in 5 above in FY2022

Through these activities, we will strive to continue and contribute to biodiversity conservation activities in cooperation with local communities.

Engage in biodiversity conservation activities in the Kurita Sogo Center

Our Kurita Sogo Center, located near Nagano Station, spreads out like an oasis in an urban area.

Here, we continually conduct natural environment surveys.

In FY2022, we identified 151 species of plants, 93 species of terrestrial insects, and 24 species of aquatic organisms, many of which are native species. However, some alien species that threaten existing ecosystems have also been found. We are exterminating and monitoring them as indicator species to identify problems and make improvements. We will continue our activities to improve biodiversity at the Kurita Sogo Center.

Activities	FY2022 Targets	Results
Natural environment survey	Implement survey	Implemented survey
Measurement of effect of extermination	Examination of methods for assessing effects	Extraction of assessment method Continuation of monitoring



Kurita Sogo Center (Kurita, Nagano City)



Living things at Kurita Sogo Center

Conduct environmental education and awareness activities to foster consciousness of biodiversity

We are striving to strengthen our biodiversity education and awareness activities so that each employee will understand the importance of biodiversity and the relationship between biodiversity and business activities.

We want each employee to be able to take action in their work and daily life, beginning with what is familiar to them.

Activities	FY2022 Targets	Results
Environmental education	Conduct 3 times	3 times
Awareness-raising activities	Conduct 2 times	2 times

Controlling Emissions from Chemical Substances

Chemicals make people's lives more convenient, but they can have a significant impact on human health and ecosystems.

In order to reduce the negative impact of chemicals on people and ecosystems, the Shinko Group in Japan has established Control Standards for Chemical Substances, and we control and use chemical substances properly.

● Chemical Substance Control

Chemical substances used in product development and manufacturing are controlled by checking the transaction volume and the amount of emissions and movement to the environment (atmospheric air, water, and soil) based on the PRTR system¹. When previously unused chemical substances are to be processed, they will be used properly after conducting a risk assessment to identify any environmental risks.

¹ PRTR system: Pollutant Release and Transfer Register system is the system for collecting and reporting information about chemical substances that are emitted and moved to the environment. This system is defined in the Ordinance for Enforcement of the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof and is imposed on business operators handling chemical substances.

● Control of Chemical Substances Contained in Products

The information on the chemical substances contained in purchased products is identified and controlled based on chemSHERPA^{®2}, and we have built a system which enables us to respond to customer requests and so that various laws and regulations can be met. We request major suppliers of materials and components to build the CMS (Chemical substances Management System) as a measure to keep hazardous substances out of our products. In addition, we audit chemical substance control status periodically and continually. If an insufficiency is detected, we request that the supplier to correct it and support its improvement.

[See Managing Chemical Substances in Products\(P71\)](#)

² chemSHERPA[®]: Chemical information SHaring and Exchange under Reporting PARTnership in supply chain.

chemSHERPA[®] is the data generation tool for obtaining and disseminating information on the chemical substances contained in products and can be used by all business operators involved in processes from raw material procurement to product finishing.

● Thorough Measures to Prevent Environmental Pollution

In order to prevent chemical substances from leaking into the natural environment and causing environmental pollution, we have implemented thorough control measures to prevent leakage of chemicals and other substances, and to comply with environmental laws and regulations as well as pollution control agreements.

[See Environmental Risk Measures \(page 32\)](#)

Initiatives at Overseas Plants

At the Shinko Group's overseas plants, we have also rolled out a range of activities suitable for the conditions in each country and region. We have established an environmental management system for conducting business in a sustained manner while striving to reduce environmental impact, and we engage in activities to reduce environmental impact, educate people about the environment, and beautify the area around our plants.



KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM)

	FY2022 Targets	FY2022 Results
Energy reduction	Reduce annual CO ₂ emissions from energy consumption by 2%, from 5.50 t-CO ₂ /100 million won in FY2021 to 5.39 t-CO ₂ /100 million won (units per sales) or less.	5.94 t-CO ₂ /100 million won (Did not achieve target) <Examples of Activities> • Reduced energy consumption by shortening cleaning tower operation time and air conditioner operation time
Waste reduction/ recycling	Reduce generation of waste by 2% compared to FY2021 and hold it below 0.062 t/100 million won per year (amount per unit of sales)	0.085 t/100 million won (Did not achieve target) <Examples of Activities> • Prolonged life of indirect materials and improved reuse rate • Sorting renewable waste
Water use reduction	Reduce water use by 2% compared to FY2021 and hold it below 205.7 t/million pieces per month (amount per unit of production)	362.5 m ³ /million pieces (Did not achieve target) <Examples of Activities> • Reduced amounts of pure water and circulating water supply in plating process • Reduced amounts of water supplied to washrooms



SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM)

	FY2022 Targets	FY2022 Results
Energy reduction	Reduce electricity use for air conditioning by 2% compared to FY2021 and hold below 2,804 MWh/year.	3,452 MWh/year (Did not achieve target) <Examples of Activities> • Reduced power consumption by upgrading to high-efficiency equipment
	Reduce electricity use for air compressors by 2% compared to FY2021 and hold below 4,146 MWh/year.	4,696 MWh/year (Did not achieve target) <Examples of Activities> • Reduced power consumption by upgrading to high-efficiency equipment
	Reduce diesel fuel consumption by 2% compared to FY2021 and hold below 1,013 thousand L/year.	1,029 thousand L/year (Did not achieve target)
Waste reduction/ recycling	Increase recycling rate for packaging materials to 60% or higher per month	28% (Did not achieve target) <Examples of Activities> • Reused packaging materials
Water use reduction	Hold water use below 46.2 m ³ /million pieces per month (amount per unit of production)	45.6 m ³ /million pieces (achievement rate: 101.3%)

Initiatives for Social Issues

Respecting Human Rights

Respect for Diversity

Creating a Dynamic Corporate Culture

Developing and Utilizing Human
Resources

Occupational Safety and Health

Contributing to Local Communities

Improving Reliability and Contributing
to Customers through Quality

Promoting Social Responsibility
in the Supply Chain



Respecting Human Rights

The first item in the Code of Conduct within the Shinko Way, which expresses the values common across the Shinko Group, is “We respect human rights.” This is an explicit statement of our corporate stance of acting on the basis of a spirit of respect for human rights in all business operations. We strive to ensure that all Group employees show this spirit in their actions.

We uniformly use Global Business Standards (GBS) as guidelines for the Code of Conduct in terms of employee actions, and we share the concept of respect for human rights throughout the Shinko Group worldwide. The Shinko Group has established the SHINKO Guiding Principles of Respect for Human Rights in Employment. We continue to work for equal employment opportunities, respect for human rights, elimination of discrimination, and the prohibition of forced labor and child labor.

SHINKO Guiding Principles of Respect for Human Rights in Employment

With a view to realizing our growth and profits, respect for human rights must be an integral part of our business culture. SHINKO is committed to creating a culture in which employees respect the dignity and worth of individuals. To this end, SHINKO will strive to foster respect for human rights in all the countries and regions where we operate our business while providing an environment that encourages employees to understand and realize importance of human rights.

1. Equal Employment Opportunity and Respect for Human Rights

SHINKO strives to provide equal employment opportunities.

SHINKO is committed to treat our employees with no illegal discrimination based on race, color, religion, creed, sex, social status, lineage, physical or mental disability, sexual orientation and any other legally protected category that is unrelated to the legitimate interests of SHINKO.

2. Compliance with Employment Laws and Regulations

SHINKO adheres to the applicable laws and regulations of the countries and regions in which it operates in treating our employees.

3. Prohibition of Forced Labor/Child Labor

SHINKO will not use any form of forced or compulsory labor.

SHINKO will not use child labor.

4. Work Environment

SHINKO strives to achieve and maintain a healthy and safe work environment that motivates its employees.

Human Rights Education

Shinko promotes awareness of human rights throughout the year by providing rank-specific training on human rights, e-Learning to all employees, and through active participation in human rights workshops held outside the Company.

In FY2022, we provided all employees with education on the Shinko Way to deepen their understanding of human rights-related harassment and unconscious bias (unconscious assumptions and prejudices), which is important in accepting and utilizing diversity. All employees, including dispatched workers but not those on leave, have completed this training. We also provided training on harassment prevention using case studies for new managers, focusing on power harassment, sexual harassment, and harassment related to pregnancy, childbirth, childcare, and nursing care.

During Human Rights Week in December, we conducted an e-Learning program for all employees entitled

"Workplace Power Harassment Prevention Education." Through case studies, we sought to raise awareness of the human rights of each individual and deepened our understanding of anger management (psychological training to better deal with angry feelings) to facilitate communication.

Through education and enlightenment on human rights, we are promoting the creation of an organizational culture that makes it easy for everyone to realize their full potential.

Human Rights Training Results in FY2022 (Shinko Group in Japan)

Training	Participants
Shinko Way Education	5,662
Workplace Power Harassment Prevention Education	5,629
Rank-specific Training	491

Human Rights Consultation Services

Shinko Group has established internal and external Corporate Ethics Helplines for consultation about human rights in Japan. In particular, we have also established consultation services in each plant for issues, such as sexual harassment, to make it easy for employees to seek consultation. In addition, we have established systems for reporting and consulting at all overseas sites through providing a multilingual whistleblower system for overseas sites.

All employees working in the Shinko Group can use these consultation services, and company rules clearly stipulate such matters as the protection of personal information and privacy when seeking consultation or blowing the whistle as well as the prohibition of unfair treatment of employees who seek consultation. When employees contact the corporate ethics helplines for consultation about human rights or to report an issue, the call or e-mail is taken by a personnel department manager designated in advance as a person to handle consultations. If an investigation and response are deemed necessary, action will be quickly taken to check the facts with the relevant parties and to find a solution to the problem. In the future, we will continue to create systems and provide guidance to facilitate smooth communication. At the same time, we will continue to disseminate information through the Shinko Way education and promote the use of Human Rights Consultation Services to enable us to detect and respond to problems as early as possible.

In FY2022, there were no serious cases of violation of workers' rights reported to the Group's internal whistleblowing helplines.

Respect for Diversity

Recognizing that our corporate value is increased by the combined talents of our employees—each with their own unique qualities and way of thinking—one of our Corporate Values defined in the Shinko Way is to respect diversity and support individual growth for our employees. Based on our Corporate Values, we have established a human resource development policy and are working to improve our education system.

We also strive to foster a corporate culture where all employees can increase their own value and work with pride and confidence, and to create workplaces that are pleasant for all employees.

Initiatives to Promote Active Participation by Women

Based on the Stage 2 Action Program submitted to the Nagano Labor Bureau in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace, we conduct annual training for young employees and employees who are raising children.

In FY2022, at a Work-Life Balance Seminar for male and female employees raising children, managers who have experience with childrearing talked about their experiences, and we raised awareness of achieving a balance between work and childcare, including managing the health of working parents and children, and of awareness of medium- to long-term career development. At the Career Development Support Seminar for Young Employees in their second year at the Company, participants focused on studying future career development and gender equality. Also, we conducted two training programs with the aim of fostering female leaders: For female leaders, we conducted leadership training and, for the managers of female leaders, we held leader development training.

In the female leader training conducted for female leaders, we improved motivation for work by fostering understanding of the various styles of leadership and the expectations of others. We conducted female leadership training and studied the importance of female leadership development and communication skills to support the progress of women, while sharing the issues they face. We also provide training from the perspective of promoting diversity in rank specific training as well as introductory training for mid-career hires to promote gender equality within the Company.

Looking at the ratio of women in management positions, in our second stage action plan based on the Act to Advance Women's Success in Their Working Life, the actual ratio as of March 2023 was 5.9%, compared with the target of 6.6% at the end of March 2025. Going forward, we will continue to encourage the participation of women, as we aim to achieve our targets.

Excerpt of the Action Plan Based on the Act to Advance Women's Success in Their Working Life (Stage 2) (April 1, 2020–March 31, 2025)

Targets

- (1) Double the ratio of women in managerial roles by the end of March, 2025 (compared with the end of March, 2020)
- (2) Keep the average hours of overtime per month at 30 hours or less through the plan period

Initiatives

- Hold training programs to develop female management candidates
- Continue seminars on career development support for younger employees and for male and female employees who are raising children



Female leader training

Gender Pay Gap (FY2022 results)

The "ratio of female workers' wages to male workers' wages" calculated in accordance with the provisions of the Act on Promotion of Women's Participation and Advancement in the Workplace is as follows.

There is no difference in wages for equal work between men and women, and the male-female difference is due to differences in the number of employees at each job (qualification) level. However, we aim to further reduce the gender wage differential through continuous training for human resources development, together with support for employees balancing work and childcare.

Classification	Ratio of female wages to male wages
All workers	79.3%
(Regular employees among all workers)	79.2%
(Non-regular employees among all workers)	81.1%

- Wages were defined as payments made to workers during the period as compensation for work, including basic salary, bonuses, and various allowances. (However, commuting allowances and retirement allowances are excluded.)

Acceptance of Personnel of Different Nationalities

Shinko is increasing the diversity of its workforce to encourage innovation. We hire international students and accept personnel working at Shinko Group sites outside Japan as well as overseas technical intern trainees. In the case of foreign technical intern trainees, we provide in-house Japanese communication training and provide Japanese staff in the accepting departments with communication training. In this way, we provide support so that personnel with different cultures and languages can actively deepen relationships of trust beyond nationality. We have one employee from overseas in a management position, and we will strive to raise this number.



Training for foreign technical intern trainees

Mid-Career Hires

Shinko is hiring mid-career employees because we are making aggressive investments for future growth and plan to open a new plant and construct new buildings at existing plants. We have always provided opportunities for promotion to management positions to both mid-career hires and new graduates. Currently, mid-career hires account for 17.3% of our managers. We will continue to maintain the current level by providing equal opportunities for promotion to management promotions.

Supporting the Active Participation of Elderly Workers

We introduced a post-retirement rehiring program to capitalize on the knowledge, techniques, and skills cultivated by employees over many years. As of July 2023, 480 employees benefited from this program. In April 2022, we reviewed this program so that employees who are willing to work can make the most of their abilities and play an active role regardless of their age, and if their motivation and skills match the company's needs, they can work after the age of 65. We also reviewed the compensation for those over 60 so that all employees working under our post-retirement rehiring system can contribute to the company with a sense of fulfillment and satisfaction in their work.

Promoting the Employment of Persons with Disabilities

Our company has been utilizing its subsidiary Shinko Technoserve Co., Ltd. to expand employment of persons with disabilities, and Shinko Technoserve Co., Ltd. was certified as a special subsidiary in April 2023. In addition to building a work environment that meets the needs of employees with disabilities and providing facilities such as barrier-free toilets and ramps, we are also striving to raise employees' understanding of disabilities and create an appropriate workplace culture through education for managers and leaders. The Shinko Group will continue to engage in employment of people with disabilities and strive to create workplaces where employees with disabilities can play an active role.

Creating an Environment Where Diverse Employees Can Work Easily

In April 2023, our company redesigned its uniforms for the first time in nearly 30 years. The new uniforms were discussed by the New Uniform Planning Committee, which included employees from each division. The new uniforms are gender-neutral and were designed from the standpoint of diversity and genderlessness. In addition, we are equipping each plant with barrier-free toilets with functions such as turning space for wheelchairs, handrails, and flushing facilities for ostomates.

Through these efforts, we are working to create a work environment in which diverse employees can work with peace of mind.

Creating a Dynamic Corporate Culture

Among the Corporate Values stated in the Shinko Way, the Shinko Group has declared that it will “create a dynamic corporate culture that promotes a balance between employees’ personal and professional lives.” We strive to create workplaces that are pleasant for all employees.

Balance between Employees’ Personal and Professional Lives

Our company has been continuously taking the initiative in the support for balancing work and personal life and in accordance with the Act for the Promotion of Measures to Support the Development of the Next Generation, we became the first company in Nagano Prefecture to obtain Platinum Kurumin Plus certification on December 15, 2022. Only companies that meet certain requirements can obtain this certification. In addition to striving to maintain a high level as a “company that supports people who are raising children,” the eligible company must be making efforts to improve the working environment so that working people can undergo infertility treatment. In addition to ongoing initiatives to enable all employees to take annual leave simultaneously and to strengthen restrictions on overtime work, Shinko is making efforts to expand various systems aimed at balancing work with childcare, nursing care, and medical treatment (including infertility treatment), and promoting initiatives to realize diverse and flexible work styles. These kinds of initiatives have resulted in women having a longer average number of service years than men at Shinko. This average is at a high level even on a nationwide basis.

Going forward, we will continue to improve systems and foster a corporate culture that enables employees in a variety of circumstances to be active, no matter their life stage.



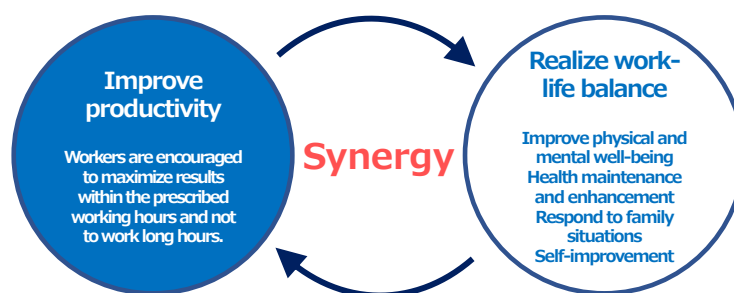
■ Main Programs to Support Work-Life Balance

Category	Program	Overview
Childcare	Childcare leave	Can be taken until the child reaches one year. The period can be extended for the longest up to the first April 20th after the child’s second birthday, depending on the circumstances at the daycare center.
	Parental Leave	Can be obtained within 8 weeks of the child’s birth for a total of up to 4 weeks (28 days)
	Shorter parental leave (paid leave)	If childcare leave or parental leave extends for less than one month, it is possible to make it paid leave within the scope of the remaining number of days of multipurpose leave.
	Shorter workhours for childcare	Available until March 31st of the child’s first year of elementary school. Also available until March 31st of the 6th grade of elementary school for a reason specified by the company.
	Exemption from working overtime	Employees who have children who have not yet graduated from elementary school can obtain exemption from overtime work beyond the regular working hours.
	Paternity leave	Can be taken for 20 days within 8 weeks before and after childbirth by a spouse.
Nursing care	Family care leave	Can be taken up to 1 year per eligible family member.
	Shorter workhours for family care	Can be taken until the reason for care ends.
	Exemption from working overtime	Exemption from working in excess of the prescribed working hours when caring for a family member in need of nursing care.
Rehiring	Rehiring employees who had resigned to raise children, care for a family member, or due to the transfer of a spouse	An employee who resigns at his/her own request to raise children, care for a family member, or due to the transfer of a spouse can be rehired, if the employee has registered before resigning.
Medical treatment	Leave for infertility treatment	Can be taken for periods deemed necessary by the company. (up to 1 year)
	Shorter workhours for care	Employees suffering from cancer, stroke, heart disease, diabetes, hepatitis, renal failure, and other serious chronic diseases recognized by the Ministry of Health, Labor and Welfare, as well as those undergoing infertility treatment, can work shorter hours for their treatment plans, if they want to.
Multi-Purpose	Accumulated paid leave	Five days of multipurpose leave is provided per year and can be accumulated up to 20 days. Leave can be taken for any of the following reasons (in increments of one day or one hour): (1) Treatment for personal injury or illness for three or more consecutive days, (2) Volunteer work for a public organization, (3) Nursing care for a child, (4) Child care, (5) Nursing caring for a family member, (6) Symptoms during pregnancy, (7) Infertility treatment, (8) Treatment for cancer, stroke, heart disease, diabetes, hepatitis, renal failure, and other serious chronic disease recognized by the Ministry of Health, Labor and Welfare, etc.

Providing a Pleasant Workplace Environment: Transforming Work Styles

Shinko is focusing on Transforming Work Styles in pursuit of corporate development and growth as well as healthy, fulfilling lives for each and every employee. In 2017, we established a Labor Management Council on Transforming Work Styles and affirmed that labor and management would work together to transform work styles. The leadership announced a Joint Labor Management Declaration on Transforming Work Styles. The Shinko Group is now working as one to implement and achieve “work styles that do not take long hours as a given” and “diverse and flexible work styles.”

As part of our countermeasures against COVID-19, we introduced a remote work system. The system was officially adopted in August 2020 because, on top of enabling business continuity in the event of a disaster, it is a work style that makes it easier for employees dealing with various life circumstances, such as parenting and caregiving, to continue to work. Holding internal meetings, internal training, and other online events has taken root, and improvements are being made to increase their effectiveness, such as the digitization of paper documents. Going forward, we will continue Transforming Work Styles in terms of both increasing productivity and achieving a work-life balance with the aim of creating a dynamic corporate culture and workplaces that are pleasant for all.



- Measure to reduce working hours
 - Lowering the upper limit on overtime work
 - Maximum weekly working hours and management
 - Setting and managing the maximum number of consecutive working days
 - Requiring employees to leave the office on time every Wednesday and on the second and fourth Fridays every month
 - Ensuring a fixed amount of rest by adopting a rule on work shift intervals
 - Understanding work hours, including for managers, etc.

- Measure to promote taking days off
 - Labor and management set specific numerical targets to promote annual leave taking
 - Establish a single day for taking annual leave
 - Eliminate the limit on half-day annual leave
 - Establish a multipurpose leave system (can be taken in hourly units and leave in the middle of the day is possible), etc.

- Set up work systems to create “diverse and flexible work styles”
 - Establish programs to support balancing work with childcare, nursing care, and medical treatment
 - Remote work system
 - Flexible working hours with no core time, etc.

Labor Relations

Since Shinko has adopted a union shop system, all ordinary employees are members of SHINKO ELECTRIC WORKERS UNION. The union participation rate is 91.3%.* Based on labor-management agreements with the labor union, labor and management representatives hold the Labor Council on a periodic basis (or whenever needed) to explain management policies and business conditions and hold discussions about various employment conditions. We have also established the collective bargaining rights of the union. With negotiation, we respect each other's position, and work with the union to resolve various issues.

We regularly share information on negotiations involving wage levels and various systems, including the deliberations of the Work Style Reform Labor-Management Council, which aims to resolve issues related to work styles, and the Safety and Health Committee, which is organized by labor and management to create safe and comfortable workplaces at each business site. Labor and management work together to promote the development and growth of the company and help each employee live a fulfilling and healthy life.

In addition, both labor and management participate in Nagano Prefecture's adopt-a-forest program and are collaborating on environmental conservation and social contribution activities. We will continue to develop a variety of initiatives.

* Union participation rate: The percentage of ordinary employees out of all regular employees (including managers)

Topic

First Company in Nagano Prefecture to Obtain Platinum Kurumin Plus Certification

Our company has received Platinum Kurumin Plus certification from the Minister of Health, Labour and Welfare under the Act for the Promotion of Measures to Support the Development of the Next Generation (Next Generation Act) as a company that makes efforts to enable employees to balance work with childcare or infertility treatment, and we were issued a certificate by the Director-General of the Nagano Labor Bureau. Among the Corporate Values stated in the Shinko Way, our company has declared that it will "create a dynamic corporate culture that promotes a balance between employees' personal and professional lives." We strive to create workplaces that are pleasant for all employees.

In recognition of our company's efforts to date, the company was awarded the first Platinum Kurumin Plus certification in Nagano Prefecture, and a ceremony was held to present the certification.

We will continue to improve systems and foster a corporate culture that enables employees in a variety of circumstances to be active, no matter their life stage.



January 27, 2023 Certification Presentation Ceremony

Developing and Utilizing Human Resources

Recognizing that our employees are the Shinko Group's most valuable asset, one of our Corporate Values in the Shinko Way is to support our employees to improve their abilities and expertise with the goal of achieving growth through their own work.

Shinko has adopted personnel systems based on a fair and open compensation structure for job responsibilities, with each person's duties and the weight of their responsibilities clearly defined, regardless of academic background, age, years of service, or gender.

Human Resource Development Policy and Training System

To further develop human resources, we have established a training system based on our human resource development policy to improve our training programs and individual training.

Human Resource Development Policy

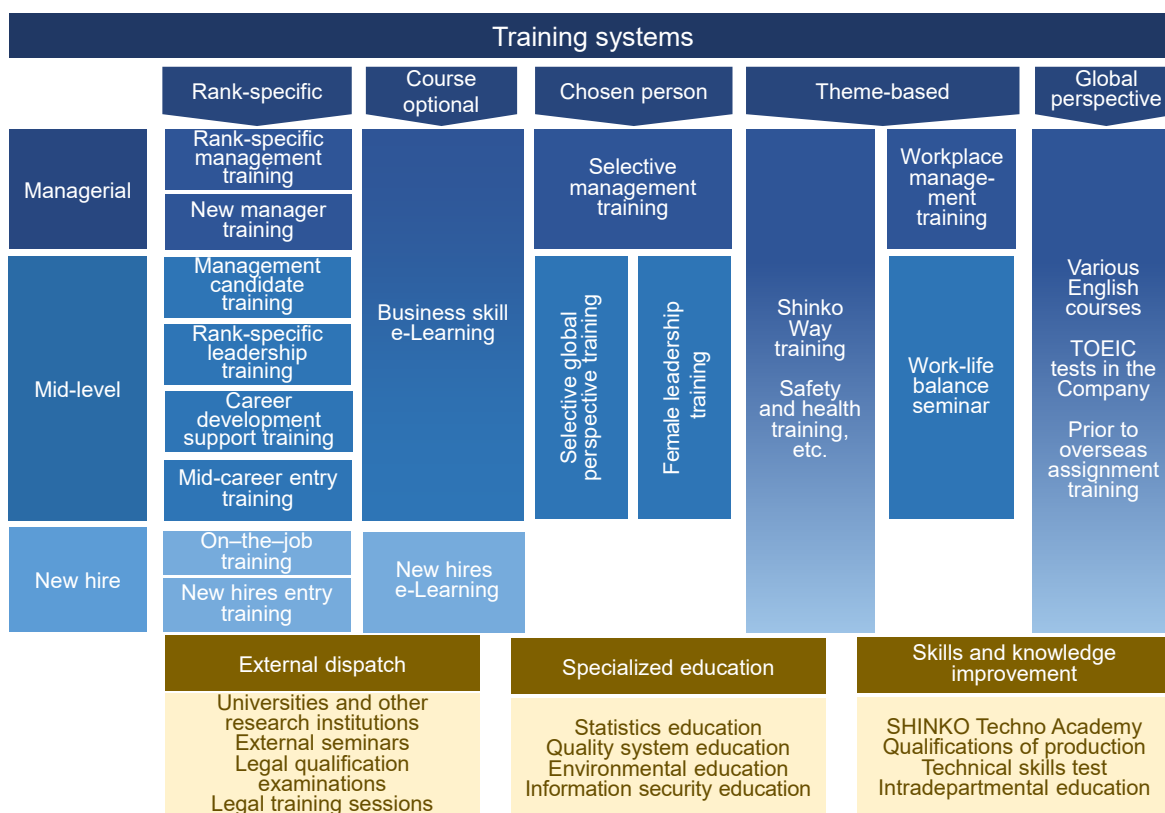
Employees are the Shinko Group's most valuable asset. Based on the philosophy encapsulated in the Shinko Way, the Shinko Group supports employees so that they can improve their abilities and expertise to achieve growth through their own work.

Professional
Develop employees who are proud of their work and constantly pursue evolution in their respective fields of expertise

Autonomy and Challenge
Develop employees who continue to take on the challenge of personal growth to create new value

Integrity and Trust
Develop employees who, using sound ethics and integrity, can build relationships of trust with stakeholders

Representative Director of Board, President
SHINKO ELECTRIC INDUSTRIES CO., LTD.



In February 2022, the Education Promotion Committee, which includes members from the education implementation divisions and the manufacturing divisions, was established to further enhance education measures and strengthen support for the manufacturing divisions in order to strengthen the human resource base. We promote the development of human resources who will lead the future with On-the-Job-Training in the workplace and Training System. We launched business skills courses using online learning (e-learning) with the aim of

strengthening business skills according to employees' responsibilities. We offer opportunities for self-directed learning so that many employees can choose the skills and knowledge necessary to perform their jobs from a range of courses.

SHINKO Techno Academy was established in 2021 as an in-house educational institution to enhance the knowledge and skills of employees working at manufacturing sites. In FY2022, 342 employees, mainly new graduates and mid-career employees, received practical skills training and hazard perception training. In addition, the scope of training for leaders at manufacturing sites was greatly expanded, and the training program itself was expanded. Also, we established an educational portal site on our internal intranet to facilitate access to educational systems and training materials.

In FY2022, the average education cost per employee was 12,500 yen, and the number of hours of education was 22.3 hours.

Based on our human resource development policy, we will continue to enhance our education programs and improve individual training sessions in order to develop excellent employees who can meet the requirements of an increasingly sophisticated semiconductor market.

Initiatives to Cultivate Global Human Resources

Shinko supports the learning of foreign languages by employees, to develop human resources who can take charge of global business. We offer correspondence training courses for foreign languages and English business skills classes, and our company subsidize the fees for these educational initiatives. We have also introduced an online system for taking TOEIC tests in-house and increased opportunities to take the test by holding it every three months.

In FY2022, we expanded our business foreign language courses based on the needs of participants and strengthened the provision of information to make it easier for each person to choose a course. To enhance motivation to learn, we hold a "Seminar on Methods of Learning English" for new employees. We will continue to proactively improve the environment for our employees so that they can gain more global business skills.

Personnel Systems Based on Fair Evaluation and Fair Pay

We believe that true fairness means appropriately evaluating and rewarding outcomes when an employee maximizes his or her abilities, embraces the challenge of pursuing goals, and contributes to our objectives and performance. Shinko enforces the personnel system of treatment of employees based on job responsibilities and the outcomes of work, not on personal factors such as continued service and academic background. In addition, we encourage the pursuit of more challenging goals through management-by-objectives and objectives interview programs. We regard these as opportunities for the development of subordinates through communication between subordinates and their supervisors based on feedback from supervisors about the content of evaluations.

We provide evaluator training to persons in line for promotion to management in an effort to ensure fair evaluations and the appropriate administration of the management-by-objectives and objectives interview programs. In addition, based on the principle of equal pay for equal work, as required by law, we confirm the working conditions of employees at different employment levels and does not allow any unreasonable differences in treatment.

Award System for Improving the Manufacturing Process

We introduced an internal award system with the aim of adopting discoveries at manufacturing sites and using them to reduce the risk of defects in products as well as failures and accidents in the manufacturing process.

Every month, valuable discoveries made by employees are recognized with a Good Job Award. The details of the discovery that merited the award are shared on our intranet, inspiring other discoveries, based on a heightened awareness of manufacturing, to spread within the company.

Occupational Safety and Health

In line with the Corporate Values of the Shinko Way, the Shinko Group provides environments where employees can work safely and comfortably, and strives to ensure employee safety. Shinko has put in place a company-wide safety and health plus fire and disaster prevention promotion system. We have adopted a management system approach to pursue continual improvements in the level of health, safety, and disaster prevention. As part of this, all employees participate actively in health, safety, and disaster prevention initiatives.

Creating Safe and Comfortable Working Environments

We have established the Company-wide Basic Policy on Safety and Health Plus Fire and Disaster Prevention to promote these activities.

Shinko Electric Industries Co., Ltd. Company-wide Basic Policy on Safety and Health Plus Fire and Disaster Prevention

Ensuring employee safety and health is a top-priority issue for us, and we put the protection of safety as well as mental and physical health first in all our business operations. In accordance with the following policy, we will make concerted, company-wide efforts to participate actively in safety and health initiatives as well as fire and disaster prevention initiatives, to create accident-free, safe, and comfortable working environments.

1. We will promote safety and health initiatives as well as fire and disaster prevention initiatives in accordance with laws, regulations, and requirements related to safety and health as well as fire and disaster prevention.
2. We will promote systematic safety awareness and the safety of every employee to prevent accidents caused by carelessness and unsafe behavior.
3. In addition to identifying and assessing dangers and causes of harm in the workplace and continuously striving to strengthen and promote risk reduction activities, we will seek to take preventive measures against disaster and to fundamentally improve safety by actively promoting the visualization of residual risk.
4. We will improve employees' health management awareness and create workplace environments where employees can work energetically in good physical and mental health.
5. We have established a fire and disaster prevention system based on "Company-wide Disaster Prevention Guidelines" and we provide necessary and sufficient education and training to employees on an ongoing basis, with the aim of minimizing casualties in the event of a disaster.

Representative Director of Board, President
SHINKO ELECTRIC INDUSTRIES CO., LTD.

Safety and Health Plus Fire and Disaster Prevention Promotion System

To promote these systems, each plant sets up a safety and health committee and a fire and disaster prevention committee to deliberate and implement plant-based initiatives related to safety and health as well as fire and disaster prevention. Plants also share information with each other about accidents that have occurred within the Company and countermeasures taken in an effort to prevent similar accidents. We have also established a central committee on safety and health plus fire and disaster prevention, chaired by the President, to oversee each plant's activities, analyze accidents that have occurred, establish company-wide measures and goals related to safety and health plus fire and disaster prevention, manage the progress of measures, work through the PDCA cycle to verify the effects of measures and make improvements, and raise the level of safety and health.



Initiatives to Raise Employee Awareness of Safety and Health

In addition to daily safety guidance, we provide practical skills training for new graduates and mid-career hires working at manufacturing sites, annual safety and health training for all employees, rank-specific safety and health training, and periodic emergency drills. In FY2022, in order to improve the hazard sensitivity of workers, we conducted "hazard perception education" in which we used special equipment to simulate industrial accidents. In conjunction with nationwide activities such as the national Safety Week in July and Occupational Health Week in October, we encourage all employees to participate in initiatives such as the solicitation of safety and health slogans. Through such initiatives, we are striving to boost the safety and health awareness of all employees.

Safety and Health Training Achievements in FY2022 (Shinko Group in Japan)

Training	Participants
Practical Skills Training for New Employees	282
General Safety and Health Education	5,709
Rank-specific Training	491
Hazard perception education	60
Traffic Safety Training	628



Hazard perception education to improve the hazard sensitivity

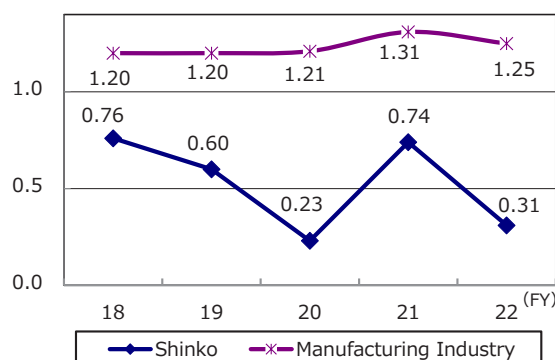
Autonomous Safety Initiatives in the Manufacturing Workplace

We have established Risk Assessment Standards and conduct risk assessments when starting a new operation, when changing an operational method, and for all operations once a year to reveal and assess potential risks, and carry out efforts to rectify dangerous points. To systematically reduce the danger of identified risks, each plant manages the progress of corrections and reports to the Central Committee on Safety and Health Plus Fire and Disaster Prevention.

Status of Occupational Accidents

Our occupational accident frequency rate remains at a level below the nationwide average for the manufacturing industry, and in FY2022, we had no accidents resulting in death or residual disability nor any similarly serious accidents. In FY2023, we will continue to promote safety and health with the goal of achieving zero accidents resulting in death or disability as well as similar serious accidents.

Frequency Rate of Industrial Accidents (Shinko)



Note: Frequency rate: An index indicating the frequency of industrial accidents, calculated based on the number of casualties due to industrial accidents (one day or more of absence from work and loss of body parts or functions) per 1 million total actual working hours

Hygiene Management, Health Management, and Health Promotion Initiatives

Shinko is committed to creating workplaces where employees can work safely and comfortably. Accordingly, in addition to regular monitoring of the work environment (noise, luminance, and heatstroke indicators), we have industrial doctors and nurses (public health nurses or registered nurses) perform the following actions.

- In addition to statutory general and special health exams, we have specific health exams based on an employee's age (with 100% participation) and provide specific health guidance based on the results. We aim to provide specific health guidance to 75% of employees who are eligible for it. This far exceeds the target set in the government's basic guidelines (45%). Moreover, 75.1% of eligible employees completed the health guidance in FY2022.
- We issue a regular Health Room Newsletter based on analyses of health examination results and provide information related to health promotion to foster self-care awareness among each and every employee.
- In addition to subsidizing the costs of gynecological checkups, brain checkups, and lung checkups for early detection and treatment, we also make available subsidized in-house vaccination against seasonal influenza as an infectious disease control measure, and 1,938 employees who requested were vaccinated within the company.
- We have established a Health Measurement Corner in rest areas. The Health Measurement Corner lends out pedometers and tape measures and offers health measurement devices such as body composition analyzers, and blood pressure gauges, that employees are free to use.

We also promote healthy activities, such as walking, using a smartphone app and events that encourage people to stop smoking. Our cafeterias offer nutritionally balanced “smart meals” containing food items that contribute to health, as well as meals tailored to healthy themes on Food Education Day (19th of every month). In these ways, we cooperate with employee cafeterias and health insurance association to help employees maintain and increase their health.



Employee cafeteria menu: smart meals

Mental Health Care

Industrial doctors and nurses consult with employees about mental health care at the Health Room in each plant. Also, mental health education with the goal of raising awareness of mental-health issues is implemented according to rank, such as managerial, mid-career and new-hire employees. We work on preventive measures for mental illness among employees while promoting both self-care and managerial care to detect and treat issues at an early stage. In addition, we conduct annual stress checks with the aim of preventing (primary prevention) poor mental health and we provide general managers of divisions with feedback on group analysis results. We also promote active efforts to improve the workplace environment and enrich dialogue, including through skills development training for the leader class.

Certified as an Outstanding Health and Productivity Management Organization 2023

In March 2023, Shinko was recognized as an Outstanding Health and Productivity Management Organization 2023 (Large Enterprise Category) for the fifth year in a row. These organizations are companies with outstanding health and productivity management jointly selected by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. We place the highest priority on management issues involving employee safety and health maintenance and engaged in a variety of initiatives in support of these efforts. By verifying and assessing their results, we will maintain our pursuit of continuous improvements to increase the efficacy of these measures and tailor them to individual situations.



Contributing to Local Communities

Contributing to society is one of the Corporate Values espoused by the Shinko Way, and the Shinko Group strives to promote the creation of a prosperous society through its corporate activities.

We have developed deep roots in communities and engage in social activities in harmony with these local communities.

About Kurita Sogo Center

The Kurita Plant, the former head office plant, had been the main plant for about half a century, since being established in 1957, and it supplied a range of products to the market. When the plant opened, the surrounding area was a tranquil environment with rice paddies spreading out in every direction. However, with the rapid development of the area and its transformation into a residential neighborhood, the entire plant was demolished and rebuilt. Today, the Kurita Sogo Center, the replacement, is surrounded by lush greenery to harmonize with the local community.

The Kurita Sogo Center is a place of recreation and relaxation where people passing by can experience a breath of nature in each of the four seasons, including cherry blossoms in the spring and autumn leaves in the fall.



Kurita Sogo Center

Coexistence and Dialogue with Local Communities

Social Contributions Deeply Rooted in Local Communities

The Shinko Group aims to coexist harmoniously with local communities through its business operations, in addition to which it has, since its founding, worked to create and maintain stable employment.

Through these activities, the Shinko Group seeks to remain a widely trusted company that is needed by society and that contributes to the local activities of communities.

Awareness Campaigns on Traffic Safety

In conjunction with the National Traffic Safety Campaign, we conduct awareness campaigns on traffic safety. Especially, we are working to prevent traffic accidents involving children by calling out to local elementary school students and watching over them so that they can safely go to school. To help realize a society with zero traffic accidents, we will work together with local residents to encourage people to observe all traffic rules and to practice traffic safety.



Awareness Campaigns on Traffic Safety

Initiatives to Protect the Local Environment

Adopt-a-forest Program

We participate in the adopt-a-forest program promoted by Nagano Prefecture and are working with Iizuna Town on forest maintenance in forests owned by the town around Lake Reisenji. In 2014, we concluded an adopt-a-forest agreement with Iizuna Town, and in October 2019 renewed the agreement.

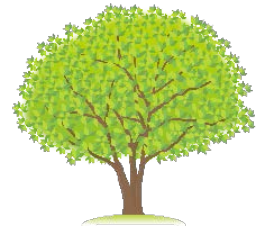
In FY2022, in collaboration with the labor union, we carried out various forms of forest maintenance in May and November, including planting of saplings, cutting of undergrowth, and maintenance of walking trails by scattering wood chips. We will continue forest development activities in collaboration with local communities.



Tree planting in May, 2022

Collecting and Donating Stamps

Shinko collects used stamps, which we donate to funds for tree planting. From July 2005, when we started this campaign, until the end of FY2022, we collected and donated enough stamps to purchase about 1,010 saplings.



Beautification around Our Plants

Shinko carries out beautification activities, such as picking up garbage, around its plants, mainly during Environment Month, which is held every June. We will continue to work steadily to ensure that the beautiful environment around the plant is passed on to future generations.



Cleanup activities around the plant being conducted (Takaoka Plant)

Supporting Youth Development

Plant Tours and Internships

Shinko provides opportunities to nearby schools for learning through plant tours. In FY2022, we invited high school students to tour the Kohoku Plant to see and experience actual manufacturing.

The Shinko Group also provides internships in the hope that these internships will provide an effective foothold for students who will lead the next generation to establish their outlook on work and discover their abilities.

Classroom Support for Educational Institutions

Our employees give lectures at high schools and universities for the purpose of fostering human resources who can play an active role in industry and for career education.

Employees visit their alma maters and explain the nature of work in the manufacturing industry and Shinko's profile, as well as introduce their own experiences. This is an opportunity to help students choose their future career paths.



Career support education activities for high school students

Supporting the Hokushin Scholarship Foundation

Shinko's co-founder and former president, Takekio Mitsunobu, donated the retirement money he received when he stepped down as a director, as well as company stock that he held, to establish the Hokushin Scholarship Foundation, a public interest incorporated foundation.

Based on former president Mitsunobu's belief that the establishment of a high-tech prefecture starts with human resources development, the foundation has thus far granted scholarships to a total of 582 engineering and medical students who are either from Nagano Prefecture or studying at universities in Nagano Prefecture (including exchange students).

Shinko helps run the foundation by serving as its secretariat.



Topic

Contributed to and Collaborated in "Donated Course in Engineering Education" in Faculty of Engineering, Shinshu University

Shinko approved of the aims of the "Donated Course in Engineering Education" that was established by the Faculty of Engineering of Shinshu University to "develop human resources capable of utilizing data science," and we not only made a donation but also collaborated in the assessment of the teaching materials used in the course and the analysis of educational needs.

In addition to enhancing the education of students in the field of data science, which is the basis for the development of digital human resources, this donated course also plans to provide recurrent education and reskilling education for working adults and is expected to develop human resources who can play an active role in the community.

The working population is expected to decrease in the future, and improving work efficiency and productivity through the use of digital technology is one of the important initiatives for eliminating the impact of the decline in the labor force. Our company will work together with the university to ensure that this industry-academia collaboration not only solves problems in the industrial world but also leads to the realization of a vibrant local community.



July 20, 2023 Press Conference at Shinshu University
(conference participants from Shinshu University and donor corporations)

Initiatives at Overseas Plants

● KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM)

KSM (Korea) conducts annual clean-up activities on roads surrounding industrial parks where its plant is located. In FY2022, KSM reduced the scope of its activities to prevent the spread of COVID-19.



Cleaning activities around the plant

● SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM)

SEM (Malaysia) accepts internships and factory tours from local universities in order to promote understanding of the industry and support employment.

It is also promoting community-based activities, such as participation in a monitoring program by neighboring companies to maintain and improve safety in the industrial area surrounding SEM.



Orientation for students

Improving Reliability and Contributing to Customers through Quality

The Shinko Group has focused on developing and manufacturing superior products that meet customers' expectations, aiming to be No. 1 in *monozukuri* (the art of manufacturing) in the industry and to offer the best quality in the world. We always make customers the starting point of our ideas and actions, aiming to be a trusted business partner of our customers around the world by contributing to their success and growing together with them.

Supporting Customer and Societal Trust with Quality

The Shinko Group seeks to contribute to the development of society and enrich people's lives through manufacturing. In pursuit of this goal, we focus on providing products that offer satisfaction to customers and earn their trust. The Shinko Group regards quality as fundamental to our business operations, and we work unceasingly each day to maintain and enhance quality.

Quality Policy

Based on our Quality Policy, we will continue to be a company trusted by customers and society by providing highly valued products and services.

Quality Policy

The Shinko Group is based on the Corporate Vision of the Shinko Way, which derives the trust of our customers and society through quality and continuing to truly provide the level of products and services that they expect. To accomplish this, all employees will act on the following guiding principles.

Guiding Principles

1. We pursue quality as a customer first priority.
2. We build in quality that anticipates change.
3. We achieve quality consistent with our social responsibilities.
4. We strive for continuous quality improvement through the concept of Gogen Shugi (Onsite, Products, Reality, Principles, Rules).
5. We foster employees who think about quality.

Representative Director of Board, President
SHINKO ELECTRIC INDUSTRIES CO., LTD.

Fostering a Quality Compliance Mindset

Shinko focuses on quality as part of its products and services, and conducts Quality Compliance Education every November in conjunction with Quality Month (organized by the Union of Japanese Scientists and Engineers, the Japanese Standards Association, and the Japan Productivity Center) to foster and establish a quality compliance mindset in all employees. "Motivation," "justification," and "opportunity" are said to be the three elements that lead to quality misconduct. Since 2019, we have been preparing our own educational materials and providing education that reflects current trends with the particular intention of restraining the two of these three elements that are directly connected to the quality mindset: motivation and justification. Participating in this education provides an opportunity to review our own behavior and pose questions to our conscience. This training is offered to all employees, and has been extended to mid-career employees since 2020 and to foreign technical interns since 2021. Through these measures, we are continuously striving to ensure that employees involved in manufacturing work together to address quality compliance issues. In addition, since 2021, we have conducted a quality awareness survey for all employees to spread and establish a quality mindset. We will continue to provide all employees with the opportunity to reaffirm the importance of customer trust through quality enlightenment activities such as quality compliance education and quality awareness surveys so that we can continue to deliver our company's important products and services in a safe, secure and honest manner.

Participation in Exhibitions

To capture the needs of our customers and the market, and to provide easy-to-understand explanations of the Shinko Group's products, especially new products and technologies, we have continually participated in exhibitions held in and outside Japan. In FY2022, our products under development were mainly exhibited at the following exhibitions.

No.	Date	Exhibition Name	Products Exhibited
(1)	20-21 April, 2022	MEMS Engineer Forum 2022	Sensing Edge Device*
(2)	14-16 September, 2022	SENSOR EXPO JAPAN 2022	Sensing Edge Device*
(3)	23-27 October, 2022	The 4th International Workshop on Gallium Oxide and Related Materials	Power Device Package (POL)*
(4)	11-13 November, 2022	The 12th International Suppliers Fair	Power Device Package (POL)* Motor Core
(5)	14-16 December, 2022	APCS (Advanced Packaging and Chiplet Summit) 2022	2.3D Package Substrate (i-THOP®) * Substrate with Optical Waveguides* Carbon Nanotube Thermal Interface Materia* etc.
(6)	25-27 January, 2023	15th Automotive World	Power Device Package (POL)* 2.3D Package Substrate (i-THOP®) * Substrate with Optical Waveguides* Carbon Nanotube Thermal Interface Materia* etc.

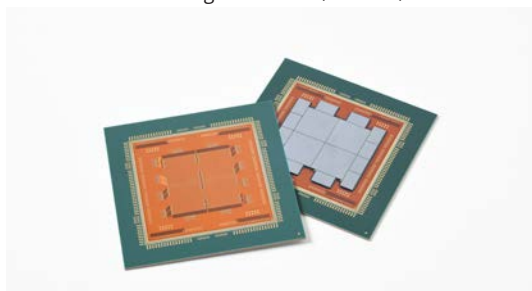
* Products under development

Exhibits at shows

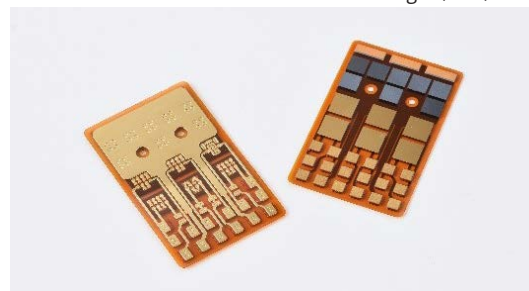


Some of products exhibited

APCS2022 etc.
2.3D Package Substrate (i-THOP®)



15th Automotive World etc.
Product exhibited: Power Device Package (POL)



Note: i-THOP is a registered trademark of Shinko Electric Industries Co., Ltd.

Customer Support

As the COVID-19 pandemic subsides, Shinko has been conducting a complete review of our infection control measures in accordance with the response policies of the national and local governments. However, the risk of renewed spread of infection continues to persist. Shinko is responding to customer's requests to prepare for the resurgence of the virus through voluntary infection control measures, using ad hoc means to communicate with customers. Furthermore, in order to prepare not only for the novel coronavirus but also for the kinds of large-scale natural disasters and pandemics that have recently occurred, we will work together with our customers to ensure business continuity and avoid supply insecurity by further strengthening our Business Continuity Management (BCM).

Initiatives for Safety and Reliability

Security Trade Control

Shinko complies with laws and ordinances related to security trade control. We have established a Security Trade Control Compliance Program as internal rules for preventing violations and have implemented appropriate security trade control. We raise awareness of compliance through training given regularly to new hires, new managers, and employees involved with export products.

Overseas manufacturing subsidiaries are also subject to this management, and similar training is being provided.

AEO Business Certification

The Authorized Economic Operator (AEO) system is a global framework of cooperation among national customs offices. By obtaining certification under this system, we are able to improve our credibility as an export company and to expedite customs clearance procedures.

We have been certified as an AEO Exporter since 2008.

Acquisition of Quality Management System Certification

The Shinko Group is actively working to obtain certification for its quality management system so that customers can adopt our Group's products with confidence. All of our manufacturing sites, including overseas sites, have ISO 9001 certification, an international standard for quality management systems. In automotive parts, an area in which market need is expected to increase, we have in recent years expanded the number of products certified under IATF 16949, an international quality management system standard for the automotive industry.

Promoting Social Responsibility in the Supply Chain

The Shinko Group's business activities are supported by our suppliers who provide us with a variety of goods, materials, and services that help us add value to our business. Shinko, together with its suppliers and the supply chain as a whole, promotes : procurement activities that take into account protection of the global environment; compliance; respect for human rights, labor, health and safety; assurance of safety and quality of products and services; maintenance and promotion of information security; and fair trade and corporate ethics.

Shinko Procurement Policy

We strive to build long-term relationships of trust with our suppliers, acting as good business partners that enhance each other's capabilities for mutual prosperity and productive coexistence together. For the procurement of goods, components, software, and services required in our business activities, we have established the Shinko Procurement Policy and are conducting procurement activities in accordance with the four policies.

Shinko Procurement Policy

1. Coexistence with Suppliers
We strive to establish a relationship of coexistence in which Shinko and our suppliers, as good business partners, build a long-term trustful relationship and close cooperation based on continuous efforts and improvements on both sides and thereby prosper together.
2. Fair Trade (Fair, transparent, proper evaluation and selection)
We promote fair, transparent and free competition and do not engage in any illicit trade. We provide open and fair access to companies that wish to become new suppliers. We evaluate and select suppliers comprehensively based on such criteria as credibility as an enterprise; technology; quality, price and delivery of procurement items; and the level of engagement with environmental protection initiatives.
3. Compliance with Laws and Social Norms
We adhere to applicable laws and social norms in our procurement operations and are committed to working with suppliers to fulfill our social responsibility in the supply chain.
4. Protection of the Global Environment
We promote green procurement throughout the entire supply chain by requesting suppliers to establish environmental management systems and control of chemical substances.

CSR-Conscious Procurement Activities

Procurement Guidelines

We promote procurement activities in line with societal responsibility at our company, and have established our Procurement Guidelines based on the Shinko Way and our Procurement Policy with growing recognition of the importance of corporate social responsibility throughout the supply chain. We follow these guidelines ourselves and ask suppliers to follow them as well, to promote procurement in line with societal responsibility.

In addition, we comply with the Responsible Business Alliance (RBA) Code of Conduct and promote understanding, compliance with, and spread of the RBA Code of Conduct among suppliers.

Procurement Guidelines

1. Protection of the global environment
 - Promote the procurement of materials that have minimal environmental impact.
 - Promote thorough management procedures for chemical substances.
2. Compliance
 - Comply with laws and regulations in Japan and overseas, as well as social norms.
3. Respect for human rights, labor, health and safety
 - Respect the human rights of each individual.
 - Do not commit unfair discrimination or acts that infringe human rights.
 - Implement a pleasant working environment for the health and safety of employees.
 - Do not use child labor or forced labor.
4. Assurance of safety and quality of products and services
 - Assure the safety and quality of products and services.
5. Maintenance and promotion of information security
 - Provide appropriate protection for our own information and information systems and those of third parties.
6. Fair trade and corporate ethics
 - (1) Fair trade
 - Respect free, fair and transparent competition and do not conduct transactions through unfair means.
 - (2) Protection of confidential information
 - Manage the confidential information of the Company and third parties, as well as personal information, in an appropriate fashion and in accordance with laws, regulations, and rules.
 - (3) Protection of intellectual property
 - Understand that intellectual property is a valuable management asset, and respect the intellectual property of other companies while protecting the rights of our own.
 - (4) Prohibition of bribes
 - Do not bribe public officials or use a business position to commit acts of bribery, extortion, or embezzlement.

Sharing Our Procurement Guidelines — “To Our Suppliers” —

In order to promote the "Procurement Guidelines" throughout our company's supply chain, we have compiled "To Our Suppliers," a list of items that we would like our suppliers to promote.

We also provide information annually to all suppliers that we continually do business with through our procurement website, which posts the Shinko Procurement Policy, Procurement Guidelines, and To Our Suppliers.

In FY2022, we also provided guidance to 765 companies, 738 in Japan and 27 overseas, asking them to understand and cooperate with our company policy posted on our procurement website.

In addition to informing new suppliers of the Shinko Procurement Policy and Procurement Guidelines, etc., we established a system to confirm and evaluate the status of the new suppliers' CSR initiatives through a questionnaire. At the start of trading, we seek to understand each other's initiatives and to promote CSR-conscious procurement activities.

To Our Suppliers Contents

1. Green procurement
2. Business continuity planning
3. Excluding antisocial forces
4. Initiatives for responsible minerals sourcing
5. Corporate social responsibility

Note: To Our Suppliers
<https://www.shinko.co.jp/english/corporate/procurement/activities/>

Dialogue with Suppliers

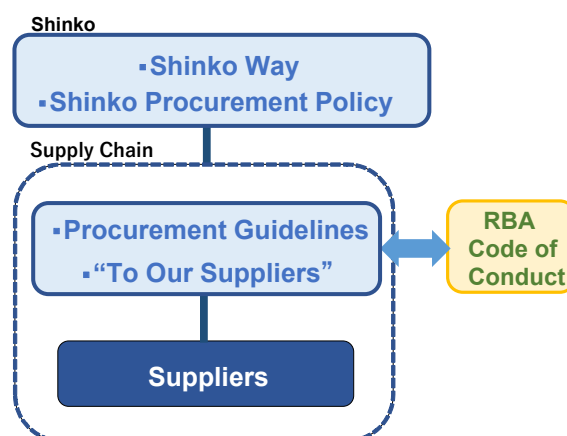
Shinko has sent questionnaire surveys about corporate social responsibility conforming to the RBA Code of Conduct to our main suppliers every year. The questionnaire confirms supplier compliance with the RBA Code of Conduct and their operation of management systems in the areas of labor, health and safety, the environment, and ethics. We continuously monitor the progress made by suppliers.

In FY2022 we sent a questionnaire to our main 34 suppliers as usual, including those outside Japan.

We also send these questionnaire surveys every year to all 9 suppliers to whom we contract some processes

within our plants and, based on the survey results, we conduct on-site audits twice a year to confirm that there are no issues in the condition of work sites. We request improvements as needed. We confirmed that there were no issues in terms of the RBA Code of Conduct and relevant laws and regulations during on-site audits in FY2022. Going forward, we will continue striving to promote social responsibility throughout the supply chain through various dialogues with suppliers, including monitoring based on questionnaire surveys, on-site audits, and interviews.

Supply Chain CSR Promotion System



Human Rights in the Supply Chain

In recent years, more and more emphasis has been placed on addressing human rights in the supply chain. We plainly stated in the Shinko Way Code of Conduct, which expresses the values common across the Shinko Group, that “We respect human rights.” Based on this philosophy, we have included items on human rights in our Procurement Guidelines. We comply with these ourselves and ask our suppliers to do the same. Specifically, we have a high regard for and grapple with the RBA Code of Conduct. We use a questionnaire on corporate social responsibility conforming to the RBA Code of Conduct to confirm our main suppliers’ status of compliance with the Code. In addition to this survey, we conduct on-the-spot inspections of work sites, etc., twice a year for in-house contractors at our plants. Through these activities, we have confirmed that there were no problems under the RBA Code of Conduct and related laws and regulations in FY2022.

Initiatives for Responsible Minerals Sourcing

We work with our suppliers to ensure transparency in procurement and the supply chain as well as the practice of responsible mineral purchasing based on the Fujitsu Group Policy on Responsible Minerals Sourcing and following the guidelines of the Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We work hard to avoid procuring minerals that contribute to conflicts or relate to a high risk of human rights abuses and labor problems.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the United States in 2010, requires the control of minerals from the Democratic Republic of the Congo (DRC) and neighboring countries and designates tantalum, tin, gold, tungsten and other minerals, as determined by the U.S. Department of State, as conflict minerals.

In addition to these minerals, we also investigate the supply chain for cobalt in light of growing concerns about child labor at unsafe small-scale mining sites.

When dealing with this matter, we first identify the applicable suppliers and purchased goods. Then, using the survey form Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT) established by the Responsible Minerals Initiative (RMI), we check and survey the procurement route and perform risk confirmation and evaluation for the applicable minerals, all the way back to the upper reaches of the supply chain. Based on the outcome of the above, we request on an ongoing basis that the applicable suppliers procure 100% of their metals and minerals from smelting operators certified as RMAP (Responsible Minerals Assurance Process) conformant smelters and refiners by third-party organizations, such as auditing companies, going all the way back to the upper reaches of the supply chain to avoid risk in the procurement of conflict minerals.

In FY2022, we conducted a survey of 58 companies and confirmed that there were no problems.

Business Continuity Management

The strengthening of business continuity management throughout the supply chain is essential to maintain a stable supply of products and services needed by customers even during contingencies such as large-scale disasters.

Shinko has sent questionnaire surveys about business continuity management to our main suppliers of raw materials and components every year. In FY2022, we surveyed 274 major purchases.

The survey confirms each supplier’s status of development of their business continuity plans (BCPs), the establishment of recovery time objectives, the inventory status of products, and problems with manufacturing

sites and access to raw materials in the event of a contingency as well as their establishment of backup systems. We then ask suppliers to cooperate in strengthening their business continuity management by enhancing their BCPs and decentralizing sites.

In addition, as our own initiatives, we make sure to maintain several suppliers for primary raw materials and components to reduce procurement risks.

Green Procurement

As a member of the Fujitsu Group, we promote green procurement—which takes into consideration the protection of the global environment—throughout the supply chain, including our suppliers. We do this by using designs and careful selection of materials that take into account energy-saving from the product development stage.

Establishment of an Environmental Management System (EMS)

We ask our principle suppliers to establish an environmental management system (EMS) based on third party certification including ISO 14001, so that they will engage continuously in initiatives to reduce their environmental impact.

Managing Chemical Substances in Products

For chemical substances in purchased products, we revise our Manual of Environmentally Controlled Substances Management for Suppliers from time to time and distribute it to our suppliers with the aim of reducing environmental impact by complying with laws and regulations. We ask for their understanding and cooperation in green procurement, and investigate the chemical substances used in purchased products.

In addition, we ask 27 main suppliers of raw materials to establish chemical substance management systems (CMS), to ascertain the chemical substances contained in products and ensure compliance with laws and regulations. Specifically, in FY2022, in response to the spread of COVID-19, our auditors conducted online audits of our suppliers to confirm the status of management, as well as written audits on a regular and ongoing basis, and if any inadequacies were found, we requested corrections and provided support for making improvements. Through these activities, we have strengthened the management of chemical substances contained in products in the supply chain.

Promoting Cuts in CO₂ Emissions and Maintenance of Water Resources with Suppliers

As part of our activities within the Fujitsu Group, we respond to climate change caused by global warming by asking our suppliers to take initiatives continuously to cut CO₂ emissions.

In Stage 10 of our Environmental Action Program (FY2021–2022), as in Stage 9 (FY2019–2020), we set the target of promoting upstream initiatives in the supply chain to maintain water resources in addition to reducing CO₂ emissions. Accordingly, we requested our suppliers to call on their suppliers (second-tier suppliers from Shinko's point of view) to reduce CO₂ emissions and maintain water resources.

In FY2022, we used an environmental survey shared by the Fujitsu Group to verify the status of activities conducted by our 29 principal suppliers. The results showed that 10 of our suppliers have asked 1,641 second-tier suppliers to reduce CO₂ emissions. To help maintain water resources, we confirmed that seven of our suppliers have requested 1,991 second-tier suppliers to conserve more water.

In addition, we analyzed suppliers' replies, provided them with feedback on activity trends as a reference for future activities, and asked that they step up their own activities and expand initiatives to their suppliers. Going forward, we will continue making efforts to promote reductions in CO₂ emissions and maintenance of water resources throughout the supply chain.

Thorough Compliance in Procurement Activities

Supplier Compliance Hotline

Shinko has established a Supplier Compliance Hotline for whistle blowing in the event an employee of Shinko has committed, or is suspected of having committed, an act in procurement operations that violates compliance. In addition, we prohibit unfair treatment of the whistle blower and the supplier for their actions.

Note: Supplier Compliance Hotline

<https://www.shinko.co.jp/english/corporate/procurement/complianceline/terms02/>

Training Procurement Personnel

Shinko provides education and training opportunities for personnel in the Procurement Division to ensure that they understand well the Shinko Way, the Shinko Procurement Policy, the Procurement Guidelines, the Subcontract Act, and other laws relevant to procurement such as the Worker Dispatching Act. We also provide training on matters such as anti-bribery to promote understanding of laws and regulations and the acquisition of pertinent knowledge as part of our ongoing efforts to ensure compliance.



Governance

- Corporate Governance
- Compliance
- Risk Management
- Intellectual Property

Corporate Governance

In the rapidly changing semiconductor industry environment, Shinko works to ensure management transparency and to facilitate swift and appropriate decision making in response to changing situations, giving top priority to compliance and aiming to improve and develop our corporate value.

Note: Please refer to our Corporate Governance Report for details. (Japanese version only)

<https://www.shinko.co.jp/english/corporate/governance/>

Corporate Governance System

Outline

Shinko adopted the structure of a company with an Audit and Supervisory Committee, in which a majority of committee members are Outside Directors. The audit and supervisory system is centered around the supervision of the execution of duties by the Board of Directors, including Directors who are Audit and Supervisory Committee Members, in addition to audits and supervision by the Audit and Supervisory Committee. We have appointed three Outside Directors to ensure management transparency and to strengthen our function for supervising the fairness of the execution of our operations. Moreover, we have introduced a Corporate Officer system with the goal of building a flexible structure for the execution of operations, by speeding up decision making by the Board of Directors, strengthening the supervisory function, and clarifying authority and responsibilities. Based on this structure, we have striven to further bolster corporate governance and improve corporate management efficiency.

■ The Board of Directors

The Board of Directors decides basic policy, matters specified in laws, regulations and our Articles of Incorporation, and important management issues, and supervises the status of the execution.

Regular meetings are convened once a month and extraordinary meetings are convened when necessary.

The Board of Directors is chaired by Representative Director of Board, Chairperson, and is comprised of five Directors who are not Audit and Supervisory Committee Members and three Directors who are Audit and Supervisory Committee Members.

Note: We strive to improve the effectiveness of the Board of Directors, by asking Directors to respond to a survey regarding its constitution and operation in order to analyze and evaluate its effectiveness.

■ The Audit and Supervisory Committee

In addition to investigating the state of our operations and finances in accordance with our audit policy and audit plan, the Audit and Supervisory Committee audits the execution of duties by Directors and others through the attendance of committee members at important meetings, including meetings of the Board of Directors, and by receiving reports from Directors who are not Audit and Supervisory Committee Members, Corporate Officers, and the internal auditing division, and so on. The Audit and Supervisory Committee is comprised of three members: one standing Audit and Supervisory Committee Member and two Audit and Supervisory Committee Members who are Outside Directors. We have also established an Audit and Supervisory Committee's office as an organization for assisting the Audit and Supervisory Committee's duties.

■ Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee is responsible for examining matters related to the nomination and remuneration of Directors and reporting their recommendations to the Board of Directors.

The Committee is comprised of Representative Director of Board, Chairperson, Independent Outside Directors who are not Audit and Supervisory Committee Members, and Directors who are Audit and Supervisory Committee Members. Members are selected by resolution of the Board of Directors.

■ Special Committee

The Special Committee is responsible for deliberating and reviewing material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders and reporting their recommendations to the Board of Directors. The Committee is comprised of independent persons, including Independent Outside Directors and members are selected by resolution of the Board of Directors.

■ Management Council

Management Council meetings are generally held three times a month with the goal of discussing, examining, reporting, and managing the progress of important matters and challenges facing management, and having free and open dialogue among high-level executives. The Management Council is comprised of Representative Directors, Directors who are also Corporate Officers, and Corporate Officers who are in charge of divisions such as manufacturing, sales, and accounting & finance.

■ Corporate Officers' Meeting

Corporate Officers' Meetings are held monthly to deliberate and report on general management matters, including the situation in each division and at Group companies as well as the state of compliance and risk management initiatives. The Corporate Officers' Meeting is chaired by Representative Director of Board, President and is comprised of all Corporate Officers.

Additionally, meetings comprised of and attended by the relevant Corporate Officers and division managers are held regularly and as occasion demands regarding the state of profit and loss, sales, production, development, and other matters. In this and other ways, we have put in place a system that can respond flexibly and swiftly to a drastically changing semiconductor market environment, including by considering responses based on quick assessment of the situation and reflecting them in management decisions.

Outside Directors

Shinko has three Outside Directors, one of whom is a Director who is not an Audit and Supervisory Committee Member and two of whom are Directors who are Audit and Supervisory Committee Members.

We have established Independence Standards and Qualification for Outside Directors aimed at securing effective independence of Outside Directors. Three Outside Directors satisfy the requirements of these standards.

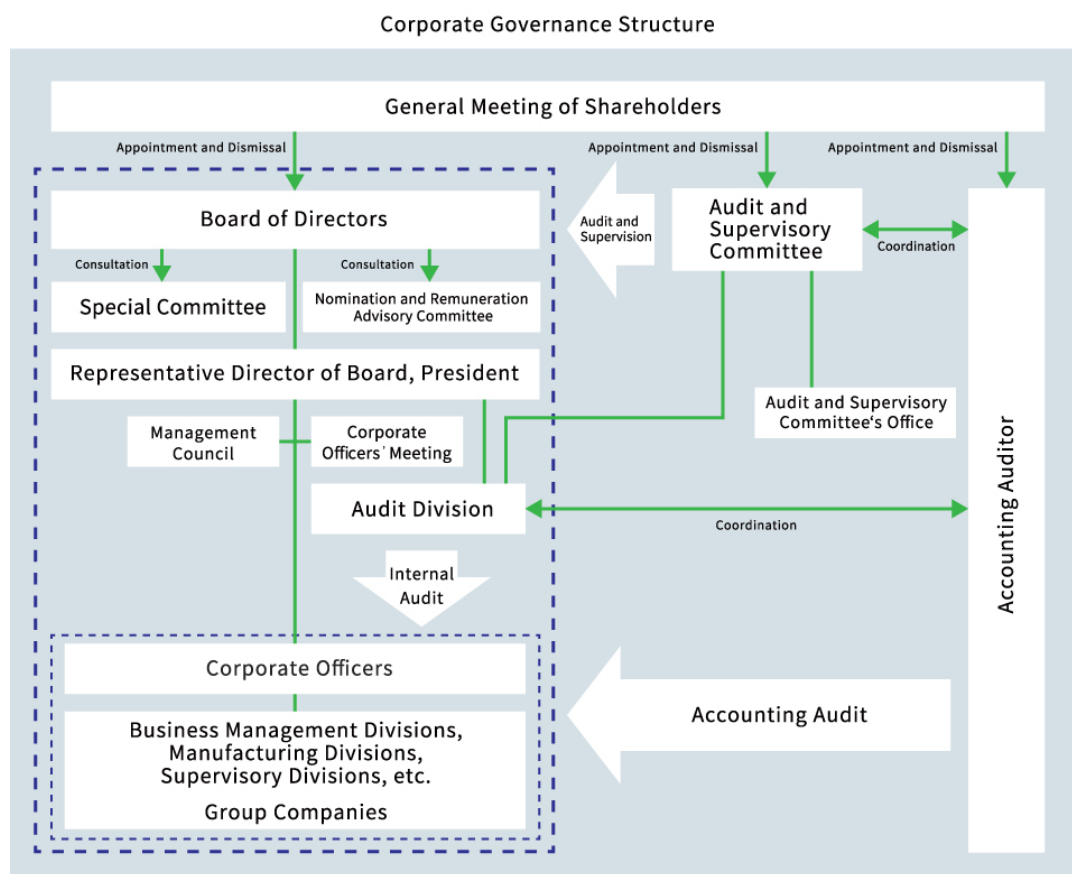
The Company has submitted notification to the Tokyo Stock Exchange that each Director has been designated as an Independent Director prescribed by the aforementioned exchange.

Internal Audit and Accounting Audit Systems

The Audit Division, which is our internal auditing division, conducts internal audits of the Company's overall operations based on our Internal Audit Regulation to contribute to the appropriate and effective implementation of operations, by examining and evaluating systems and the state of execution of operations. Outlines of the results of internal audits are reported to the Board of Directors periodically and as necessary. The Audit Division periodically, and when necessary, reports internal audit plans and results to the Audit and Supervisory Committee so that the Committee can conduct its audits effectively. When the Audit Division receives instructions from the Committee to conduct additional audits and investigations, in response to its report, the Audit Division gives priority to responding to such instructions.

The business management divisions report and submit materials to the Audit Division as needed and cooperate so that the Audit Division can conduct their audits appropriately.

We have appointed Ernst & Young ShinNihon LLC as our accounting auditor to conduct accounting audits, quarterly reviews, and internal control audits.



Introduction

Management

Environment

Social

Governance

Data, etc

Executive Remuneration

Policy and Procedures for Determining Executive Remuneration

By resolution of the Board of Directors Meeting, the Company has adopted a policy on decisions on the content of the remuneration, etc. for individual Directors. At the time of the resolution, this policy had already been examined by the Nomination and Remuneration Advisory Committee, in which a majority of members are Independent Outside Directors, and considered by the Audit and Supervisory Committee, but no objections were raised.

The policy on decisions on the content of the remuneration, etc. for individual Directors is shown below. The basic policy is to set director remuneration at an appropriate level and composition for promoting outstanding talent to handle management of the Group and as an incentive to improve corporate value, and to ensure objectivity and transparency in calculating and determining the remuneration of individual Directors.

- Remuneration, etc. for Directors (excluding Directors who are Audit and Supervisory Committee Members)

The amount of remuneration, etc. for individual Directors is calculated based on the above-mentioned policy within the range approved by resolution of the General Meeting of Shareholders and is determined by the Board of Directors following examination by the Nomination and Remuneration Advisory Committee and considered by the Audit and Supervisory Committee, and then this committee determines an opinion on the matter.

Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors who are not Audit and Supervisory Committee Members) is based on a level derived from executive remuneration survey data of companies in the same industry and on a similar scale compiled by an

external investigative agency. It is comprised of base remuneration (fixed remuneration) paid according to duties and role and incentive remuneration (variable remuneration). Variable remuneration is a combination of performance-based bonuses (short-term incentive) and Restricted Shares (medium- to long-term incentive). From the standpoint of integrated company-wide management, the ratios of these different types of remuneration are set at 5:5 for base remuneration and variable remuneration and 5:3:2 for base remuneration, performance-based bonuses, and Restricted Shares, so that they will function as an effective incentive for steady growth of business performance in each fiscal period and improvement of corporate value over the medium- to long-term. Three evaluation indicators are used for performance-based bonuses: (i) consolidated net sales from the perspective of aiming for the growth and expansion of the Group; (ii) consolidated ordinary profit, which is emphasized as an indicator of profitability; and (iii) ROIC (consolidated ordinary income/ invested capital [average of the sum of net assets and interest-bearing debt during the period]) from the perspective of capital efficiency-conscious management. These are evenly weighted in performance evaluations. Restricted Shares are allocated to Eligible Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors who are not Audit and Supervisory Committee Members; the same applies hereafter) based on their duties and role, etc. for the purpose of providing an incentive to sustainably increase the Company's corporate value and to further promote shared value with shareholders. Eligible Directors shall not transfer to a third party, pledge as collateral, create a security interest in, gift before death, bequest, or otherwise dispose of until the date when they retire or otherwise terminate all of his/her positions as a Director, Corporate Officer, and employee of the Company. In addition, as a matter of course, the Company shall acquire all or a portion of the Shares without contribution in the event that an Eligible Director commits an act that causes damage to the Company or that degrades the social credibility or corporate value of the Company, and he/she is subjected to disciplinary action or equivalent treatment by the Company.

In light of their duties and role of supervising the Company's management from an objective standpoint independent of the execution of operations, Outside Directors who are not Audit and Supervisory Committee Members shall only be paid base remuneration (fixed remuneration) and shall not be eligible for performance-based bonuses or Restricted Shares. The level of base remuneration is determined according to duties and other factors based on a level derived from executive remuneration survey data of companies in the same industry and on a similar scale compiled by an external investigative agency.

■ Remuneration, etc. for Directors who are Audit and Supervisory Committee Members

In light of their responsibilities based on their role of auditing and supervising the Company's management from an objective standpoint independent of the execution of operations, Directors who are Audit and Supervisory Committee Members shall only be paid base remuneration (fixed remuneration) and shall not be eligible for performance-based bonuses or Restricted Shares. The level of base remuneration is determined according to duties and other factors based on a level derived from executive remuneration survey data of companies in the same industry and on a similar scale compiled by an external investigative agency. The amount of remuneration for individual Directors who are Audit and Supervisory Committee Members is determined through discussion with Audit and Supervisory Committee Members based on the prescribed method of calculation and paid in accordance with internal rules established by the Audit and Supervisory Committee within the range approved by resolution of the General Meeting of Shareholders.

Compliance

To remain a company that is trusted by stakeholders and needed by society, it is more important than ever that directors, officers, and employees (hereinafter referred to as “employees”) comply completely with laws in their daily conduct and undertake fair and proper business operations with integrity. Accordingly, the Shinko Group practices thorough compliance based on the Code of Conduct of the Shinko Way.

Compliance Promotion System

Each division in Shinko and each Group company in Japan promotes compliance in the division or company, having appointed persons responsible for compliance.

At Group companies outside Japan, we are making efforts to promote compliance, having first prepared a promotion system for each company. In this way, we are strengthening compliance throughout the Shinko Group.

Spreading Knowledge and Practice of the Shinko Way

We have taken a variety of measures to further instill the Shinko Way and ensure that employees can always act in awareness of it. These measures have included distributing pamphlets on the Shinko Way and wallet-sized cards containing its main points to all employees, putting up posters in workplaces, and adding reminders on the Shinko Way in annual training and messages from top management given to all employees.

Utilization of the Global Business Standards

The Global Business Standards (GBS)¹ are compliance standards shared within the Fujitsu Group. The GBS give concrete shape to the Shinko Way Code of Conduct, which stipulates rules and guidelines that employees are to follow.

The GBS are produced for uniform application in countries and regions around the world with different cultures, common sense, and legal systems. They provide standards, explained in the local language, of behavior that each and every employee is to follow, organized by specific issues. They serve as a guidebook in daily business activities by explaining in detail wide-ranging compliance matters, including prevention of bribery and corrupt practices as well as compliance with competition law.

¹ Global Business Standards (GBS)

https://www.shinko.co.jp/english/assets/pdf/gbs_en.pdf

Global Business Standards (GBS) contents

- | | |
|---|---|
| 1. We respect human rights | 4. We protect and respect Intellectual Property |
| 1.1 Respect for human rights | 4.1 Protecting IP |
| 1.2 Discrimination or harassment | 4.2 Respect for Third Party IP |
| 1.3 Creating a work environment that promotes trust and respect | 5. We maintain confidentiality |
| 2. We comply with all laws and regulations | 5.1 General Principles |
| 2.1 Respect and observance of laws and regulations | 5.2 Protecting confidential Company information |
| 2.2 Financial Reporting and Company Records | 5.3 Protecting confidential Customer or Third Party information |
| 2.3 Environment and Products | 5.4 Handling personal data |
| 2.4 Health and Safety | 6. We do not use our position in our organization for personal gain |
| 2.5 International Trade | 6.1 General Principle |
| 2.6 Money Laundering | 6.2 Conflicts of Interest |
| 3. We act with fairness in our business dealings | 6.3 Gifts and Entertainment |
| 3.1 Fair Competition | 6.4 Insider Dealing |
| 3.2 Bribery | 6.5 Protecting Company Assets |
| 3.3 Dealing with Governments | |
| 3.4 Fair and Ethical Purchasing | |
| 3.5 Marketing and Advertising | |
| 3.6 Political and Media Activity | |

Development of Regulations and Guidelines

The Shinko Group practices thorough compliance based on the Shinko Way Code of Conduct and Global Business Standards (GBS). To ensure compliance throughout the Shinko Group, we established Compliance Regulations that stipulates basic matters on compliance. Moreover, we developed bylaws and guidelines in areas that have an especially large impact on business, such as compliance with anti-monopoly and competition laws, anti-bribery and anti-corruption, and responses to antisocial forces.

In light of changes in the external environment, including the establishment and amendment of law systems in and outside Japan and growing risks, we establish and revise regulations, bylaws and guidelines as appropriate. In FY2022, we established the Conflict of Interest Regulations.

Compliance Training

We systematically provide ongoing training to increase the awareness of compliance among all employees. In particular, in areas where business risks are high, such as bribery, corruption, and competition law violations, we conduct regular and repeated training for all parties involved in the Shinko Group to reduce risks.

In FY2022, for employees in Japan we provided e-Learning on compliance in general, such as the prevention of cartels and bid rigging, anti-bribery, and security trade control. We also continued to provide training on quality compliance as in the previous fiscal year. For overseas employees, we also provided e-Learning and group training on compliance at all sites.

FY2022 Compliance Training Results (Shinko Group)

	Participants
For employees in Japan ²	5,662
For employees in Overseas ³	767

² Including a Group company in Japan ³ Group companies outside Japan

In the years ahead, we will continue to implement various training programs in an effort to foster compliance awareness and reduce risk throughout the Shinko Group.

Internal Whistle-Blowing System

The Shinko Group has established a corporate ethics helpline in Japan, with points of contact in and outside the Company, so that all employees can make whistleblowing reports or seek consultation on compliance. We have also developed an environment outside Japan that gives access to a whistle-blowing system operated by outside organizations.

We inform all employees about this system through compliance training, our intranet, posters, and distribution of wallet-sized cards printed with the contact information.

企業倫理ヘルプライン（内部通報 / 相談窓口）

企業倫理ヘルプラインとは

企業倫理ヘルプラインは、法令違反行為、社内規程違反行為はもとより、人権の尊重等 [SHINKO Way](#) の「行動規範」に定められた、個々の従業員がいかに行動すべきかという基本ルールに関して、業務を通じて判断に迷うようなことがあった場合に、安心して相談していただくための窓口です。

万一問題が発生した場合に、会社だけでなく個人にも大きな影響を及ぼす可能性が高い各国の競争法や贈収賄等の法令違反行為、および品質不正等についても、本窓口にて通報・相談を受け付けています。通報・相談したことや、通報・相談内容等に関する調査に協力したことを理由として、通報者・相談者および調査に協力した者に対して不利益な取扱いをすることは、[内部通報規程](#)により禁止されています。また、通報内容については秘密保持を徹底し、情報の取扱いには細心の注意を払っています。

Spreading awareness of the system via our intranet

Furthermore, we have set up a Supplier Compliance Hotline to take whistle-blowing reports from suppliers. We also accept anonymous reports and requests for consultation through this system. We do not allow whistle-blowers to be treated unfavorably because they used the whistle-blowing system to make a report or seek consultation, and we take great care in handling information so that whistleblowers are not identified. When a whistle-blowing report has been made, we conduct an appropriate investigation. If the investigation finds a problem in light of the Code of Conduct and the GBS, we implement corrections (including disciplinary action) and take measures to prevent a recurrence. Going forward, we will make sure everyone is informed about the internal whistle-blowing system, strive to encourage its use, and aim to foster an open organizational culture so as to prevent compliance violations and detect them early, should any occur.

● RBA Code of Conduct Initiative ●

The Shinko Group has a high regard for the code of conduct of the Responsible Business Alliance (RBA). To improve compatibility with the standards stipulated by the code of conduct in the following four sections—labor, health and safety, the environment, and business ethics—we are working to enhance our management system and practice the processes stipulated by this code of conduct. Specifically, we perform risk assessments of each section and checks on the extent of adherence to regulatory compliance and customer requests. Based on the results, a yearly target and an implementation plan are drawn up, and after review by top management, a range of measures are implemented. Adherence to the management system and regulatory compliance, compatibility with standards and the state of implementation of the plan are audited, and adjustments are made to correct the system as necessary. These annual activities and the audit outcome are reported to and reviewed by top management, and their opinions are reflected in the following year's activities. Furthermore, we ask our suppliers for their understanding with regard to the RBA Code of Conduct, and we are working on initiatives to promote the code of conduct throughout the supply chain as a whole by encouraging them to base their activities on the code. In addition, we conduct a Self-Assessment Questionnaire (SAQ) on the status of activities in the RBA Code of Conduct, report the results to the RBA, and share them with our customers who are RBA members. This activity is carried out not only in Japan but also at our overseas production sites. RBA also has a Validated Assessment Program (VAP), a third-party assessment program to evaluate compliance with the RBA Code of Conduct. We received an assessment in FY2020 in response to requests from customers who are RBA members. Based on the assessment results, we improved the compatibility with the standards. Going forward, we will continue to strengthen our efforts in each section according to the RBA Code of Conduct.



Risk Management

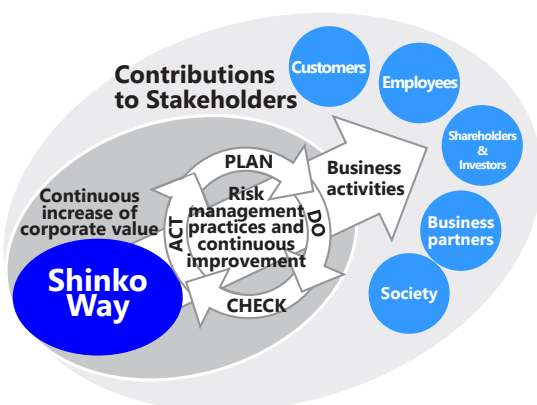
The Shinko Group's goal is to enhance corporate value by means of our business operations and, in doing so, make contributions to all our stakeholders, including customers and local communities. Recognizing and responding appropriately to risks that affect the achievement of these objectives is an important management issue. We have established a risk management system for the entire Group and are working to implement and continuously improve risk management practices.

Risk Management Promotion System

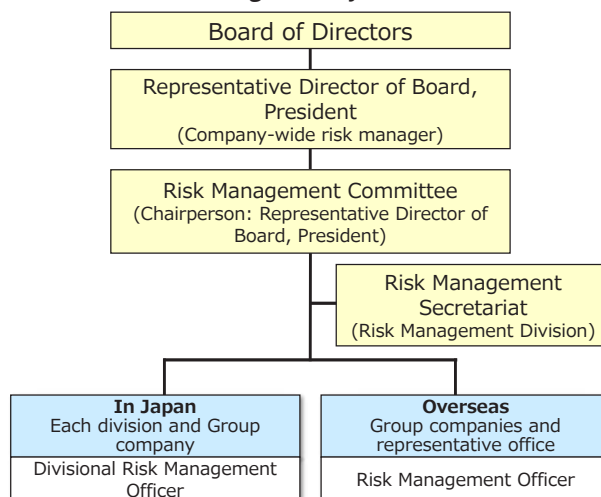
In order to promote risk management throughout the Group, the Shinko Group has established a Risk Management Committee based on the Risk Management Regulations approved by the Board of Directors to share information on the status of risk management within the Group and to thoroughly implement risk management policies and measures.

In the promotion of risk management, we have constructed a system in which the Representative Director of Board, President, who bears responsibility and authority for risk management throughout our entire Group, serves both as the Company-wide Risk Management Officer, who promotes risk management, and as the Chairperson of the Risk Management Committee. In addition, the Risk Management Division has been established to strengthen and promote risk management across the entire Group, and it plays the role of assisting the Company-wide Risk Management Officer and serves as the secretariat of the Risk Management Committee. In order to strengthen risk management in each division and at Group companies in Japan and overseas, a risk management officer is appointed for each division and Group company, and risk management is promoted in cooperation with the Company-wide Risk Management Officer and the Risk Management Division from the perspective of both the prevention of potential risks and the response to risks that have materialized.

Our Concept of Risk Management



Risk Management System Chart



Risk of Business, Etc.*

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Risks related to trends in the economy and financial markets (economic trends in major markets, foreign exchange trends, and trends in capital markets) 2. Risks related to defective or flawed products and services 3. Risks related to suppliers 4. Risk of natural disasters and sudden emergencies 5. Risks related to competition and industry 6. Risks related to intellectual property | <ol style="list-style-type: none"> 7. Risks related to information security 8. Risks related to the environment and climate change 9. Risks related to customers 10. Risks associated with large capital expenditure 11. Risks related to public regulations, policies, and taxes 12. Risks related to compliance 13. Risks related to human resources |
|--|---|

*The items listed in Risk of Business, Etc. do not include all risks faced by the Shinko Group.

Risk Management Process

The Shinko Group identifies, evaluates, and manages risks across the Group in order to appropriately assess and respond to risks that affect the Group's business activities. We regularly conduct potential risk surveys for all divisions and companies in our Group. After extracting, analyzing, and evaluating potential risks that could occur in each division or Group company, we design and implement measures to avoid, mitigate, transfer, or accept potential risks, as well as measures for responding to potential risks that have come to fruition. The risk to the entire Group is aggregated for potential risks extracted from each division and Group company, and matrix analysis is carried out on the two aspects of impact and probability of occurrence to extract material risks. When a risk materializes, the Risk Management Division in its capacity as the Risk Management Secretariat takes the lead in sharing information with the relevant divisions in a timely manner, and works to minimize the impact by taking appropriate measures in cooperation with each division.

Moreover, the Risk Management Division regularly reports to the Board of Directors on the results of the analysis of important risks and the status of countermeasures extracted as a result of the survey of potential risks, and on the status of important risks that have materialized, as required.

Company-wide Disaster Prevention

Shinko has drawn up Company-wide Disaster Prevention Guidelines that determine the basic thinking for a company-wide disaster prevention system in preparation for an unforeseen large-scale disaster. Based on the Company-wide Disaster Prevention Guidelines, each plant has drawn up a plant fire and disaster prevention manual and a disaster response plan that take into account the special characteristics of the location and the facility, and we are moving ahead to build a system that enables effective action during the initial stages of a disaster. In preparation for progressive disasters, such as typhoons and flooding, we have established a Typhoon and Flood Damage Timeline that sets out the conduct and the types of action required when huge typhoons and large-scale flood damage are expected. We will implement countermeasures to ensure the safety of employees and minimize damage by having every employee take effective action and evacuate before a disaster occurs.

Initiatives such as Disaster and Accident Response Training

Shinko conducts simulations and drills every year in response to various disaster and accident scenarios (explosions, leaks, etc.) to ensure safety in the event of a disaster, minimize human and physical damage, and prevent secondary disasters, as well as verify the effectiveness of its disaster prevention system and strengthen its response capabilities, and regularly conducts trainings by self-fire brigade, etc.

In addition, we conduct annual self-inspections of fire prevention and disaster prevention manuals, disaster response plans (DRPs), disaster prevention organizations, and maintenance status of disaster prevention equipment and facilities at each plant. We also conduct annual safety reporting and confirmation drills through a safety confirmation system for all employees.

Desktop training on the Typhoon and Flood Damage Timeline that was newly launched in FY2021 was conducted for two consecutive years in FY2021 and FY2022 at all sites and divisions with the aim of promoting the establishment of the timeline at each site and division and improving its effectiveness.

We also conduct disaster prevention drills every year at each production site outside Japan in an effort to strengthen our response capability, so that every employee can quickly take precise initial responses in an emergency.



Scene from training for stranded persons in the disaster prevention drill

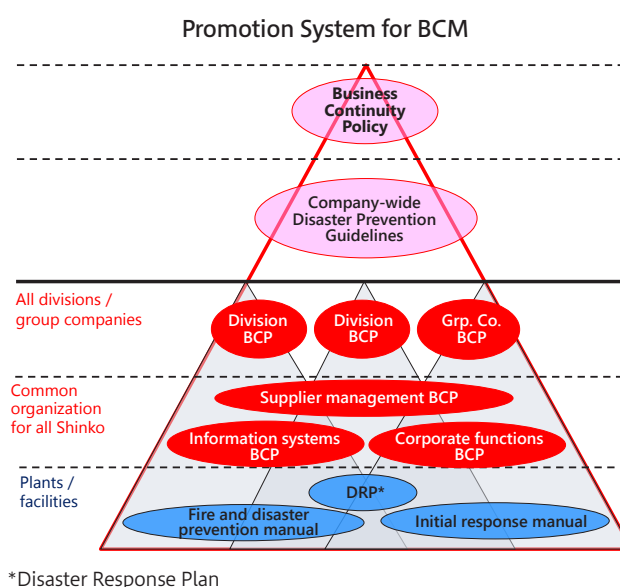
Typhoon and Flood Damage Timeline (Image)

Event	Phase I Timeline activation/ trend monitoring	Phase II Disaster alert	Phase III Operating judgment	Phase IV Send employees home/Stop plant operation	Phase V Disaster response
Typhoon (special warning grade)	Typhoon is expected to approach to the area of our site	Typhoon will approach to the area of our site within 48 hours	Typhoon will approach to the area of our site within 36 hours	Special warnings and evacuation orders issued	When the site is in the storm zone
Flood (river flooding)	When flood damage is expected in the area of our site	When the river level needs to be monitored	When there is a risk of river flooding	Special warnings and evacuation orders issued	"Emergency safety assurance" issued
Basic employee behavior	Actions that place the highest priority on safety			Do not report to work/Stand by at plant (vertical evacuation)	
Activities of disaster response headquarters	Timeline activation Members of disaster headquarters stand by	Set up disaster response headquarters	Response to shut down plant	Handle stranded people	

Business Continuity Management (BCM)

In times of unexpected disaster or serious accident, the Shinko Group makes protecting the lives of employees, employees' families, and people in the surrounding area and preventing secondary disasters its highest priorities. While bearing in mind contributions to the public good, the Shinko Group will take the actions necessary to preserve the continuity of important businesses.

To promote business continuity management (BCM), the Shinko Group has established the Shinko Group Business Continuity Policy as the basic policy for the Shinko Group. Based on Company-wide Disaster Prevention Guidelines, each division has drawn up a business continuity plan (BCP) to determine the initial response necessary to restart and continue, within the required time, operations that are important to the organization even after unexpected situations have occurred, and to provide necessary proactive measures and training. We will continue to implement BCP measures, conduct education, training, evaluation, and improvements, do management reviews, and carry out activities to firmly establish these practices.



Shinko Group Business Continuity Policy

■ Basic philosophy

The Shinko Group works continually on initiatives to improve its ability to respond to and recover from any kind of risk, so that even in the event of unexpected natural disasters or serious accidents we can continue important operations, execute our social responsibility as a company, and achieve a stable supply of high-performance, high-quality products and services to meet customer demand.

Guiding principles (normal conditions)

- Each division decides which important operations should continue even after unexpected events as well as a recovery time objective, and systematically puts in place measures to achieve this.
- Procedure manuals are created for recovery and continuation of business in case of an unexpected event, and systematic training is carried out.
- Changes in the business environment and the outcomes of training are reviewed at regular intervals. Based on the results, the countermeasure plan and recovery procedure manuals are revised and improved.

Guiding principles (in unforeseen circumstances)

- Protecting the lives of employees, employees' families, and people in the surrounding area and preventing secondary disasters are made the highest priorities.
- While bearing in mind contributions to the public good, we will take the actions necessary to preserve the continuity of customers' important businesses.
- We will establish emergency communications with stakeholders as quickly as possible and work to provide appropriate information.

Risk Management Education and Disaster Prevention Awareness Raising

Shinko provides e-Learning on disaster prevention and business continuity as risk management education for all employees. The awareness of each employee is raised under the basic principle of "taking steps oneself to protect one's own life." In FY2022, 5,319 employees of the Shinko Group in Japan (including temporary employees) participated in the program.

In addition, in order to improve employees' ability to respond to disasters and their awareness of disaster prevention, we distribute pocket-sized "disaster prevention cards" to all employees and recommend that they carry them at all times in preparation for a disaster. In FY2022, we reviewed the contents, including basic actions in the event of a flood disaster, and distributed revised disaster prevention cards to all employees to strengthen our ability to respond to disasters.

Disaster Prevention Card



Countermeasures Against COVID-19

To respond to the spread of COVID-19, the Shinko Group has taken appropriate measures at all of its sites around the world to ensure the health and safety of employees and maintain and continue its business activities.

In Japan, we made efforts to prevent infection and stop the spread of COVID-19 in the workplace by implementing and enforcing various infection control measures based on our basic policy.

Basic Policy

1. Strive to prevent the spread of COVID-19 guided by the policies of the Government of Japan, local governments, and other related authorities.
2. Strive to keep our business going, including providing products to our customers, by placing the highest priority on ensuring the health and safety of our stakeholders including customers, suppliers, local community members, and employees.

Major infection prevention and control measures

1. Temperature and physical condition check before coming to work, and prohibition on reporting to work if feeling unwell
2. Thorough implementation of basic infection prevention measures: mask wearing, hand washing, hand disinfection, etc.
3. Avoiding the 3 C's that facilitate the transmission of infectious diseases (closed spaces, crowds, and close contact) by changing layout, installing partitions, and limiting number of users, etc.
4. Switching internal meetings online and reviewing meeting room usage rules
5. Implementing remote work for administrative and sales departments, etc.
6. Basic prohibition on overseas business trips and restrictions on domestic business trips
7. Prohibition of social gatherings and dinners with colleagues, etc.

In May 2023, COVID-19 was reclassified as "Category 5" under the Infectious Diseases Act in Japan, and Shinko adopted the policy of respecting the individual's independent choices and leaving it up to the individual to take infection control measures, based on the policy of the Japanese government.

Information Security

Due to advances in information and communication technology, in recent years there has been a growing risk of leaks of personal information and confidential information, and it is the duty of companies to strengthen information security measures.

At the Shinko Group, we see the appropriate handling of all business information as fundamental to doing business. For this reason, we have established our Information Security Policy as a companywide approach based on the Shinko Way. We have also developed related regulations including our Privacy Policy and Information Management Regulations and are working to maintain and improve information security.

Information Security Policy

1. Purpose

With deep recognition that information is the foundation for conducting business and of the risks in handling information, the Shinko Group addresses information security with the following purposes, to achieve its Corporate Values of “seeking to be a valued and trusted partner for our customers, and building mutually beneficial relationships with our business partners,” as expressed in the Shinko Way, and to ensure the “confidentiality” stipulated in our Code of Conduct as an important aspect of our social responsibility.

- (1) The Shinko Group will appropriately handle information received from individuals and organizations among its customers and business partners in the course of its business and will protect the rights and interests of those individuals and organizations.
- (2) The Shinko Group will appropriately handle trade secrets, technical information, and other valuable information in the course of its business and will protect the rights and interests of the Shinko Group.
- (3) The Shinko Group will appropriately manage information in the course of its business and will maintain its social function by providing a timely and stable supply of products and services.

2. Principles of Initiatives

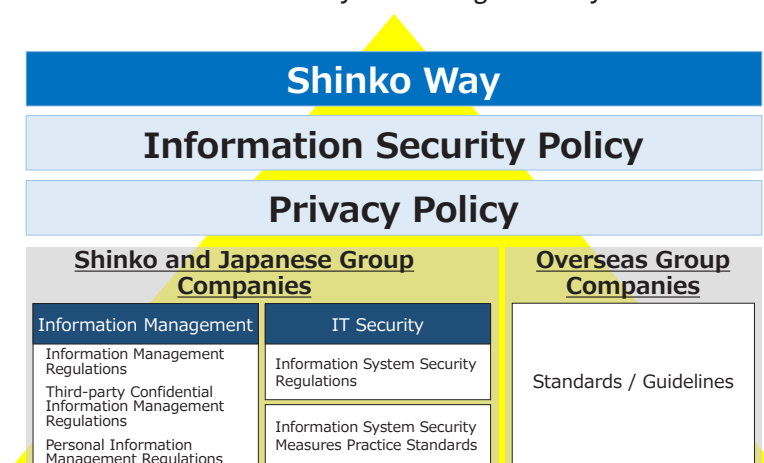
The Shinko Group will take the items below as the principles of its initiatives for information security.

- (1) The purpose of our information security will be to maintain the confidentiality, integrity, and availability of information handled, and we will devise information security measures to achieve this purpose.
- (2) We will clarify systems and responsibility, to implement information security measures appropriately and reliably.
- (3) To maintain our information security measures, we will develop processes at each stage in the cycle of planning, implementation, evaluation, and improvement to maintain and raise the level of our information security.
- (4) To implement information security measures appropriately and reliably, we will provide officers and employees with awareness building and training on information security to impress its importance and make sure that people take action.
- (5) To implement information security measures appropriately, we will consider the risks involved in handling information and the investments required for countermeasures.

3. The Shinko Group’s Measures

To implement information security measures reliably based on the above purposes and principles of initiatives, the Shinko Group will develop and implement pertinent regulations.

Information Security-Related Regulations System



Appropriate Management of Information

Our company has established the Information Management Regulations as rules for handling information distributed within the company and the Third-party Confidential Information Management Regulations as rules for handling information obtained from customers and other companies to classify, and manage and operate it appropriately. In addition, the classified information is rated from multiple viewpoints such as legal requirements, value, and importance, and the information is protected by taking security measures according to the rating.

Information Protection by Information Protection Management System

In order to properly protect third-party confidential information and our own confidential information, we have set up appropriate management for information handled in business. We are also striving to strengthen information protection by establishing an information protection management system that checks the status of activities through regular information protection initiatives and internal audits.

Management System for Information Protection and Personal Information Protection



Information Security Education

To prevent information leaks, we believe it is important for every employee to be fully aware that neglecting information security rules is a risk that could lead to serious security incidents. We therefore see to it that the rules are followed without exception and work to increase awareness of security. As part of our efforts to raise employee awareness, we provide information security training through e-Learning and group training for all employees of our Group in Japan and overseas.

Protection of Personal Information

Based on the philosophy of respecting individuality, we are deeply aware that it is our corporate social responsibility to handle personal information appropriately. We have established our Privacy Policy and Personal Information Management Regulations to protect and respect personal information.

With regard to personal information used in business operations, we are striving for proper management and operation through the personal information protection management system.

In addition, we are strengthening the protection of personal information in order to properly respond to personal information protection laws overseas including the EU General Data Protection Regulation (GDPR).

Information Classification

Information Classification			
Public information		Refers to information made available to the public through public websites and catalogues.	
Confidential information	Shinko confidential information	Internal-use-only information	Refers to information that must not be disclosed outside the Company. Internal rules and company newsletters are examples.
		Restricted information	Refers to information that should not be known to unessential personnel, including personnel information, information on under-development technologies, and customer lists.
	Third-party confidential information	Information contractually covered by a confidentiality obligation such as confidential information obtained from customers and other companies under non-disclosure agreements or license agreements.	
			Personal information
			Each of the categories of information at left—both public and confidential information—includes diverse personal information related to customers, suppliers, and employees.

Intellectual Property

Initiatives for Intellectual Property Management

Since our establishment, the Shinko Group has adopted technological development as one of the most important guidelines of its management. We recognize intellectual property (IP) as an important company management resource and consider research and development (R&D), the source of our intellectual property, to be indispensable. (R&D: <https://www.shinko.co.jp/english/rd/rd/>)

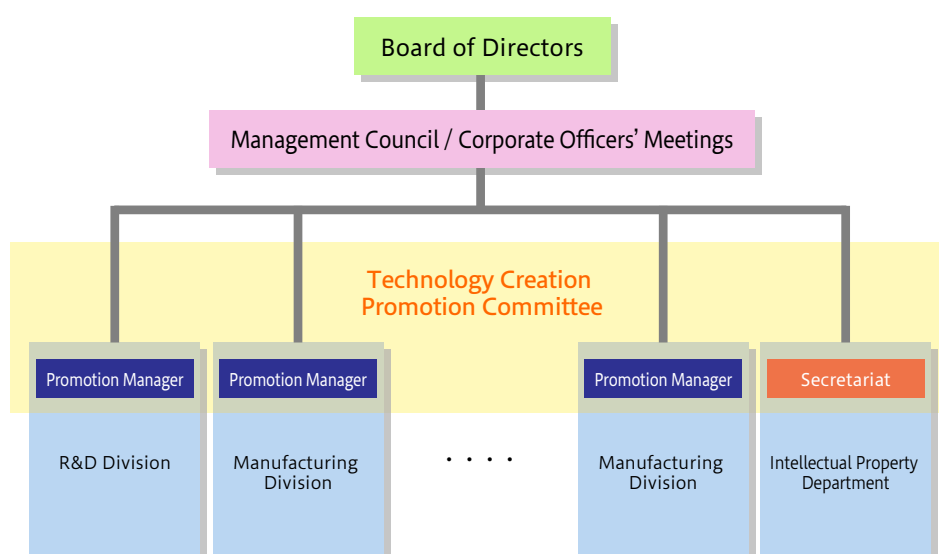
The IP coming from R&D is protected by patent rights, and technologies that are secret are kept strictly confidential and protected from public disclosure. With the globalization of business, we obtain patent rights not only in Japan but also in major overseas markets. To stimulate the creation of intellectual property, we have appointed a manager in charge of promoting IP in each manufacturing division and R&D division to systematically promote technological development. The Shinko Group has also set respect for intellectual property as part of the Shinko Way Code of Conduct. We are committed to obtaining, protecting, and using our own intellectual property, as well as to respecting the intellectual property of others and ensuring that their rights are not infringed upon.

Technology Creation Program

Shinko has long been engaged in Company-wide programs that create technology with the aim of “strengthening our technological development and creating new products that will lead to the development of our business.” Under the Committee for the Promotion of Technology Creation, which consists of a chairperson appointed by the president and the persons in charge of promotion in the R&D Division and manufacturing division, multiple activity groups are organized to continuously carry out activities such as invention creation.

In addition, we hold an R&D workshop and other events every year to encourage technical exchanges among engineers and to share technical information, which leads to the more efficient development of new technologies and products as well as invention and creation.

The policies and results of the activities of the Technology Creation Program are regularly reported at the Corporate Officers’ Meetings and also reported to the Board of Directors as intellectual property initiatives. The Board of Directors has established a system to appropriately supervise investment in intellectual property activities.



Intellectual Property Education

To deepen our engineers' understanding of intellectual property, Shinko regularly provides education that focuses on patent-related issues. This education includes wide-ranging content aligned with the skills of the engineers, as well as an overview of the patent system, invention discovery, how to comprehend patent gazettes, and how to use patent search tools so that engineers can conduct their own searches. We believe that these educational programs motivate engineers to create inventions, develop their ability to comprehend patents in depth, and encourage them to create high-quality inventions. In addition to our engineers, our IP Department also improves their practical skills through external training programs.

Invention Incentives

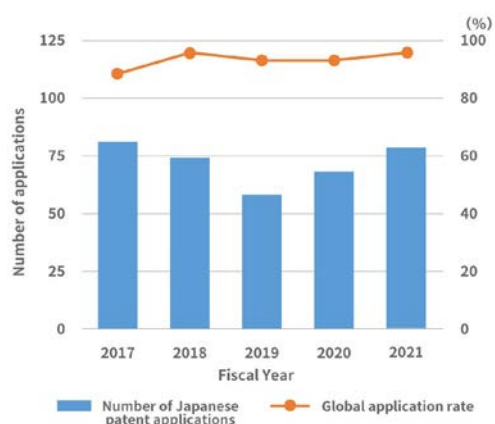
Shinko has an inhouse system to give incentives to persons who have developed inventions. Incentives are paid not only when a patent application is filed, but also on performance, based on the sale of patented products. For performance incentives, etc., the inventor is notified of the results after deliberation at an invention and innovation review meeting, and an appeal period is provided to ensure the fairness of the results.

Intellectual Property Data

Number of Patent Applications

We strive to protect our intellectual property by filing applications overseas where patented products are distributed.

Number of Japanese patent applications and global application rate¹



Number of Overseas Patent Applications by Region

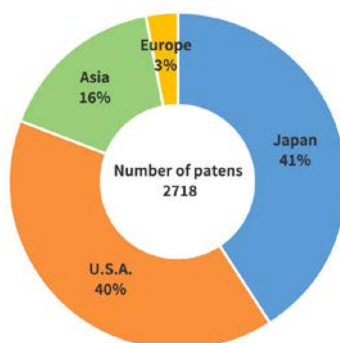


¹ Global application rate: Percentage of Japanese patent applications that were also filed overseas.

Number of Patents

We go all-out to maintain effective patent rights based on a comprehensive assessment of our business strategy, patent value evaluations, cost effectiveness, and other factors.

Percentage of Patents in each Region at the end of FY2022



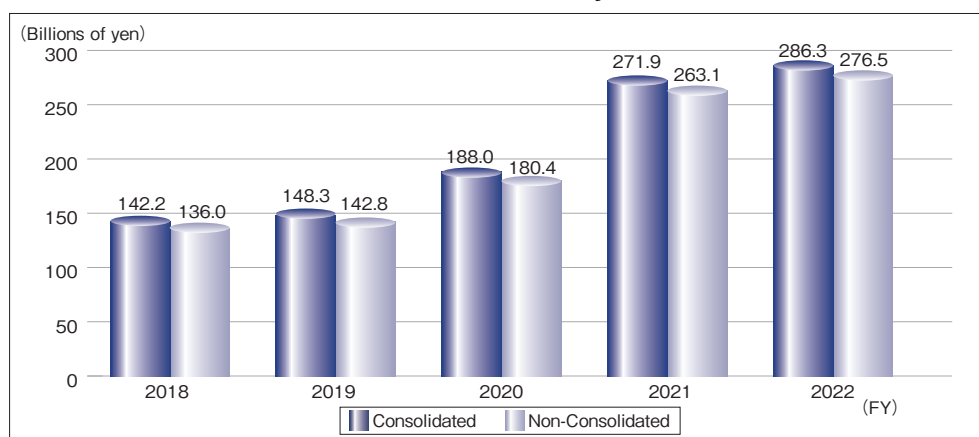


Financial and Non-financial Data

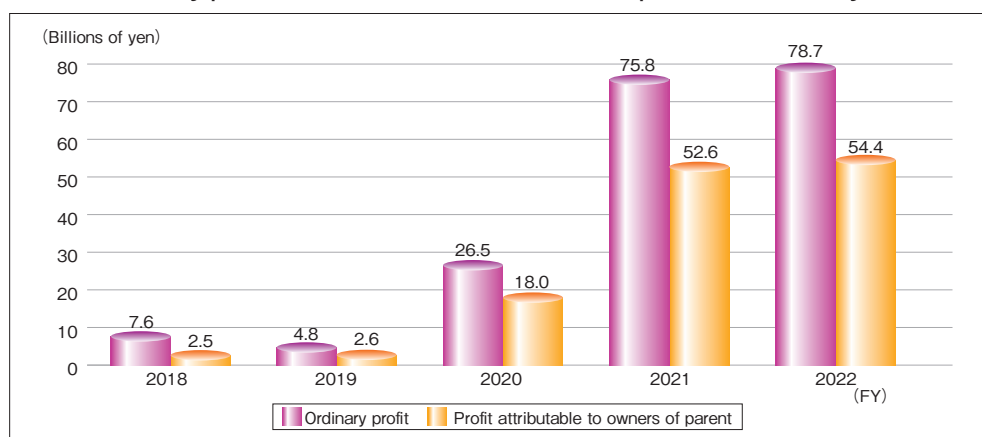
- Financial Data (Consolidated)
- List of Employee Related Indicators
- Governance Data
- Environmental Data

Financial Data (Consolidated)

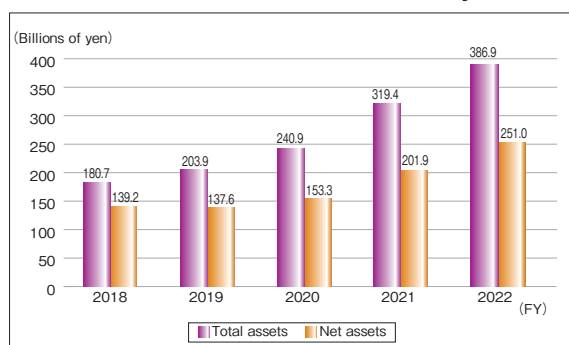
Net Sales (Billions of yen)



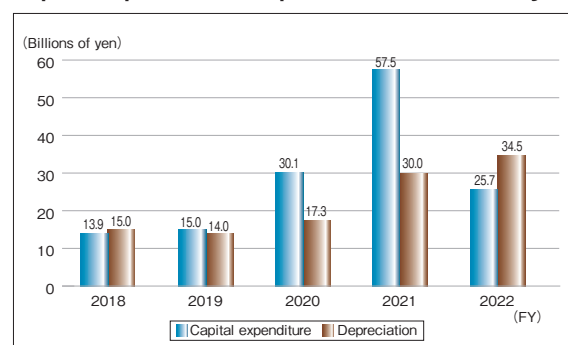
Ordinary profit/Profit attributable to owners of parent (Billions of yen)



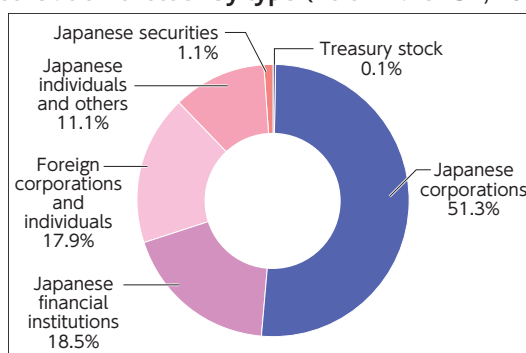
Total assets/Net assets (Billions of yen)



Capital expenditure/Depreciation (Billions of yen)



Distribution of stock by type (As of March 31, 2023)



List of Employee Related Indicators

■ Number of employees by region (Shinko Group) (As of the end of March)

		FY2020	FY2021	FY2022
Number of employees by region	Total	5,060	5,352	5,596
	Japan	4,333	4,647	4,884
	Asia	690	670	674
	The Americas	37	35	38

■ Employees (Shinko Group) (As of the end of March)

		FY2020		FY2021		FY2022	
		Shinko	Group companies	Shinko	Group companies	Shinko	Group companies
Number of employees by type of contract	Regular	4,265	795	4,608	744	4,848	748
	Non Regular*	402	47	445	51	501	51

*Including fixed term employees (contracted, part-time, etc.) and excluding dispatched workers.

■ Diversity (Shinko regular employees) (As of the end of March)

		FY2020	FY2021	FY2022
Number of employees	Total	4,265	4,608	4,848
	Average age	44.1	43.2	42.4
Average years of service	Overall average	21.6	20.1	18.8
	Male	20.8	19.2	18.0
	Female	24.8	23.4	22.3
Number of employees by gender	Male	3,371	3,671	3,868
	Female	894	937	980
Ratio of female employees (%)		21.0%	20.3%	20.2%
Ratio of female managers (%)		4.2%	5.3%	5.9%
Number of non-Japanese employees (Including assignees from Group companies and contract employees)		54	53	53
Employment ratio of people with disabilities (%) (Calculated annually in June)*		2.16%	2.31%	2.31%

*Including Group companies in Japan and non-regular employees in accordance with the Act for Promotion of Employment of Persons with Disabilities

■ Employment (Shinko regular employees)

		FY2020	FY2021	FY2022
Number of new graduate recruitment	Total	110	128	148
	Male	88	96	116
	Female	22	32	32
Number of mid-career recruitment	Total	161	351	305
	Male	148	304	257
	Female	13	47	48
Turnover headcount*		67	76	105
Turnover rate*		1.6%	1.7%	2.2%

*Turnover by regular employees includes employees who retire upon reaching mandatory retirement age

■ System usage (Shinko regular employees)

		FY2020	FY2021	FY2022
Average days of paid leave taken (days)		12.5	12.7	14.4
Number of employees using child care leave	Total	17	14	33
	Male	7	6	22
	Female	10	8	11
Number of male employees taking leave for childcare purposes (persons)		65	87	108
Percentage of male employees taking childcare leave (%) ¹		101%	98%	121%
Return to work ratio after child care leave (%)		100%	100%	100%
Continuous work ratio after child care leave (%) ²		100%	100%	100%
Number of employees using family care leave	Total	2	3	2
	Male	2	3	1
	Female	0	0	1
Return to work ratio after family care leave (%)		100%	100%	100%
Continuous work ratio after family care leave (%) ²		50%	100%	100%

¹ Calculation of the percentage taking childcare leave and leave for childcare purposes.

Since male employees who had children before the relevant fiscal year and took childcare leave or leave for childcare purposes during the relevant fiscal year are also included, the percentage of employees who took leave may exceed 100%.

² Continuous work ratio after child care leave and family care leave: Ratio of employees still at the company 12 months after returning to work.

■ Others

		FY2020	FY2021	FY2022
Accidents resulting in death, disability or similar serious outcomes (number)		0	0	0
Frequency rate of industrial accidents (%)		0.23%	0.74%	0.31%
Special health guidance implementation rate (%)		63.6%	70.1%	75.1%
Union participation rate (%)*		90.0%	90.2%	91.3%
Average learning hours per person (Hours)		14.0	19.2	22.3
Average expenditure on learning per person (thousand ¥)		7.4	10.6	12.5

*Union participation rate: The percentage of ordinary employees out of all regular employees (including managers)

Governance Data

■ Status of Board of Directors, Audit and Supervisory Committee, Nomination and Remuneration Advisory Committee

Item			FY2020	FY2021	FY2022
Board of Directors	Composition	Number of Directors	8	8	8
		Including Female Directors (%)	1 (12.5%)	1 (12.5%)	1 (12.5%)
		Including Independent Outside Directors	3	3	3
	Number of meetings		13	14	15
Audit and Supervisory Committee	Composition	Number of members	3	3	3
		Including Independent Outside Directors	2	2	2
	Number of meetings		9	9	8
Nomination and Remuneration Advisory Committee	Composition	Number of members	*	5	5
		Including Independent Outside Directors	*	3	3
	Number of meetings		*	5	6

*The Nomination and Remuneration Advisory Committee was established in September 2021

■ Amount of Remuneration, etc. for Directors (FY2022)

Category	Total amount of remuneration	Number of members
Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors)	264million yen	4
Director who is an Audit and Supervisory Committee Member (excluding Outside Directors)	25million yen	1
Outside Directors	32million yen	3

■ Internal Whistleblowing

	FY2020	FY2021	FY2022
Number of internal whistleblowing cases	6	15	7

Environmental Data

Environmental data calculations of FY2022 have been assured by a third party to improve their reliability.

★: Indicators assured by a third party

See [Independent Assurance Report \(PDF\)](#)

Environmental Impact Data

INPUT

		FY2020	FY2021	FY2022
Energy consumption	GJ	2,054,950	2,197,942	★ 2,067,582
Energy intensity	GJ/100 million yen	1,092	808	722
Total electricity consumption	MWh	331,539	361,089	342,676
Electricity from renewable energy sources	MWh	—	66,149	★ 96,590
Purchased power	MWh	—	66,118	96,500
In-house power generation	MWh	24	31	90
Electricity from non-renewable energy sources	MWh	331,515	294,940	246,086
Rate of renewable energy use	%	0.01%	18%	★ 28%
Heavy oil, light oil, gasoline	kL	980	1,084	1,087
Natural gas, city gas	thousand m ³	18,241	19,010	17,597
LPG · LNG	t	155	197	174
Materials	t	37,083	31,431	18,079
Raw materials	t	34,376	27,471	14,839
Chemical substances	t	2,707	3,960	3,240
Water resources				
Total water withdrawal	thousand m ³	3,994	4,902	★ 4,336
By water source				
Municipal water	thousand m ³	1,043	1,203	993
Ground water	thousand m ³	2,951	3,700	3,343
Recycled water volume	thousand m ³	3,145	3,383	3,305
Recycling rate	%	44	41	43

Data boundary

FY2020 and FY2021: Shinko Group in Japan and overseas production sites

Overseas production sites:

KOREA SHINKO MICROELECTRONICS CO., LTD.(KSM)
SHINKO ELECTRONICS(MALAYSIA) SDN. BHD.(SEM)
SHINKO ELECTRIC INDUSTRIES(WUXI) CO.,LTD.(SEW)

FY2022: Shinko Group in Japan and overseas production sites

Overseas production sites:

KOREA SHINKO MICROELECTRONICS CO., LTD.(KSM)
SHINKO ELECTRONICS(MALAYSIA) SDN. BHD.(SEM)

Some items have totals that do not match due to rounding

No water intake from water stress areas

¹ In the past, the annual consumption of electricity was multiplied by the calorific value conversion factor specified in Article 4, Appended Table 3 of the Enforcement Regulations of the Law Concerning the Rational Use of Energy, but the method of calculating the annual consumption of electricity was changed as of the current term. Accordingly, the figures for previous years were revised retrospectively.

² Retrospective revision of previous years' figures to improve calculation accuracy

³ No energy sales

⁴ Calculated by including energy related to automobiles, etc., traveling outside the premises of plants, etc., which has previously been calculated as within Scope 3. Accordingly, the figures for previous years were revised retrospectively.

⁵ Retrospective revision of previous years' figures because of change in method of calculation

Switched from recycled water usage rate for process to recycled water usage rate for entire plant.

⁶ To improve calculation accuracy, weight conversion factors for procured components are revised accordingly.

Due to data availability restrictions, figures for previous years have not been revised.

⁷ From FY2022 onward, calculated by adding VOC to PRTR substances.

Due to data availability restrictions, figures for previous years have not been revised.

OUTPUT

		FY2020	FY2021	FY2022
Emissions into the air				
Scope1	t-CO ₂	45,131	48,076	★ 44,135
Energy sources	t-CO ₂	43,859	45,854	★ 42,453
Non-energy sources	t-CO ₂	1,272	2,222	★ 1,682
Carbon dioxide(CO ₂)	t-CO ₂	39	37	40
Methane(CH ₄)	t-CO ₂	0	0	0
Tetrafluoromethane(CF ₄)	t-CO ₂	1,041	1,722	1,428
Sulfur hexafluoride(SF ₆)	t-CO ₂	0	74	0
Nitrogen trifluoride(NF ₃)	t-CO ₂	0	0	0
Hydrofluorocarbon(HFCs)	t-CO ₂	192	388	215
Scope2	Location-based t-CO ₂	151,821	163,357	★ 153,211
	Market-based t-CO ₂	—	122,797	★ 105,620
NOx	t	29	28	26
SOx	t	1	0	0
Chemical substances				
PRTR	t	5	6	★ 5
VOC	t	101	130	137
Water				
Total water discharge	thousand m ³	3,444	3,996	3,574
By drainage destination				
River	thousand m ³	2,339	2,853	2,534
Sewerage	thousand m ³	1,105	1,143	1,039
BOD		291	291	213
Waste + Valuables	t	25,130	29,382	★ 26,321
Waste	t	6,134	7,060	★ 6,427
Hazardous				
Effectively utilized	Thermal t	18	50	136
	Material t	1,328	1,343	1,540
	Non-effectively utilized t	10	50	6
Non-hazardous				
Effectively utilized	Thermal t	171	192	196
	Material t	4,476	5,285	4,428
	Non-effectively utilized t	132	140	122
Valuables	t	18,996	22,322	★ 19,894
Effective utilization rate	%	99.4	99.4	99.5
(Landfill disposal)	t	19.3	10.9	★ 25

Supply Chain Emissions (GHG Emissions based on the GHG Protocol Standard)

★ : Indicators assured by a third party

Category		Emissions (t-CO ₂)				
		FY2020	FY2021	FY2022		
Upstream	Scope3	1 Purchased goods and services	686,905 ¹	197,317	★ 188,469	
		2 Capital goods	84,253	97,072	168,971	
		3 Fuel and energy-related activities not included in Scope 1 or 2	28,143	32,086	30,730	
		4 Upstream transportation and distribution	8,215	9,555	8,342	
		5 Waste generated in operations	512	887	840	
In-house	Scope1	Direct emissions	² 42,163	² 48,076	★ 44,135	
	Scope2	Indirect emissions from energy sources	Location-based	137,651	163,357	★ 153,211
			Market-based	—	122,797	★ 105,620
	Scope3	6 Business travel	207	225	171	
		7 Employee commuting	7,011	7,691	8,169	
		8 Upstream leased assets	NA	NA	NA	
Downstream	Scope3	9 Downstream transportation and distribution	NA	NA	NA	
		10 Processing of sold products	NA	NA	NA	
		11 Use of sold products	NA	NA	NA	
		12 End-of-life treatment of sold products	NA	NA	NA	
		13 Downstream leased assets	NA	NA	NA	
		14 Franchises	NA	NA	NA	
		15 Investments	NA	NA	NA	
		Scope1 + Scope2 ¹	179,814	211,433	197,346	
		Scope3	815,246	344,833	405,692	

Data boundary: FY2020: Shinko Group in Japan
 FY2021: Shinko Group in Japan and overseas production sites
 Overseas production sites:
 KOREA SHINKO MICROELECTRONICS CO., LTD.(KSM)
 SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.(SEM)
 SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD.(SEW)

FY2022: Shinko Group in Japan and overseas production sites
 Overseas production sites:
 KOREA SHINKO MICROELECTRONICS CO., LTD.(KSM)
 SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.(SEM)

Some items have totals that do not match due to rounding

¹ To improve calculation accuracy, weight conversion factors for procured components are revised accordingly. Based on the results of the review, the figures for FY2021 were revised retrospectively. Due to data availability restrictions, figures for FY2020 have not been revised.

² Retrospective revision of previous years' figures to improve calculation accuracy

³ Scope 2 values were calculated based on location criteria

Environmental Data Calculation Standards

Environmental Impact Data

INPUT

Index		Unit	Calculation Method
Energy	Energy consumption	GJ	Σ [annual use of electricity + (annual consumption of fuel oil and gas) \times calorie conversion factor for each energy source] Conversion factor: Ministry of the Environment "Greenhouse Gas Emission Calculation and Reporting Manual" (Ver. 4.9) (April 2023)
	Energy intensity	GJ/100 million yen	Energy consumption/sales
Electricity from renewable energy sources	Purchased power	MWh	Amount of electricity purchased from renewable energy sources (including purchase of renewable electricity certificates)
	In-house power generation	MWh	Amount of renewable energy generated and consumed by the company
Electricity from non-renewable energy sources		MWh	Amount of electricity purchased from depletable energy sources such as fossil fuels
Rate of renewable energy use		%	Electricity from renewable energy sources/Total electricity consumption
Chemical substances		t	Total amount of substances with annual handling volume of 100 kg or more per substance, among the substances subject to the PRTR system (Law Concerning Reporting, etc., of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management) or the 20 volatile organic compounds (VOCs) specified in the Voluntary Action Plan on the Environment adopted by the 4 electrical and electronics organizations (Data boundary: Shinko Group in Japan)
Water resources	Total water withdrawal	thousand m ³	Amount of water withdrawn from waterworks and groundwater (However, groundwater for snow removal is not included)
	Recycled water volume	thousand m ³	The amount of water used at the plant that is collected and treated and then used again at the plant
	Recycling rate	%	Recycled water volume / (total water withdrawal + recycled water volume)

OUTPUT

Index		Unit	Calculation Method
Scope 1	Energy sources	t-CO ₂	CO ₂ emissions from the use of heavy oil, gasoline, light oil, natural gas, city gas, LPG, and LNG Σ [(annual consumption of fuel oil and gas) \times CO ₂ conversion factor for each energy source] Conversion factor: Ministry of the Environment "Greenhouse Gas Emission Calculation and Reporting Manual" (Ver. 4.9) (April 2023)
	Non-energy sources	t-CO ₂	CO ₂ emissions from the use of CO ₂ from non-energy sources, methane (CH ₄), carbon tetrafluoride (CF ₄), sulfur hexafluoride (SF ₆), nitrogen trifluoride (NF ₃), and fluorocarbons (HFC) Σ (annual emissions of each type of gas \times global warming potential of each type of gas) Global warming potential: Ministry of the Environment "Greenhouse Gas Emission Calculation and Reporting Manual" (Ver. 4.9) (April 2023)
Scope 2		t-CO ₂	CO ₂ emissions from the purchased electricity Electricity purchased \times CO ₂ conversion factor Location based Conversion factor: In Japan: From adjusted emission factor of "The Electric Power Council for a Low Carbon Society" FY2022: 0.436 t-CO ₂ /MWh (announced on February 13, 2023) FY2021: 0.441 t-CO ₂ /MWh FY2020: 0.444 t-CO ₂ /MWh Overseas: latest IEA values (by country) Market based Conversion factor: In Japan: Use emission factors (adjusted emission factors) for each electric power company. * Based on the Ministry of the Environment Greenhouse Gas Emission Calculation, Reporting and Publication System "Emission Factors by Electric Utility" Overseas: latest IEA values (by country)
NOx		t	Amount of nitrogen oxides emitted from boilers at plants $\text{NOx concentration (ppm)} \times 10^{-6} \times \text{dry gas emissions (m}^3\text{N/hr)} \times \text{operating time (hr/year)} \times 46/22.4 \times 10^3$
SOx		t	Amount of sulfur oxides emitted from boilers at plants $\text{SOx concentration (ppm)} \times 10^{-6} \times \text{dry gas emissions (m}^3\text{N/hr)} \times \text{operating time (hr/year)} \times 64/22.4 \times 10^3$
Chemical substances	PRTR	t	Total emissions to air and water of substances with an annual handling volume of 100 kg or more per substance, among substances subject to the PRTR system (Law Concerning Reporting, etc., of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management) (Data boundary: Shinko Group in Japan)

Index		Unit	Calculation Method
VOC		t	Total emissions of substances with an annual handling volume of 100 kg or more per substance, among the 20 volatile organic compounds (VOCs) specified in the Voluntary Action Plan on the Environment adopted by the 4 electrical and electronics organizations (Data boundary: Shinko Group in Japan)
Water	Total water discharge	thousand m ³	Annual discharge to public waters and sewerage (not including groundwater for snow removal)
	BOD	t	An indicator of the degree of water pollution, this is the amount of oxygen required to decompose organic matter in water BOD concentration (mg/L) × effluent (m ³ /year) × 10 ⁻⁶
Waste + Valuables		t	Total output of waste and valuables
Waste	Hazardous Effectively utilized	Thermal	Amount of waste classified as hazardous waste according to the laws and regulations of each country (specially controlled waste in Japan) that is thermally recycled ¹
		Material	Amount of waste classified as hazardous waste according to the laws and regulations of each country (specially controlled waste in Japan) that is materially recycled ²
Non-effectively utilized		t	Amount of waste classified as hazardous waste according to the laws and regulations of each country (specially controlled waste in Japan) that is simply incinerated or directly landfilled
Non-hazardous	Effectively utilized	Thermal	Amount of thermally recycled waste ¹ among non-hazardous waste
		Material	Amount of materially recycled waste ² among non-hazardous waste
		Non-effectively utilized	Amount of non-hazardous waste that is simply incinerated or landfilled
Valuables		t	Amount of unwanted substances resulting from business activities that is sold for value
Effective utilization rate		%	(Effectively used waste + valuables) / (valuables + waste)
(Landfill disposal)		t	Total amount of residue that is directly landfilled or landfilled after intermediate treatment (among waste)

¹ Thermal recycling: reusing thermal energy generated during incineration

² Material recycling: reusing as material or raw material

Supply Chain Emissions (GHG Emissions based on the GHG Protocol Standard)

Category		Calculation method
Upstream	1 Purchased goods and services	Amount of material procurement within fiscal year and production outsourcing cost × emissions factor per procurement amount Parts procured in Japan are calculated on a weight basis, and parts procured from domestic manufacturing consignment and overseas are calculated on a value basis. The top 90% of each category (by weight or value) is included in "purchased goods and services." Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3 • IDEAv2.3 (for supply chain greenhouse gas emissions calculation)
	2 Capital goods	Amount of capital investment related to capital goods in the fiscal year × emissions factor Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3
	3 Fuel and energy-related activities not included in Scope 1 or 2	Annual purchases of purchased fuel and gas and electricity procured from outside sources × emissions factor Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3 • IDEAv2.3 (for supply chain greenhouse gas emissions calculation)
	4 Upstream transportation and distribution	(1) + (2) (1) Transportation volume during the fiscal year (for suppliers equivalent to the top 90% of procurement value) × emission factor Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3 • Domestic Emission factors Database (2) CO ₂ emissions from domestic transportation where the Shinko Group is the shipper Calculation method: Based on the Act on Rationalizing Energy Use (Energy Conservation Act) CO ₂ emissions from domestic transportation where the Shinko Group is the shipper Fuel consumption method (some vehicles) and improved tonkilometer method (automobiles, railroads, aircraft)
	5 Waste generated in operations	Annual amount of waste discharged by business sites that is treated or recycled, according to type of waste and treatment method × emission factor per amount of waste treated and recycled per year Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3 • IDEAv2.3 (for supply chain greenhouse gas emissions calculation)
In-house	6 Business travel	(By means of transportation) Σ (transportation expenses paid × emission factors) Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3 For private and company-owned vehicles Σ (fuel consumption × emission factors)
	7 Employee commuting	Σ (Distance of commute × emission factors) Emission factors: • Database for calculating an organization's greenhouse gas emissions through its supply chain ver. 3.3 • IDEAv2.3 (for supply chain greenhouse gas emissions calculation)

Environmental Measurement Data

Water quality Unit: Other than hydrogen ion index (mg/L)

Kohoku Plant (Water discharge destination: Sewerage)

Item	National standards	Prefectural standards	Voluntary standards	Actual value	
				Maximum	Average
BOD	600	600	540	540	187
Amount of suspended solids	600	600	300	88	33
n-Hexane	5	5	4.5	<1	<1
Copper	3	3	1	0.62	0.33
Zinc ¹	2	2	1	0.09	0.07
Soluble iron	10	10	5	0.11	0.02
Hydrogen ion exponent	5.0 ~9.0	5.0 ~9.0	5.2 ~8.8	Minimum	7.4
				Maximum	
				7.0	8.0

Wakaho Plant (Water discharge destination: Sewerage)

Item	National standards	Prefectural standards	Voluntary standards	Actual value	
				Maximum	Average
BOD	600	600	540	400	261
Amount of suspended solids	600	600	200	130	66
n-Hexane	5	5	4.5	<1	<1
Copper	3	2	1.8	0.46	0.24
Zinc ¹	4	3	1	<0.02	<0.02
Soluble iron	10	10	3	<0.02	<0.02
Soluble manganese	10	10	4	0.11	0.07
Chromium	2	2	0.4	<0.02	<0.02
Hydrogen ion exponent	5.0 ~9.0	5.0 ~9.0	5.2 ~8.8	Minimum	7.8
				Maximum	
				7.5	8.0

Takaoka Plant (Water discharge destination: River)

Item	National standards	Prefectural standards	Voluntary standards	Actual value	
				Maximum	Average
BOD	160	30	27	9.4	2.9
Amount of suspended solids	200	50	25	14	7
n-Hexane	5	5	2	<1	<1
Copper	3	2	1	0.19	0.09
Zinc ¹	4	3	1.5	0.05	0.02
Soluble iron	10	10	3	1.60	0.17
Soluble manganese	10	10	3	0.17	0.04
Chromium	2	1	0.5	<0.02	<0.02
Hydrogen ion exponent	5.8 ~8.6	5.8 ~8.6	6.0 ~8.4	Minimum	7.4
				Maximum	
				6.9	8.2

Arai Plant (Water discharge destination: River)

Item	National standards	Prefectural standards	Voluntary standards	Actual value	
				Maximum	Average
BOD	160	25	23	3.9	2.5
Amount of suspended solids	200	50	32	4	3
n-Hexane	5	5	4	<1	<1
Copper	3	2	1	0.05	0.03
Zinc ¹	4	4	1	0.10	0.10
Soluble iron	10	10	5	3.70	1.98
Soluble manganese	10	10	3	0.54	0.43
Chromium	2	2	0.5	<0.02	<0.02
Hydrogen ion exponent	5.8 ~8.6	5.8 ~8.6	6.0 ~8.4	Minimum	7.4
				Maximum	
				7.1	7.7

Kyogase Plant (Water discharge destination: River)

Item	National standards	Prefectural standards	Voluntary standards	Actual value	
				Maximum	Average
BOD	160	160	80	15	6.8
Amount of suspended solids	200	200	65	2	1
n-Hexane	5	5	2	<1	<1
Copper	3	3	1	0.05	0.02
Zinc ¹	4	4	1	0.02	<0.02
Soluble iron	10	10	3	0.54	0.19
Soluble manganese	10	10	3	0.03	0.02
Chromium	2	2	0.5	<0.02	<0.02
Hydrogen ion exponent	5.8 ~8.6	5.8 ~8.6	6.2 ~8.2	Minimum	6.8
				Maximum	
				6.4	7.0

¹ National and prefectural standards are provisional standards until December 10, 2024.

Environmental Accounting

Conforms to the Ministry of the Environment's Environmental Accounting Guidelines 2005

Note: Data boundary: SHINKO ELECTRIC INDUSTRIES CO., LTD.

(millions of yen)

Item	Main contents	Amount invested			Expenses			Economic effect			
		FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	FY2020	FY2021	FY2022	
Within business area	Pollution prevention	Prevention of air pollution, water pollution, etc.	-	612	1,415	-	2,158	2,479	-	13,245	9,320
	Global environmental conservation	Climate change policy, energy conservation, etc.	-	196	321	-	1,657	1,906	-	63	66
	Resource circulation	Waste disposal, resource circulation	-	0	0	-	529	568	-	13,486	13,695
Upstream, downstream	-	-	-	-	-	-	-	-	-	-	
Management activities	ISO 14001, environmental education, conservation, etc.	-	0	0	-	346	356	-	71	78	
R&D	Research into environmentally friendly products, etc.	-	0	0	-	1	8	-	1,640	1,846	
Social activities	-	-	0	0	-	0	0				
Environmental damage response	-	-	0	0	-	0	0	-	0	0	
Total			-	808	1,736	-	4,691	5,317	-	28,505	25,004

Environmental Management System ISO 14001

Percentage of Shinko Group Business Sites with ISO 14001 Certification

	FY2018	FY2019	FY2020	FY2021	FY2022
In Japan	100% (1)	100% (1)	100% (1)	100% (1)	100% (1)
Overseas production sites	100% (3)	100% (3)	100% (3)	100% (3)	100% (2)

Japan: Acquired integrated certification as Fujitsu Group

Overseas production sites: Individual companies obtained certification

List of Business Sites with ISO 14001 Certification

■ In Japan

SHINKO ELECTRIC INDUSTRIES CO., LTD.	
Registration office	SHINKO ELECTRIC INDUSTRIES CO., LTD. Head Office (Kohoku Plant), Wakaho Plant, Takaoka Plant, Arai Plant, Kyogase Plant, SHINKO R&D Center Domestic Subsidiary SHINKO TECHNOSERVE CO., LTD.
Certification body	Japan Audit and Certification Organization for Environment and Quality (JACO)
Registration number	EC98J2005-D601
Date of registration	September 12, 1995

■ Overseas

SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.	
Certification body	Bureau Veritas Quality International
Registration number	MY008657
Date of registration	October 18, 2000

KOREA SHINKO MICROELECTRONICS CO., LTD.	
Certification body	Korean Foundation for Quality
Registration number	EAC-06428
Date of registration	July 3, 2003

Independent Assurance Report

In order to ensure the reliability of the disclosed information in the Shinko Group Sustainability Report 2023, we have received third-party assurance from KPMG AZSA Sustainability Co., Ltd. for our FY2022 performance on certain environmental performance indicators.

Independent Assurance Report

To the Representative Director of Board, President of SHINKO ELECTRIC INDUSTRIES CO., LTD.

We were engaged by SHINKO ELECTRIC INDUSTRIES CO., LTD. (the “Company”) to undertake a limited assurance engagement of the environmental performance indicators marked with ★ (the “Indicators”) for the period from April 1, 2022 to March 31, 2023 included in its Sustainability Report 2023 (the “Report”) for the fiscal year ended March 31, 2023.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting the Company’s Arai Plant selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito
Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
December 11, 2023

Notes to the Reader of Independent Assurance Report:

This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.

GRI Standard Comparison Table

GRI 2: General Disclosures 2021		Pages	Corresponding Topics
1. The organization and its reporting practices			
2-1	Organizational details	5-8	Shinko Group Outline
2-2	Entities included in the organization's sustainability reporting	2	Editorial Policy
2-3	Reporting period, frequency and contact point	2	Editorial Policy and Contact Information
2-4	Restatements of information	26 93-98	Environmental Action Program Environmental Data
2-5	External assurance	99	Independent Assurance Report
2. Activities and workers			
2-6	Activities, value chain and other business relationships	5-8 68-72	Shinko Group Outline Promoting Social Responsibility in the Supply Chain
2-7	Employees	91	List of Employee Related Indicators
2-8	Workers who are not employees	-	-
3. Governance			
2-9	Governance structure and composition	74-77 92	Corporate Governance Governance Data
2-10	Nomination and selection of the highest governance body	74-77	Corporate Governance
2-11	Chair of the highest governance body	74-77	Corporate Governance
2-12	Role of the highest governance body in overseeing the management of impacts	11 28-32 81-82	Promotion System for Sustainability Activities Environmental Management Risk Management Promotion System/Risk Management Process
2-13	Delegation of responsibility for managing impacts	11 28-32 81	Promotion System for Sustainability Activities Environmental Management Risk Management Promotion System
2-14	Role of the highest governance body in sustainability reporting	11	Promotion System for Sustainability Activities
2-15	Conflicts of interest	-	Corporate Governance Report
2-16	Communication of critical concerns	74-76 81-82	Corporate Governance System Risk Management Promotion System/Risk Management Process
2-17	Collective knowledge of the highest governance body	11-12	Sustainability Management
2-18	Evaluation of the performance of the highest governance body	74-76	Corporate Governance System
2-19	Remuneration policies	76-77 -	Executive Remuneration (Securities Report)
2-20	Process to determine remuneration	76-77 -	Executive Remuneration (Securities Report)
2-21	Annual total compensation ratio	-	-
4. Strategy, policies and practices			
2-22	Statement on sustainable development strategy	3-4	Message from the President
2-23	Policy commitments	9 49 80	The Shinko Way Respecting Human Rights RBA Code of Conduct Initiative
2-24	Embedding policy commitments	49 68-72 78-80	Respecting Human Rights Promoting Social Responsibility in the Supply Chain Compliance
2-25	Processes to remediate negative impacts	31 50 59 79-80	Response to Environmental Laws and Regulations Human Rights Consultation Services Autonomous Safety Initiatives in the Manufacturing Workplace Internal Whistle-Blowing System
2-26	Mechanisms for seeking advice and raising concerns	50 72 79-80	Human Rights Consultation Services Thorough Compliance in Procurement Activities Internal Whistle-Blowing System
2-27	Compliance with laws and regulations	31 59 70	Response to Environmental Laws and Regulations Status of Occupational Accidents Human Rights in the Supply Chain
2-28	Membership associations	-	NA
5. Stakeholder engagement			
2-29	Approach to stakeholder engagement	20 55 61 67 68-69	Communication with Stakeholders and External Evaluation Labor Relations Coexistence and Dialogue with Local Communities Customer Support CSR-Conscious Procurement Activities
2-30	Collective bargaining agreements	55	Labor Relations

GRI 3: Material Topics 2021		Pages	Corresponding Topics
3-1	Process to determine material topics	12	Material Issues
3-2	List of material topics	12	Material Issues
3-3	Management of material topics	11 13-17 23-25 26-27 28-32 36-38 49-50 51-52 56-57 58-60 68-72 80	Promotion System for Sustainability Activities Sustainability Targets Medium- to Long-Term Environmental Targets Environmental Action Program Environmental Management Information Disclosure Based on TCFD Recommendations Respecting Human Rights Respect for Diversity Developing and Utilizing Human Resources Occupational Safety and Health Promoting Social Responsibility in the Supply Chain RBA Code of Conduct Initiative

		Pages	Corresponding Topics
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	5-8 90 -	Shinko Group Outline Financial Data (Consolidated) (Securities Report)
201-2	Financial implications and other risks and opportunities due to climate change	33-35 36-38 81	Climate Change Information Disclosure Based on TCFD Recommendations Risk Management Promotion System
201-3	Defined benefit plan obligations and other retirement plans	-	(Securities Report)
201-4	Financial assistance received from government	-	-
GRI 202: Market Presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	-
202-2	Proportion of senior management hired from the local community	-	-
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	63	Supporting Youth Development
203-2	Significant indirect economic impacts	-	-
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	-	-
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	82	Risk Management Process
205-2	Communication and training about anti-corruption policies and procedures	68-69 78-80	CSR-Conscious Procurement Activities Compliance
205-3	Confirmed incidents of corruption and actions taken	-	NA
GRI 206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	NA
GRI 207: Tax 2019			
207-1	Approach to tax	-	-
207-2	Tax governance, control, and risk management	82	Risk Management Process
207-3	Stakeholder engagement and management of concerns related to tax	-	-
207-4	Country-by-country reporting	-	-
GRI 301: Materials 2016			
301-1	Materials used by weight or volume	93-98	Environmental Data
301-2	Recycled input materials used	-	-
301-3	Reclaimed products and their packaging materials	-	-
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	93-98	Environmental Data
302-2	Energy consumption outside of the organization		-
302-3	Energy intensity	93-98	Environmental Data
302-4	Reduction of energy consumption	33-35 93-98	Climate Change Environmental Data
302-5	Reductions in energy requirements of products and services	-	-
GRI 303: Water and Effluents 2018			
303-1	Interactions with water as a shared resource	41-42 71 93-98	Reducing Water Use Green Procurement Environmental Data

		Pages	Corresponding Topics
303-2	Management of water discharge-related impacts	93-98	Environmental Data
303-3	Water withdrawal	93-98	Environmental Data
303-4	Water discharge	93-98	Environmental Data
303-5	Water consumption	93-98	Environmental Data
GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	NA
304-2	Significant impacts of activities, products and services on biodiversity	43-45	Conservation of Biodiversity
304-3	Habitats protected or restored	43-45 62	Conservation of Biodiversity Initiatives to Protect the Local Environment
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	NA
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	93-98	Environmental Data
305-2	Energy indirect (Scope 2) GHG emissions	93-98	Environmental Data
305-3	Other indirect (Scope 3) GHG emissions	93-98	Environmental Data
305-4	GHG emissions intensity		-
305-5	Reduction of GHG emissions	33-35 36-38	Climate Change Information Disclosure Based on TCFD Recommendations
305-6	Emissions of ozone-depleting substances (ODS)	-	-
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	93-98	Environmental Data
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts	39-40 93-98	Waste Reduction Environmental Data
306-2	Management of significant waste-related impacts	39-40 93-98	Waste Reduction Environmental Data
306-3	Waste generated	39-40 93-98	Waste Reduction Environmental Data
306-4	Waste diverted from disposal	39-40 93-98	Waste Reduction Environmental Data
306-5	Waste directed to disposal	39-40 93-98	Waste Reduction Environmental Data
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	-	-
308-2	Negative environmental impacts in the supply chain and actions taken	68-69 71	CSR-Conscious Procurement Activities Green Procurement
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	91	List of Employee Related Indicators
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	-
401-3	Parental leave	91	List of Employee Related Indicators
GRI 402: Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	-	-
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	58-60	Occupational Safety and Health
403-2	Hazard identification, risk assessment, and incident investigation	58-60	Occupational Safety and Health
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