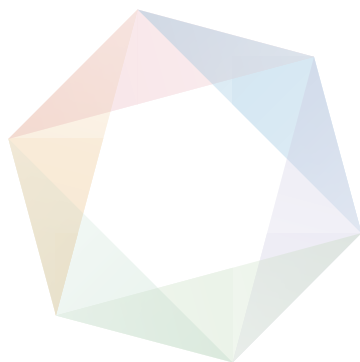


CSR Report 2020

Maximizing energy conversion
efficiency for the benefit of
humanity and society.



CSR Report 2020 | Contents

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How to Use Category Tabs

To make it easy to move between sections, we added category tabs and navigation buttons to each page.

Each opens the gate page of the indicated area.



Reporting period

This report focuses on the results of activities in FY2019 (from April 1, 2019 to March 31, 2020).

*We have listed some activities, limited to COVID-19 countermeasures, conducted on or after April 1, 2020.

Organizations covered in this report

Shindengen Electric Manufacturing Co., Ltd., Shindengen Group

Reference Guidelines

- ISO 26000–2010
- Environmental Reporting Guidelines 2012, Ministry of the Environment of Japan
- Environmental Accounting Guidelines 2005, Ministry of the Environment of Japan

Message from the President

I am pleased to extend my greetings to readers of the Shindengen Group's CSR Report 2020.

The Shindengen Group is promoting CSR activities through the practice of its management philosophy and the pursuit of its above-stated mission. Our brand logo is designed to represent the Group's value systems: effectively utilizing energy, considering the natural environment, and contributing to the growth of business and society.

Right now, corporate roles and responsibilities are undergoing radical changes. Rapid technological advancement in such fields as IoT and AI is prompting the creation of new businesses aimed at meeting needs of future generations, a trend that is pushing many corporations to shift their business models. Furthermore, amid a globalizing economic and social environment, they are having to step up their commitment to addressing ESG issues ranging from environmental preservation to human rights protection.

The Shindengen Group identified "Advancing product strategy for sustainable growth" as the guiding management policy of its 15th Medium Term Business Plan (FY2019–2021). In line with this policy, we will enhance the competitiveness of mainstay products while developing growth businesses. Moreover, we will strategically create next-generation products that are a decade ahead. In these ways, we will secure sustainable growth. In addition, the Group outlined its ESG initiatives in its Medium Term Business Plan in response to the demands of the international community, such as the SDGs. To carry out these initiatives, we unveiled our SDG Material Issues in line with our corporate mission.

The Shindengen Group will continue co-creating new value with its stakeholders by promoting business activities from an ESG perspective.

It is my hope that this CSR Report helps facilitate your understanding of the Shindengen Group's CSR activities, and I would greatly appreciate your feedback.



Yoshinori Suzuki, President



Management Philosophy

Together with society, our customers, and our employees

Our activities shall lead to the betterment of society

Our passion for quality shall foster customer trust

Our employees shall have opportunities to be engaged at all levels

Corporate Mission

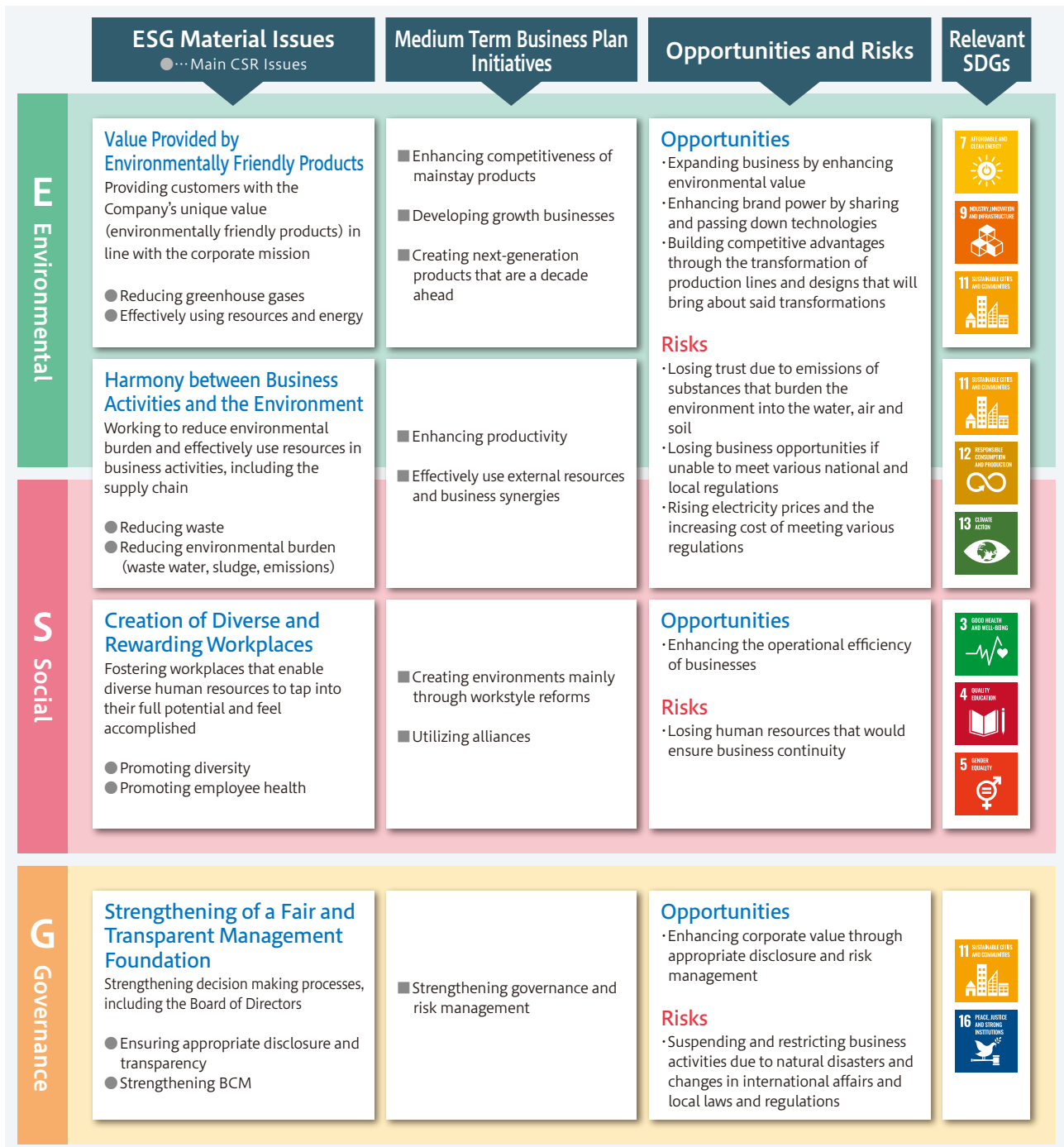
Maximizing energy conversion efficiency for the benefit of humanity and society.

Our Promise

Listen closely, look ahead, and create future of value.

Initiatives for ESG Management

Aiming to enhance its medium- and long-term corporate value, the Shindengen Group will continue reinforcing its promotion of the 15th Medium Term Business Plan and incorporating environmental, social, and governance (ESG) perspectives in management. From among the CSR matters that it has focused on to date, the Group has identified key matters that it can address through corporate activities to contribute to society and the environment. The identification was based on an opportunity and risk analysis conducted within an ESG framework with the CSR committee holding deliberations identifying four ESG material issues that are clearly relevant to the 15th Medium Term Business Plan. By enforcing the four ESG material issues thus identified, we will contribute to environmental and social issues and create sustainable corporate value.



Initiatives for the SDGs

Among our ESG initiatives, we have identified the following material issues corresponding to SDGs.

■ How the Shindengen Group Identifies SDG-Related Material Issues

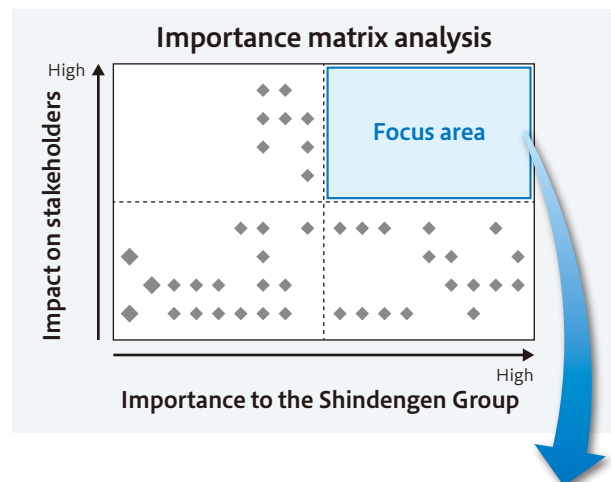
There are 169 SDG targets. The Shindengen Group's approach to material issues involves prioritizing key items by the degree of impact they will have on stakeholders and the degree of importance to the Group. After regularly holding dialogues with outside experts, the CSR committee identifies the material issues and the Board of Directors approves them.

Step 1 Narrow down to the targets that are relevant to Shindengen's businesses

We pored over the 169 SDG targets, narrowing down the list to 83 items that are relevant to our businesses.

Step 2 Assess the importance of the targets

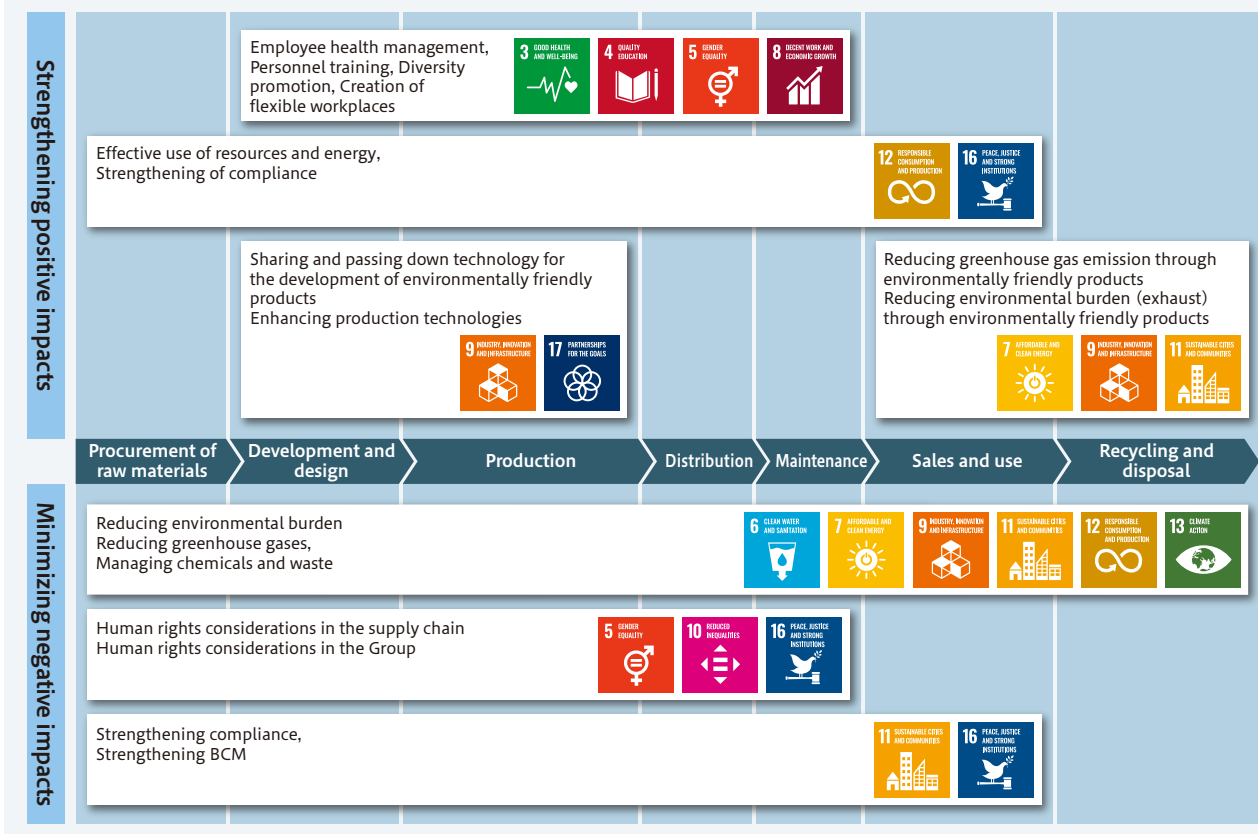
With reference to ISO 26000, the United Nations Global Compact Principles, SASB, OECD Guidelines, and customer demands, we assessed the importance of the items narrowed down in step one from the perspective of the Shindengen's Medium Term Business Plan, philosophy system, and CSR report. In addition, we analyzed the impact of each item on stakeholders and their importance to the Shindengen Group to put together the matrix chart to the right.



Step 3 Select key matters

After conducting the assessment outlined in step 2, we selected 14 items for the focus area outlined in blue in the upper right corner.

Mapping the 14 Key Items in Our SDG Focus Areas



Initiatives for the SDGs

Step 4 Narrowing down key items

Regarding the 14 items selected in step 3, through dialogues with outside experts, we focused on items that greatly contribute to the environment and society as well as items for which the impact on the environment and society can be quantitatively measured. Then, we narrowed those items down to one SDG material issue that the Shindengen Group should prioritize. Regarding material issues, we regularly review and update them based on changes in the external environment and the status of SDG initiatives.

Step 5 Identifying material issues

The CSR Committee identified the following SDG material issue for the Shindengen Group, and the Board of Directors approved it.



SDG 7

· Ensure access to affordable, reliable, sustainable and modern energy for all

SDG Target 7.3

· By 2030, double the global rate of improvement in energy efficiency

Initiatives for SDG Target 7.3

Providing environmentally friendly products

In line with its corporate mission of “Maximizing energy conversion efficiency for the benefit of humanity and society.” the Shindengen Group provides environmentally friendly products through the Electronic Device Business, Car Electronics Business, and Energy Systems & Solutions Business.

Some individual Shindengen Group products are directly contributing to CO₂ reduction by attaining ever higher efficiency and some are indirectly contributing through sales in the mobility market, which is shifting toward electric vehicles, and in the new energy market. The Group aims to ensure that almost all of its products directly or indirectly enhance fuel efficiency and energy conservation in society.

Going forward, we will continue to develop and supply products that provide value and that help solve social issues surrounding the global environment through the use of small, lightweight, and highly efficient technology.

*For details, please refer to section entitled, “Contributing to social themes by implementing the corporate mission (materiality).”

Case Study on Reducing CO₂ Emissions through Sales of Environmentally Friendly Products

The table below shows the value provided by environmentally friendly products released by the Shindengen Group in fiscal 2019 in terms of reductions in energy and fuel consumption and the reduction in CO₂ emissions.

Division	Product type	Reduction of energy consumption	Reduction in CO ₂ emissions
Electronic Device	IC series	318.2 million kWh	155,279t-CO ₂
Energy Systems & Solutions	Rectifiers for communication devices	42.9 million kWh	20,937t-CO ₂
	Power conditioner	133.0 million kWh	64,924t-CO ₂

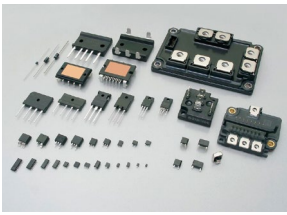




Division	Product type	Reduction of fuel (gasoline) consumption	Reduction in CO ₂ emissions
Car Electronics	DC-DC converter for four-wheel vehicles	3,441kℓ	7,984t-CO ₂
	Motorcycle products	2,705kℓ	6,277t-CO ₂

Company Outline

Trade Name: Shindengen Electric Manufacturing Co., Ltd.
 Established: August 16, 1949
 Capital: ¥17,823 million
 Consolidated Sales: ¥92,965 million
 (As of March 31, 2020)

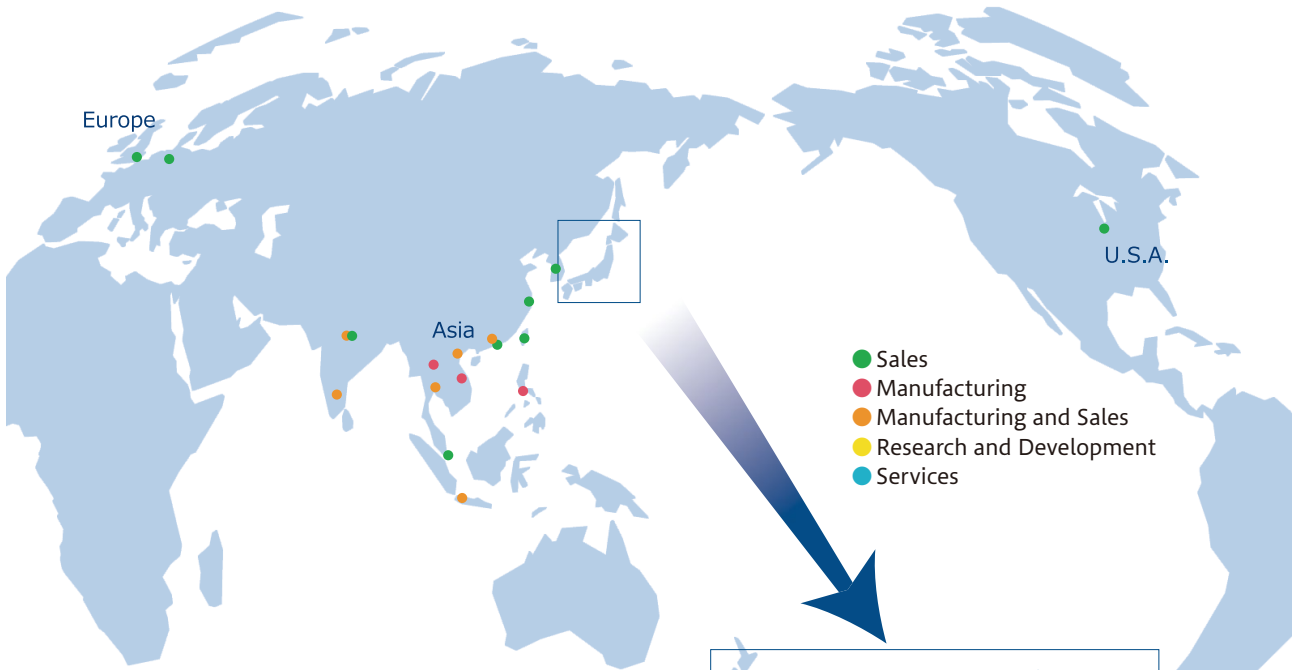
Consolidated Employees: As of March 31, 2020	
Independent	5,207
Consolidated	1,146
Domestic consolidated subsidiaries	1,259
Overseas consolidated subsidiaries	2,802

Outline of Business Operations

Division	Products	Markets
Electronic Device	<ul style="list-style-type: none"> • Bridge diodes • High-speed rectifying diodes • Thyristors • SIDACs • Power MOSFETs • Power ICs • Power modules 	<ul style="list-style-type: none"> • Mobility (four-wheel vehicles) • Industrial machinery market (factories) • Home Appliance (air conditioners, lighting, etc.) • Telecommunications equipment • Electric office equipment
Car Electronics	<ul style="list-style-type: none"> • Motorcycle products • Electric motorcycle products • Four-wheel EV/HEV/PHEV/FCV* products • General-purpose engine products 	<ul style="list-style-type: none"> • Mobility (motorcycles, four-wheel vehicles) • Generators
Energy Systems & Solutions	<ul style="list-style-type: none"> • EV/PHEV chargers • Power conditioners for photovoltaic generation • Smart energy management systems 	<ul style="list-style-type: none"> • Next generation energy (photovoltaic generation and energy storage, EV/PHEV chargers)
	<ul style="list-style-type: none"> • Rectifiers for communication stations • Rectifiers for mobile phone base stations • Inverters for communication stations • Monitoring units 	<ul style="list-style-type: none"> • Information/communication (mobile phone base stations, data centers and communication stations)
Other	<ul style="list-style-type: none"> • Rotary solenoids • Push pull solenoids • Tubular solenoids • Proportional solenoids 	<ul style="list-style-type: none"> • Automobiles, hydraulic equipment, construction machinery, embroidering machinery, and other FA devices

Global Network

Overseas Network



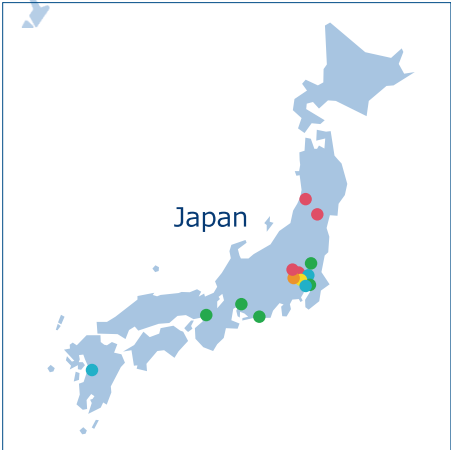
Overseas offices

- Asia
● Seoul Office

Affiliated Companies (Overseas)

- Asia
- Lumphun Shindengen Co., Ltd.
 - Shindengen Philippines Corp.
 - Shindengen India Pvt. Ltd.
 - Head Office
 - Gurugram Office
 - PT. Shindengen Indonesia
 - Shindengen Vietnam Co., Ltd.
 - Guangzhou Shindengen Electronic Co., Ltd.
 - Shindengen (Thailand) Co., Ltd.
 - Shindengen (H.K.) Co., Ltd.
 - Head Office
 - Taiwan Representative Office
 - Shindengen Singapore Pte Ltd.
 - Shindengen (Shanghai) Electronic Co., Ltd.
 - Shindengen Lao Co., Ltd.
 - Napino Auto & Electronics Ltd. Manesar Plant

- Europe
● Shindengen UK Ltd.
 - Head Office
 - German Branch
- U.S.A
● Shindengen America, Inc.



Japan offices

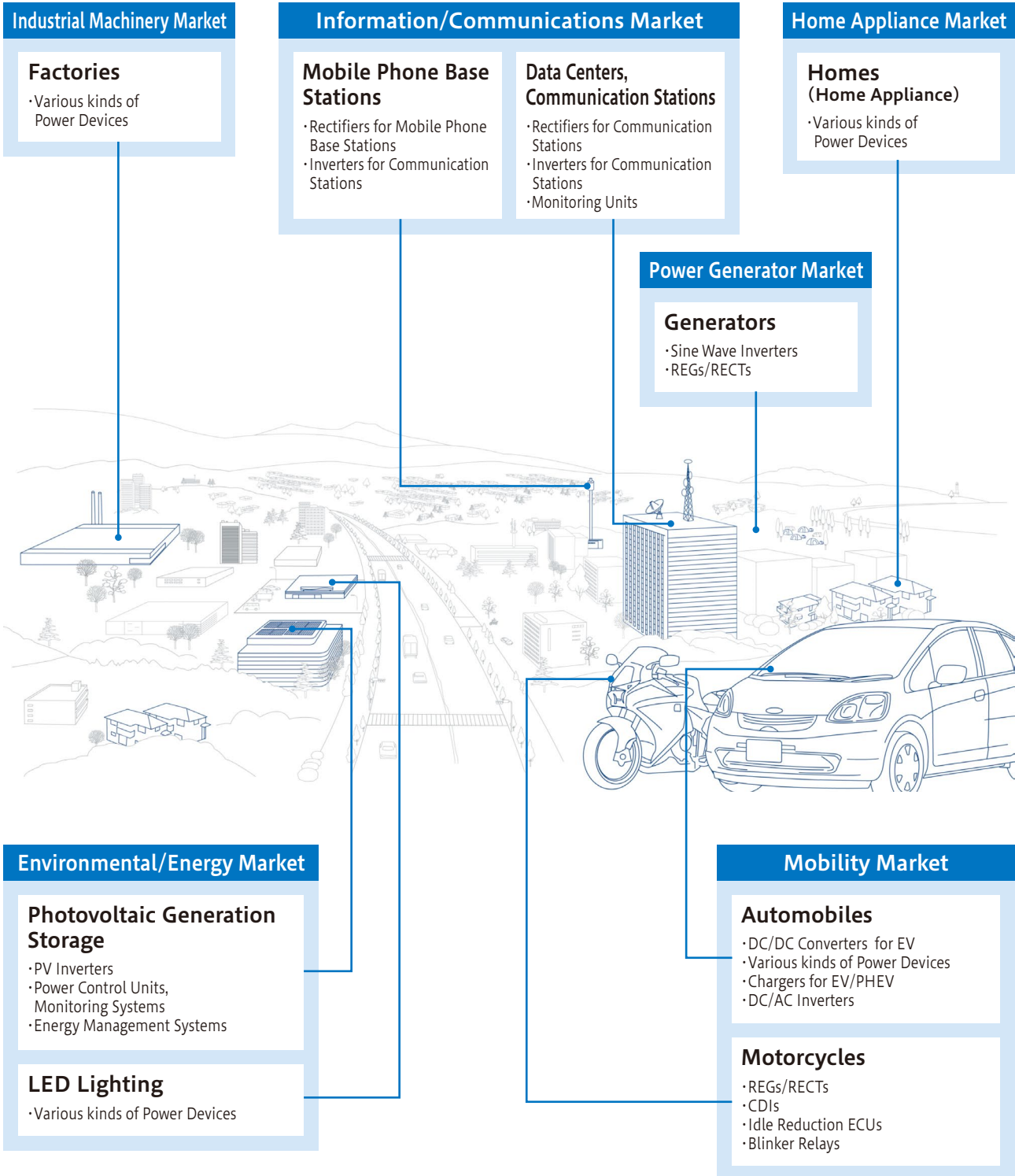
- Shindengen Electric Manufacturing Co., Ltd.
 - Head Office
 - Osaka Branch
 - Nagoya Branch
 - Hamamatsu Office
 - Utsunomiya Office
 - Hanno Factory

Affiliated Companies (Japan)

- Akita Shindengen Co., Ltd.
 - Head Office, Ohura Factory
- Asuka Factory
- Higashine Shindengen Co., Ltd.
 - Head Office
 - Logistic Center
- Okabe Shindengen Co., Ltd.
- Shindengen Three E Co., Ltd.
- Shindengen Kumamoto Technoresearch Co., Ltd.
- Shindengen Enterprise Co., Ltd.
- Hermes Systems Inc.
- Shindengen Mechatronics Co., Ltd.

Business Fields

Power Innovation Moving into Various Areas



Contributing to social themes by implementing the corporate mission (materiality)

Technology & Development Center



A Message from the Head of Center



Officer
Head of Technology & Development Center
Tomoaki Nishi

The Shindengen Group's corporate mission is "Maximizing energy conversion efficiency for the benefit of humanity and society." and as such, we are committed to transferring our new technology to key business fields to better serve our society.

Promoting Environmentally Friendly Product Development

Creating core technologies ahead of market changes

In the semiconductor device field, Shindengen is promoting the development of new technology in order to lower associated losses, allow operation in higher temperatures, and to integrate the functioning of multiple parts. In the power electronics field, we are promoting research and development to increase conversion efficiency, reduced related noise, and provide high-density mounting. We are passionate about working towards meeting these challenges and developing new technologies that cater to the market demands in a timely manner.

A Mid-term Growth Strategy Considering Social Requirements

Creating core technologies pursuing the limits of energy conversion efficiency

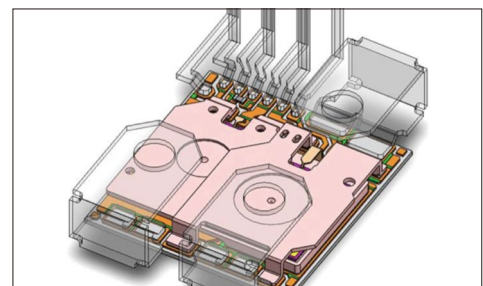
- Development of advanced low loss devices as per the requirements of mobility markets
- Development of advanced element technologies for next generation low loss power devices
- Development of advanced bonding technologies for reliable use in high temperature operations
- Development of high efficiency power circuit technologies for application in next generation low loss devices
- Development of high efficiency ICs so as to move towards a society with reduced energy consumption

Creating Environmentally Friendly Products Based on the Growth Strategy

Developing small high-precision mounting technology [Creating 2-in-1 chip layer structures]

- Reduced mounting area by around 50% due to the layer structure (compared with existing Shindengen products)
- Enabled higher heat dissipation and higher current capability due to the adoption of Cu clip technology
- Boasts lower resistance and lower inductance than aluminum wire products and realizes higher power density and higher efficiency, including better heat dissipation

Primary environmentally friendly products from the Technology & Development Center



2-in-1 chip layer structures

Primary R&D site

Domestic · Hanno factory

Contributing to social themes by implementing the corporate mission (materiality)

Electronic Device Div. Group



A Message from the Head of Division Group



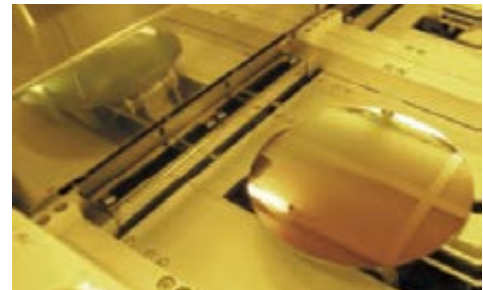
Officer
Division Director of
Electronic Device Div. Group
Hirofumi Matsuo

Our Division tries to remain as one of the top Power Semiconductor manufacturers which contribute to improve the energy efficiency across the world by developing products by using its unique technology.

Introduction

Enhance key semiconductors technology and Ensure technology superiority

- A diode product lineup that boasts high-quality automotive mounting and a large market share worldwide
- Power MOSFET and IC products with high current capacity, high efficiency, energy efficiency, and high quality suitable for automotive applications.
- Power modules that contribute to higher heat dissipation and smaller unit size while allowing the greater consolidation and simplification of assembly processes by fully leveraging the unique characteristics of various semiconductor components



Product Introduction <https://www.shindengen.com/products/semi/>

A Mid-term Growth Strategy Considering Social Requirements

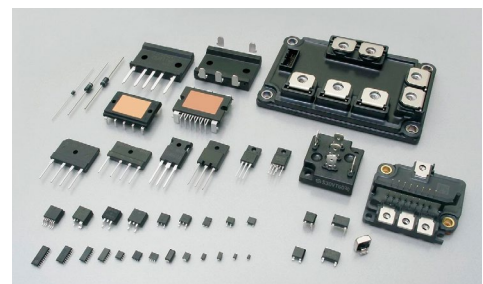
Increasing social environmental awareness has made inverter motor drives and electronic controls more popular in the car electronics and industrial machinery markets. Additionally, there has been a rapid growth in the demand for downsizing and for drive and control parts that are highly efficient. This division aims to create new demand by applying its proprietary mounting technology to make modular devices that use new materials. It will thereby expand its lineup of products featuring lower loss, higher voltage, and higher current capacity in smaller sizes for use in its acclaimed power semiconductors. In this way, we contribute to global society by increasing the energy conversion rate.

We are also committed to integrating semiconductor and circuit technologies by increased cooperation with our Car Electronics and Energy System & Solutions Divisions, thereby promoting the development of advanced devices with features and mounting shapes suitable for use in various sophisticated and highly efficient applications.

Creation of Environmentally Friendly Products Based on a Growth Strategy

- We are promoting the development of high current capacity and high efficiency devices optimized for the mobility market, which is promoting eco-friendly electric vehicles.
- We are promoting the development of eco-friendly, low loss, high efficiency devices, such as those for renewable energy and energy storage.
- We are promoting the development of small, high efficiency devices designed to conserve energy in households, such as lighting and home appliances.
- We are promoting the development of high voltage and high efficiency devices designed for the industrial machinery market aiming to promote automation and labor savings.

Primary environmentally friendly products from the Electronic Devices Division



Primary production base

Domestic ·Akita Shindengen Co., Ltd. ·Higashine Shindengen Co., Ltd.
Overseas ·Lumphun Shindengen Co., Ltd (Thailand). ·Shindengen Philippines Corp.

Contributing to social themes by implementing the corporate mission (materiality)

Car Electronics Div. Group



A Message from the Head of Division Group



Senior Officer
Division Director of Car
Electronics Div. Group
Seiji Niizaki

Seeking high conversion efficiency and long-term reliability in the mobility field.

The company employs the latest technology, contributing to environmental preservation and society by providing customers with products of high conversion efficiency and high reliability.

Introduction

Combining core technologies focused on the environmental business for a leap into the future

- A major international share of motorcycle components (e.g. REGs/RECTs)
- ECU for two-wheel (electronic control unit) with reduced environmental impacts such as idling-stop function.
- DC/DC converters for high efficiency and high reliability motor vehicle FCVs, PHEVs, and HEVs

Product Introduction <https://www.shindengen.com/products/electro/>



A Mid-term Growth Strategy Considering Social Requirements

Strengthening development of low-loss technology using electronic control, and energy recovery technology, and commercialization of products, as a means to reduce environmental impact. The majority were achieved with electronic control. Future introduction of electronics to the mobility field using the company's semiconductor, circuit, magnetic body, software, and mounting technologies in product commercialization, and focusing on continuous expansion.

Creation of Environmentally Friendly Products Based on a Growth Strategy

Motorcycle electronics

- Regulators using low-loss devices and control technology
- Reducing power consumption System for headlight LEDs
- Development and commercialization of ECUs (Electronic Control Units)

Motor vehicle electronics

- High-efficiency, high reliability, light weight vehicle power systems
- Development and commercialization of ECUs (Electronic Control Units)
- EV quick chargers

Primary environmentally friendly products from the Car Electronics Division



HEV applications
DC/DC converters
TW-60



Non-isolated bidirectional
buck-boost converter
TW-58

Primary production base

- Domestic · Okabe Shindengen Co. Ltd
- Overseas · PT. Shindengen Indonesia, Guangzhou Shindengen Co., Ltd. (China)
· Shindengen (Thailand) Co., Ltd. Shindengen Vietnam Co., Ltd.
· Shindengen India Private Ltd. Napino Auto & Electronics Ltd. (India)

Contributing to social themes by implementing the corporate mission (materiality)

Energy Systems & Solutions Div.



A Message from the Head of Division



Officer
General Manager of
Energy Systems &
Solutions Div.
Yoshiaki Kasahara

We offer a variety of new products including power devices and monitoring units, crafted using years of experience and expertise in designing power conversion technologies, aimed at the efficient conversion and usage of energy.

Given the current need to diversify our sources of energy, we are passionate about making our society more sustainable and are committed to facilitating rapid access to new eco-friendly technologies, and the development and subsequent application of advanced technologies to our existing devices so as to limit their environmental impacts.

Introduction

Rapid Response to New Requirements

- High conversion-efficiency and high reliability rectifiers for Information·Communications
- High quality and high performance charging stations for Electric Vehicles (EV)
- Isolated power conditioners for high conversion-efficiency solar power generation, monitoring system, monitoring service
- Photovoltaic generation output regulator units that controls the amount of power generated and home consumption units



Product Introduction https://www.shindengen.com/products/eco_energy/

A Mid-term Growth Strategy Considering Social Requirements

We will continue to develop high conversion efficiency and energy-saving devices and energy-generating devices based on power conversion technologies.

- We commit to the development of high-voltage DC power supply devices with highly efficient electrical conversion ratio to contribute to reducing the electrical consumption in data centers and telecommunications buildings.
- We are promoting the development of devices adapted for the home consumption systems and power conditioner using renewable energy, such as solar power, thereby helping reduce environmental burden and ensuring power for emergencies.
- We commit to contributing to the expansion of the charging infrastructure required by next-generation vehicles if we are to achieve our goal of living in a low-carbon society.
- We are promoting the development of power conversion devices that alter the charging and discharging cycles of batteries so as to ensure stable electrical supply and energy saving.

Creation of Environmentally Friendly Products Based on a Growth Strategy

Energy Saving

- Rectifiers for Information·Communications
- Chargers for EV/PHEV

Energy Creation

- Power conditioners for the generation of renewable energy including photovoltaic generation
- Monitoring systems for power conditioners

The Energy Systems & Solutions Division considers it a mission to contribute to creation of various energy sources in efficient manner for its safe and secure use. The Energy Systems Division contributes to efficient use of energy through development of the power-conversion-related efficiency technology. As such we further enhance the environmentally friendly products.

Primary environmentally friendly products from the Energy Systems & Solutions Division



Primary production base

Domestic ·Shindengen Three E Co., Ltd.

Shindengen Group Guidelines for Action

Staying true to its management philosophy of “together with society, together with our customers, and together with our employees,” Shindengen Electric Manufacturing Co., Ltd. has made it a corporate mission to maximize energy conversion efficiency for the benefit of humanity and society.

Based on our management philosophy and corporate mission, we, all officers and employees* of Shindengen Electric Manufacturing Co., Ltd. and Shindengen group companies, act in compliance with the following Guidelines for Action in order to further contribute to society:

*the term “employees” as used in this guideline refers to any persons who are employed by the company, including associate officers, corporate advisors, full-time employees, non- full time employees, contract employees, part-time workers and temporarily transferred employees.

1 Compliance with legislation and other regulations

1 Compliance with legislation and regulations

We act to honestly comply with relevant legislation and company regulations and rules, etc.

2 Fair competition and transactions

We conduct business transactions through fair, just, and free competition.

Above all, in our daily business activities, we observe the Japanese Antimonopoly Act and Subcontract Act, as well as the U.S. Antitrust Act, EU Competition Act, and antimonopoly laws of other countries, while also strictly complying with the following items of our company group:

- i) We do not exchange the following information with other companies in the same business: information on product prices, production amounts, manufacturing capabilities, selection of customers, and other conditions of competition. Nor do we make arrangements regarding such matters (for example, price fixing, market allocation, bid rigging, and order adjustments).
- ii) We do not participate in meetings of organizations and companies in the same business where we may be requested to exchange such information or make such arrangements. We act in accordance with established company rules, etc. when having contact with our competitors.
- iii) We do not commit acts that may hinder fair competition toward distributors and dealers, including restricting resale prices and abusing privileged position.
- iv) We act honestly toward all our business partners and carry out fair and appropriate transactions.

3 Preventing conflicts of interests

We do not act against the interest of our company to promote our own or third parties' interests.

4 Prohibiting bribery and excessive entertainment and gifts

- i) We comply with the rules of different countries that prohibit giving bribes to government officials of Japan and other countries. In addition, we also comply with the rules of different countries that prohibit bribery between private companies and between individuals.

We do not offer, propose, or promise to give bribes (money, goods, entertainment, gifts, or other interests) not only to government officials of Japan or other countries but also to private citizens for the purpose of gaining or maintaining preferential treatment in business. We do not allow those who act on our behalf, including dealers and consultants, to be involved in such acts.

- ii) We do not provide or receive economic benefits exceeding the range of sound business customs and social conventions, including gifts and meals, when entertaining or being entertained by customers or exchanging gifts with them. Nor do we receive personal economic benefits from them.

5 Preventing confidential information disclosure

We keep confidential information under strict control and never disclose it to other parties.

6 Prohibiting insider trading

We do not conduct insider trading or stock trading that may be suspected of being insider trading.

2 Respect of Human Rights

We always respect human rights in any of our corporate activities and do not condone or tolerate any behavior including sexual harassment, power harassment, discrimination and/or harm to personal dignity.

3 A healthy workplace environment

1 A safe workplace environment

We create a workplace environment that provides safety and job satisfaction to employees.

2 Attention to health

We pay attention to healthy lifestyles, including eating healthy meals, getting enough sleep, taking sufficient rest, and living fulfilling lives every day.

4 Our relationship with society

1 Customer satisfaction

We provide products and services that meet customers' needs, bring them satisfaction, and gain their trust.

2 Contribution to society

We proactively contribute to society as members of local communities.

3 Environmental protection

We strive to develop, produce, and sell products that contribute to protecting the global environment.

4 Attitude toward anti-social groups

We stand firm in our resolve to fight against anti-social groups and organizations that threaten public order and safety and have no relationship with such groups.

In the event of a violation of these Guidelines for Action, business executives themselves work to resolve problems, to identify their causes, and to prevent recurrence. We also publicly disclose information promptly and appropriately both inside and outside the company.

Revised on April 22, 2019

Organizational Governance



Shindengen recognizes that for communities to grow sustainably and develop for the future, companies must understand the importance of the role they play in social responsibility and accountability. We are committed to improving the lives of our people and the world we live in, through initiatives targeting important social issues including climate change, and health and welfare.

Management

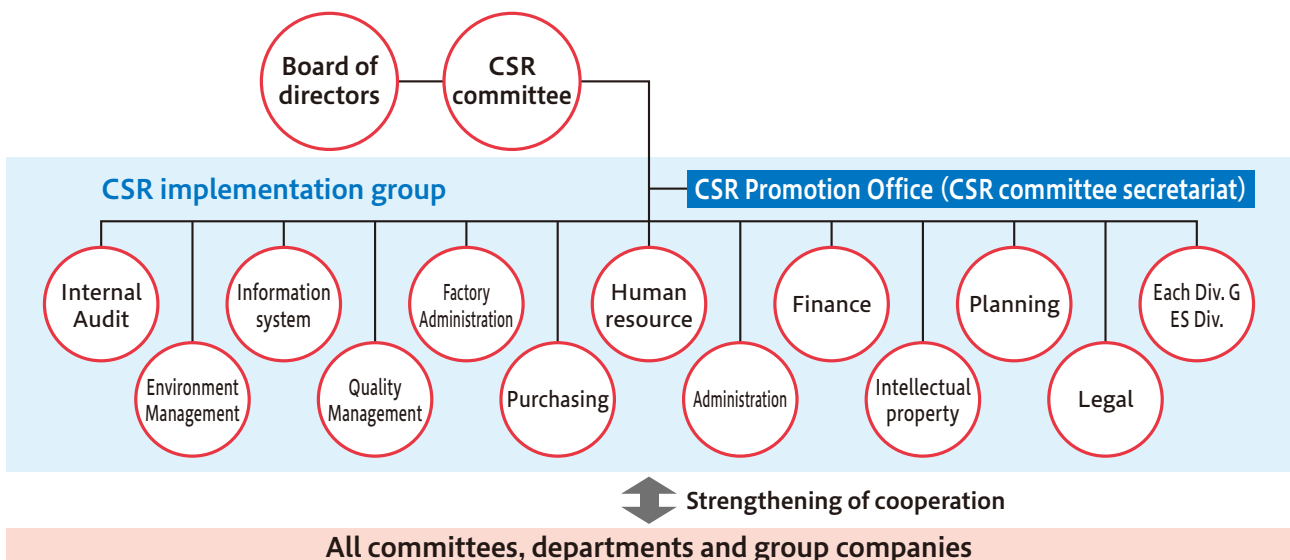
Shindengen's Management Philosophy is "Together with society, our customers, and our employees". Our Corporate Mission is to "Maximizing energy conversion efficiency for the benefit of humanity and society." We aim to contribute to the realization of a low-carbon society by developing products that focus not only on energy conversion efficiency, but also that consider their environmental impact.

With passion and purpose, we work hand-in-hand to empower our people and the communities in which we operate, and in doing so, strive to generate long-term value for our stakeholders. Shindengen aims to continually improve existing Governance and Management structures, in order to respond swiftly and appropriately to changes in its dynamic business environment.

Management Philosophy		
Together with society, our customers, and our employees		
<ul style="list-style-type: none"> Our activities shall lead to the betterment of society Our passion for quality shall foster customer's trust Our employees shall have opportunities for physical and emotional enrichment 		
Corporate Mission		
Maximizing energy conversion efficiency for the benefit of humanity and society.		
Long-Term Vision		
Accelerating into the advanced power component field and forging a high-gain business model.		
Numerical Target for 2021		
Net sales	Operating income margin	ROE
¥1,150 billion	7.6%	10%

The Shindengen Group's Basic CSR Policy
The Shindengen Group aims to realize its management philosophy by practicing its corporate mission and promoting CSR activities. The Group is fulfilling its social responsibility and building trust-based relationships with stakeholders as a global company by promoting social contribution activities and striving to be a sustainable corporate operator from an environmental, social, and governance (ESG) perspective.
CSR Medium-Term Policy
Promoting CSR activity along with our business partners

CSR implementation system



Organizational Governance

Corporate Governance Code

Our Basic Stance

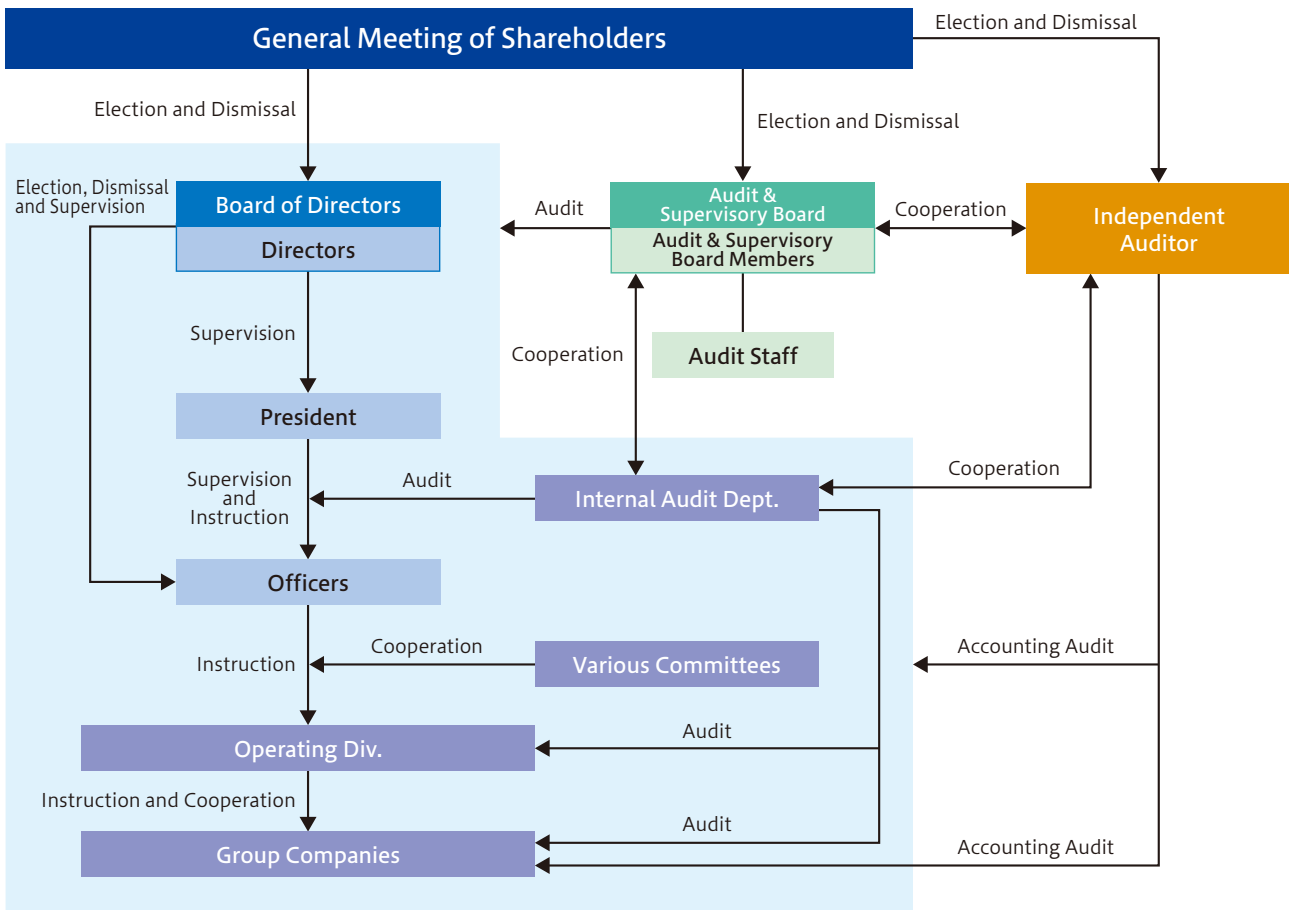
In recent years, corporations are required to arrange its governance effectively including transparency and compliance of the management.

Shindengen has a fundamental principal which is engaged with maintain and improve promptly and precisely its management system in order to respond mutual development to the circumstance that is rapidly changing surrounds the management.

In addition, by separating management and execution, we are planning the coexistence of the decision-making acceleration and monitoring functional enhancement, raising the effectiveness of the internal control system through which the board of corporate auditors conducts the independent audit. As a business-management organization, we are functionally managing various conferences such as the board of directors, the management committee, the board of corporate auditors, the technology- and quality- policy meeting, the general managers' meeting, the division directors' meeting, etc., thereby pursuing group management which connected internal organization closely through prompt decision-making and efficient business activities. Regarding information disclosure, we strive to strengthen IR activities in order to enhance the fairness and transparency of management.

Please visit our website for details [Information Disclosure and IR] <https://www.shindengen.com/csr/governance/governance/>

Corporate Governance System



Corresponding with the Corporate Governance Code

Effective governance structures ensure honesty and furthers the confidence of our shareholders and other stakeholders. At Shindengen we are continually striving to improve the effectiveness, efficiency and transparency with which we operate. Facilitating appropriate dialogue with all stakeholders (customers, shareholders, investors, suppliers, employees, government, administrative agencies and local communities) is essential.

A Compliance Committee was established in FY2015 to manage compliance risk along with establish related regulations (Details on the compliance are indicated in the Fair Business Practice).

Organizational Governance

■ Procurement Policy

Our Basic Stance

In accordance with "Shindengen group guideline for action", the procurement sections of the Shindengen Group strive to enhance the corporation value, and the mutual development with business partners through purchasing necessary materials and services, etc. from the global market with appropriate quality, cost, and delivery time in order to provide with customers for high-quality products that customers need.

In order to obtain materials at competitive cost, Shindengen does not take consideration on supplier's sizes and nationality based on free competition principle. Also, we comply with relevant laws and regulations, and always interact with business partners with faithful manner from an equal, fair, and equitable stance.

In addition, Shindengen complies with relevant laws, ordinances, and social norms (environment, human rights, labor, safety, sanitation, ethics, etc.) in each country/region. And for the matter of related corporate social responsibilities, such as preservation of the local environment, we engage in enhance along with business partners based on the relationship with the mutual understanding and trust.

Shindengen Group Materials Procurement Policy

1 Compliance with legislation and social norms

1 Compliance with legislation and regulations

We observe the applicable laws, regulations, and social norms (environment, human rights, labor, safety, sanitation, ethics, etc.) of each country and region.

2 Fair and equitable business activities

Regardless of business size or nationality, we ensure our procurement operations are handled in a fair and equitable manner with all customers. Quality, cost, delivery time, and reliability of supply are all considered.

2 Green procurement

As part of our global environmental conservation activities, we strive for green procurement. This involves the procurement of materials with smaller environmental impacts taking into consideration energy conservation, materials usage, chemical management, and the impact on biological diversity.

3 Establishment of partnerships

We strive to establish mutually beneficial relationship with our customers based on long-term trust and offering superior products and services.

4 Quality, delivery period, and stable supply

1 Securing high quality

To assure and continually improve the quality of our products, we request suppliers establish quality management systems and undergo third-party quality certification in conformity with the ISO 9000 (family of) standards.

2 Securing delivery period and establishing a stable supply system

To best meet our customers' demands of stable supply under changing conditions, we request our suppliers to secure the delivery period and establish stable material and/or service supply systems.

3 Continuing supply in instances of disasters or emergencies

In instances of disasters or emergencies such as earthquakes and floods, we request our suppliers to share supply chain information that may impact the procurement process for our customers. Additionally, we encourage our suppliers even under normal circumstances to engage in their own risk management activities, to minimize any disruption during times of disasters or emergencies.

5 Support for local procurement

We support local procurement and local production.

Organizational Governance

6 Requests of our customers

1 Compliance with laws and social norms

We request our customers to fulfill their corporate social responsibility and to observe the applicable laws, regulations, and social norms (environment, human rights, labor, safety, sanitation, ethics, etc.) of each country and region.

2 Sound business activities

We request our customers to promote sound and fair business activities to build long-term mutual cooperation and trust.

3 VA/VE activities

We request our customers to provide suggestions and propose new materials or cost improvement activities through their VA/VE activities.

4 Shortening the procurement period

We request our customers to be capable of adapting quickly and flexibly to changes in the market.



Procurement Policy Briefing for Business Partners

Shindengen's Purchasing Department held a policy briefing for business partners on May 22, 2019.

After presenting an explanation of our business plans and policies in addition to the points covered by the Shindengen Group Basic CSR Policy and Procurement Policy, we asked for our business partners' understanding of and cooperation in upholding these policies. In fiscal 2019, 167 business partners participated, and we used this briefing as an opportunity for broader dialogue.

SDGs and Shindengen's Corporate Activities

In September 2015, the United Nations adopted 2030 Agenda of the "Sustainable Development Goals (SDGs)". At Shindengen we share the necessity of solving 17 goals through our corporate activities. In accordance with ISO 26000's 'Seven Core Areas' Shindengen has aligned our activities to achieve the SDGs. These are summarized below.

17 Sustainable Development Goals



SDGs aligned to the Shindengen Group's CSR activities

Organizational Governance (14-17P)



Human Rights (18-20P)



Labor Practices (21-24P)



Environment (25-31P)



Fair Business Practices (32-35P)



Consumer issues (36P)



Community participation and community development (38-41P)



Human Rights



The Shindengen Group respects the international norms with regards to social issues and employee rights brought out by the globalization. We are also actively committed to promoting human right awareness.

■ Initiative for respecting Human Rights on Labor

In FY2019, we have established ‘Shindengen Group Human Rights Policy’ as the base of all other policies and documents (ex. Shindengen Group Action Guidelines) related to the Group’s efforts to respect human rights across our global operations.

Shindengen Group Human Rights Policy

Shindengen Electric Manufacturing Co. Ltd. (‘Shindengen’) holds ‘Management Philosophy’, “Together with society, our customers, and our employees, Shindengen pursue company growth that benefits society, our customers and employees”, and attaches much value to relationships with society and human rights of employees. Shindengen Group (‘the Group’ or ‘we’) respects the international norms with regards to the human rights, labor challenges and employee rights brought out by the globalization. We are also actively committed to promoting human right awareness.

1 Position of this policy

This policy shall be the base of all other policies and documents (ex. Shindengen Group Action Guidelines) related to the Group’s efforts to respect human rights across our global operations, and applies to all the executives and employees* of the Group.

The Group respects international norms on human rights, the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the International Covenants on Human Rights), the International Labour Organization’s “Declaration on Fundamental Principles and Rights at Work”, the United Nations “Global Compact”, the United Nations “Guiding Principles on Business and Human Rights”, and has developed this policy based on these norms.

*employees; any persons who are employed by the company

2 Respect human rights

The Group complies with respective laws and regulations of the countries and regions in which it operates. If a law or regulation of a country or region conflicts with an internationally recognized standard for human rights, we pursue ways to honor the internationally recognized standard.

The Group prohibits any form of discrimination based on race, ethnicity, nationality, social status, lineage, sex, disability, health conditions, ideology, faith, sexual orientation, gender identity, occupation or occupational status, and harassment. We are committed to responsible labor practices including the provision of a safe and healthy environment in the workplace as well as ensuring adequate working hours and minimum wage. We also commit ourselves to respecting freedom of association.

The Group opposes any form of slavery or forced labor, including human trafficking, and child labor.

3 Efforts to respect human rights

The Group recognizes that our business activities may have direct or indirect human rights impacts at every stage in the value chain, from R&D and procurement of raw materials to consumption/use of our products and services.

Based on the United Nations Guiding Principles on Business and Human Rights, the Group shall undertake human rights due diligence measures, such as specifying and assessing the impact of its business activities on human rights, and studying ways of proactively preventing or mitigating any negative impact of those activities.

We will take appropriate measures in the event that the Group becomes aware of violation of human rights and demand that suppliers redress any violations of human rights.

We expect that all of our business partners adhere to this policy. We will work to make our suppliers aware of this Policy, and we demand their compliance.

The Group conducts education and training to ensure this policy is understood across all business activities of the Group and implemented in the respective activities.

We will continue to engage with our relevant stakeholders concerning the human rights issues associated with our business and seek to update our practices to respect human rights.

Shindengen reports on the implementation status of our human rights initiatives in accordance with this policy in our website or CSR report.

Established: April 22nd, 2019

Human Rights

Initiative for preventing Slave Labor and Human Trafficking

The Shindengen Group has updated a statement in September 2020 to prevent slave labor and human trafficking pursuant to the British Modern Slavery Act 2015, Article 54(1).

Shindengen’s statement about the British Modern Slavery Act (extract).

- Shindengen Group respects the international norms with regards to the human rights, labor challenges and employee rights brought out by the globalization. We are also actively committed to promoting human right awareness in the workplace.
- Shindengen Group holds policy of ‘Compliance with legislation and social norms’ as one of the basic policies of ‘Group Materials Procurement Policy’. In materials procurement, we comply with legislation and social norms (e.g. environment, human rights, labor, safety, health hygiene, ethic, etc.) of countries and regions, and make considerations on respects for human rights for our supply chains.

Due Diligence

We consider that the greatest risk of slavery or human trafficking would have been in our supply chain where operations and managerial oversight are out of the Shindengen Group’s direct control. The Group is implementing a two-year human rights survey plan based on ‘Supply Chain CSR Deployment Guidebook’. In FY2019, we conducted human rights surveys on high-priority suppliers and our group companies. We obtained 76% response from the subjects of the survey (90% on a transaction amount basis) and performed a scoring analysis for each item based on each company’s response, and asked suppliers who did not meet our target scores to improve. In this way, the first year’s survey was completed as planned. In FY2020, we will continue to implement human rights surveys on suppliers whom we planned for the second year.

■ Human Rights for the Supply Chain

The Shindengen Group holds policy of ‘Compliance with legislation and social norms’ as one of the basic policies of ‘Group Materials Procurement Policy’. In materials procurement, we comply with legislation and social norms (e.g. environment, human rights, labor, safety, health hygiene, ethic, etc.) of countries and regions, and make considerations on respects for human rights for our supply chains. In accordance with ‘Shindengen Group Human Rights Policy’, the Group has set ‘Supply Chain CSR Deployment Guidebook’, and works to make our suppliers aware of this Policy, and we demand their compliance.

Conflict Minerals – Our Stance

To ensure that the Shindengen Group’s performance fulfills the social responsibility standards for supply chains, we request our suppliers to expand their awareness to conflict minerals and participate in the surveys we implement as part of our effort to honor human rights.

The Shindengen Group’s initiative for conflict minerals

Conflict minerals are gold, tantalum, tin and tungsten mined in the Democratic Republic of the Congo and adjoining countries that are used to fund armed groups and rebel organizations which are involved in human rights problems and the destruction of the environment.

In the final rule of Article 1502 of the “Dodd-Frank Wall Street Reform and Consumer Protection Act” (Dodd-Frank act), which was passed and announced on 22 August 2012 by the U.S. Securities and Exchange Commission, it states that all public companies in the US must submit a report to the Securities and Exchange Commission certifying whether or not “conflict minerals” are contained in their products.

As Shindengen Electric Manufacturing is not a company that has to submit a report to the US Securities and Exchange Commission, there is no obligation to submit any such report about the usage of conflict minerals.

However, the Shindengen Group is taking a humanitarian stance, and actively making it clear as to whether or not conflict minerals are included in our products and working towards the elimination of conflict minerals.

Human Rights

Human Rights for the Employees

Labor Union Relations

Shindengen and the Group (domestic) actively ensure there is a forum available for discussion between Labor Unions, Shindengen employees and Management. We strive to provide our employees with a positive, safe workplace, through regularly holding meetings with labor management councils, in efforts to achieve mutually beneficial results. Shindengen has signed a collective agreement with the Labor Union to guarantee the rights of all members.

Employee Consultation

The Shindengen Group (domestic) has established a consultation window where employees and their families can receive specialist counselor advice for daily anxiety, stress and other troubles.

Mental health education workshops are also provided to all employees. Since FY2016, annual stress checks (under the Occupational Health and Safety Act) have been performed and reported to the Labor Standards Inspection Office to identify, manage and ultimately reduce the risk of mental health problems of our employees.

Zero Tolerance for Sexual and Power Harassment

The Shindengen Group has a zero-tolerance policy towards sexual harassment and/or power harassment. Group Action Guidelines are in place to effectively manage any instances of such harassment.

Human Rights Awareness Initiatives

In an effort to address the serious poverty and labor problems in the world, the Shindengen Group engages in raising awareness about social issues and increasing respect for human rights through CSR training courses and similar initiatives. In addition to promoting CSR activity-related concepts such as employment practices, taxation, and community service etc., enhancing employees' appreciation of international standards (ILO core labor standards, etc.) and consideration for minorities, including LGBT individuals, is part of our commitment. Employees are advised of points regarding human rights as indicated in the UN's SDGs, and we strive to continuously share details about human rights issues using information dissemination tools, such as our intranet and company newsletters.



CSR education

Labor Practices



In the Shindengen Group, we recognize that our employees are at the core of what we do. Our Human Rights Policy and Group Action Guidelines are built around respect for international human rights and labor condition laws and regulations. Ensuring “respect for human rights,” “safe working conditions” and “awareness of health” in a workplace where employees are supported at all stages of their careers is of the utmost importance to us. Establishing a culture of caring focused on our employees’ well-being in the AI era is especially crucial in light of increasing globalization coupled with the declining birthrate and aging population.

Human Resource Development

Career Support

Education and Training

At Shindengen, we support our employees with the proper education and training, such as new-employee training, third-year training, training for qualifications, and specifically tailored (financial, marketing) training and other self-development-focused education. In this way, we support career advancement for all.

The Group’s domestic companies have also developed self-assessment application systems for all employees applying for promotions. In addition, we introduced an expert career system that reflects the value we place on diversity. By doing so, we aim to foster a culture that promotes learning and supports career development among our employees.



Financial training

Nurturing Global Human Resources

Preparing our employees for the increasingly globalized environment in which we operate, is crucial to the Group’s future success. Business English training and the TOEIC incentive system are provided to employees to improve English proficiency.

We have dispatched young salespeople to our Group companies in English-speaking regions for a few months to a year to receive our overseas training and gain on-site, hands-on experiences. In addition, since FY2017, we have expanded this overseas training to include brand new recruits assigned to the sales department.

For those assigned to work abroad, we provide training on local culture, economics and living standards (safety, environment, etc.) as well as on laws and systems necessary for business activities. For language training, educational support programs are available either in Japan before moving or overseas.

Providing Training to Human Resources to Support Expansion of Global Operations

To succeed in a globalized environment and to meet the increasing expectations of customers, the Shindengen Group has expanded its global operations, including product design, procurement, production, sales and others, mainly for Group companies in Asian countries. We are developing not only employees from Japan, but also a wide range of employees, taking various approaches, including education for local employees and exchanges between overseas Group companies. Group companies responsible for production in Japan also handle some of the product strategies for the expanding power module business and EV business while aiming to achieve sustainable growth. These companies are training employees to support the expansion of global operations.

Labor Practices

Promotion of Diversity

Assistance in Balancing Work, Childcare and Nursing Care

Shindengen and some Shindengen Group companies in Japan offer various types of leave, including for hospitalization, maternity and miscarriage, as well as options for childcare and health management, including reduced working hours, flexible commuting times and extension of break times. The ongoing expansion of leave programs for childcare and nursing is under way. We revised our nursing care leave program and eliminated limits on the period of eligibility for flex-time for employees providing nursing care. In addition, as a COVID-19 countermeasure, we have made it possible for employees to work from home using the latest technology.

Shindengen's Hanno factory, Shindengen Three E and Okabe Shindengen support Saitama Prefecture's "Saitama Womanomics Project" and offer a truly equal employment environment for female employees. As a result of their efforts to provide a better working environment for women and childcare programs they received a gold certificate acknowledging their status as a "Company with a Diversified Working Environment" from the local government.

Improvement of Working Environments

Shindengen provides employees with the opportunity to take long-term career leave depending on their length of employment with the aim of refreshing their minds and bodies and raising their motivation to work. In addition, we responded to workstyle reform-related laws in part by mandating five paid days off be taken per year and ensuring the same pay for the same work. We are also trying to ensure a comfortable environment by various means, such as establishing a no-overtime workday and setting overtime work limits.

Shindengen Vietnam received an award in April 2019 from the Vietnam General Confederation of Labour, Vietnam's national trade union center, for being an excellent company that provides a good work environment for its workers. The awards ceremony was major news on TV in Vietnam.

Encouragement and reward system for raising employees' incentives

Shindengen established a prize-payment system for inventions, suggestions and the acquisition of public certifications as well as the TOEIC incentive system in order to promote the better performance of employees in R&D activities, various workplaces and duties. In FY2019, we added public qualifications needed for operations, and there were 83 prizes awarded for those who acquired public qualifications, up from the previous year.

Initiative for the "Act on the Promotion of Female Participation and Career Advancement in the Workplace"

On March 31st 2016, Shindengen notified the Ministry of Health, Labour and Welfare of its action plan regarding the Act on Women's Promotion. Since the overall ratio of female employees is low at Shindengen, there are relatively fewer departments and/or positions where female employees can be found. Shindengen is focused on workforce gender diversity and providing women with opportunities to lead. Gender equality is fundamental to our ability to make progress and for our business to more broadly move beyond the need for target setting and into an environment where true gender equality is achieved.

Annual Statistics for Paid Holiday

	FY 2017	FY 2018	FY 2019
Rate of taking paid Holidays (%)	58.0	63.8	66.4

Annual Statistics for Maternity and Childcare Leave

	FY 2017	FY 2018	FY 2019
Number of people obtaining maternity leave	2	3	5
Number of people obtaining childcare leave	4	7	10
(Within) Number of men obtaining childcare leave	0	3	6
Reinstatement rate following childcare leave (%)	100.0	100.0	88.9

Annual Statistics for Nuring Leave

	FY 2017	FY 2018	FY 2019
Number of people obtaining nursing leave	1	0	3



The Vietnam labor union awards ceremony (Shindengen Vietnam)

Goal of its current initiative for the Act

- Increasing the hiring ratio of female graduates to 30%;
- Providing equal opportunity to female employees in a wide range of departments and occupations;
- Further promotion of work-life balance programs.

Labor Practices

To enable women to tap their full potential and build careers in various departments, Higashine Shindengen released its women empowerment action plan on its website for the 4-year 7-month period from September 2017, actively provided career training for female employees, and, in 2019, promoted female employees as workplace leaders. In addition, Shindengen Indonesia participated in leading the female productivity boost event held by Bekasi Regency, where its base is located. The company was awarded a certificate and trophy for the top prize from Eka Supria Atmaja, acting regent of Bekasi Regency.



Female Productivity Boost awards ceremony (Shindengen Indonesia)

Equal Employment: Disabilities and Aging Employees

The Shindengen Group is committed to being an equal opportunity employer. We strive to provide opportunities to people with disabilities and achieved the 2.2% legally mandated employment ratio for private companies in FY2019 (a 10-month period). We also support people approaching retirement age with the “second career system,” a program committed to re-hiring those who retire at 60 years of age and extending their career to the age of 65.

Support of Success of Foreign Employees

At the Shindengen Group, we realize that in an increasingly globalized business world, it is essential to harness the strengths offered by individuals from a variety of backgrounds and cultures. In line with the Shindengen Group Human Rights Policy, we respect different values, cultures and experiences (regardless of nationalities, races and genders) and provide opportunities for employees to demonstrate their characters. We believe that this will create values and businesses that meet social changes and mentally enrich employees. In addition, the Shindengen Group is promoting production innovation activities and quality improvement activities. In overseas production plants, local employees engage in such activities and Group company representatives gather and present their improvement cases. In addition, in the period under review employees endeavored to improve the energy conservation of 43 items through production innovation activities and reducing monthly electric power consumption.

Change in number of foreign national workers

	FY 2017	FY 2018	FY 2019
Number of foreign workers	16	14	10
Number of foreign workers at management level	6	6	7
(Within) Number of foreign workers at or above the department manager level *including workers seconded	3	4	4
Consolidated number of foreign workers	2,607	2,828	2,808

Health and Safety

Health and Safety Management

Structure for Promoting Health and Safety

The Shindengen Group is committed to promoting health and safety throughout the entire Group. In April 2020, Shindengen established the ISO Promotion Department and launched an initiative aimed at introducing an ISO 45001-compliant labor health and safety management system.

Akita Shindengen hosted a first-aid training session with the cooperation of the Honjo Fire Department. A total of 16 employees participated in the session held in August 2019, and 11 in the February 2020 session. They practiced resuscitation methods, such as those using an automated external defibrillator (AED).



A first-aid training session (Akita Shindengen)

Labor Practices

Traffic Safety Activity

The Shindengen Group has established the ‘Traffic Leadership Committee’ to manage the prevention of traffic accidents during everyday operations, whilst commuting and whilst our employees are on business trips, incorporating local opinions.

Akita Shindengen received the top “platinum prize” as an excellent safety driving business site under a joint traffic safety commendation program sponsored by Akita Prefectural Police and Japan Safe Driving Center, thanks to its robust track record in minimizing the number of traffic accidents and offences involving employees. In addition, during traffic safety awareness periods, Higashine Shindengen supports efforts for calling out traffic warnings by crossing guards at intersections of neighboring factories.



Platinum Prize Was Awarded for the Excellent Safety Driving Business Site (Akita Shindengen)

Activities on Disaster Prevention and Response

The Great East Japan Earthquake (2011) and floods in Thailand are recent reminders of the importance of having a disaster-response plan in place. Shindengen Group’s Business Continuity Plan (BCP) ensures risks are managed appropriately at times of large-scale disaster. The Business Continuity Management (BCM) Committee has strengthened the disaster-response and business-continuity measures to protect employees and business.

Overseas Group companies that handle production hold disaster prevention drills periodically, monthly, or yearly tailored to the characteristics of their country.

Shindengen’s Hanno factory and domestic Group companies that handle production are working to raise awareness of disaster prevention by conducting annual comprehensive fire drills, including the use of outdoor fire hydrants, to ensure that every employee can practice what they are expected to do in emergencies.

Products that Contribute to Safety

In line with its corporate mission, the Shindengen Group develops, designs, produces, and sells eco-friendly technology spanning a wide range of fields, namely mobility, the environment and energy, industrial machinery, data and communications, and home appliances. This technology can also be used in fields that protect people’s lives and livelihoods, contributing to safety.

Over the course of the COVID-19 pandemic, it has become evident that worldwide there is an alarming shortage of ICU ventilators for providing safe and life-saving care for COVID-19 patients. A world-leading ICU mechanical ventilation producer that is also a customer of Shindengen Mechatronic requested that this Group company increase its output of solenoids for ICU mechanical ventilation. Working closely with business partners, Shindengen Mechatronics has increased production of solenoids for ICU mechanical ventilation while ensuring good employee conditions as much as possible.

In addition, Typhoon Faxai caused wide-spread damage when it made landfall in September 2019, leading to long-lasting power outages and significantly impacting daily life. Shindengen provided collapsible inverters for use in portable generators in response to the power outages.



A mechanical ventilator featuring Shindengen Mechatronics’s solenoid

■ Various Programs on Health Management

Activities on Promotion of Health Management

At the Shindengen Group, as part of promoting work-life balance, we provide activities for employees to help keep their minds and bodies healthy.

The Hanno Spring Two-Day Walk was sponsored by Hanno City in May 2019, and 95 people from Shindengen participated as a group in the 24th Walking Event, a 10-kilometer hiking trail, with the aim of addressing employees’ lack of exercise and boosting their health. This year’s event was blessed by clear weather, and the hikers successfully completed the trail without any injuries or accident.

In addition, Shindengen Indonesia holds health seminars related to various themes (such as mental health, CPR and AED methods) hosted by external doctors.



Group photo from the Hanno Spring Two-Day Walk



Health seminar (Shindengen Indonesia)

Environment



Since 1992, Shindengen has been working on environmental issues as an important management issue. We are doing so by developing environmentally conscious products that provide greater benefit to society with a lower environmental impact. Additionally, the Paris Agreement (21st Conference of Parties to the United Nations Framework Convention on Climate Change) and the United Nations' Sustainable Development Goals provide further guidance when consciously managing our environmental footprint and climate change countermeasures.

■ Shindengen Group Environmental Policy

In order to respond to the revision associated with ISO 14001: 2015, we revised the Shindengen Group Environmental Policy. We will make continuous improvements to realize sustainable development goals, firmly taking into consideration changes in the circumstances surrounding the Group and our expectations and needs. We will respond appropriately to them, taking into account not only impact on the environment, but also the environment itself.

Environmental Policy

Our management philosophy and corporate mission is “Together with society, our customers, and our employees, we will maximize energy conversion efficiency for the benefit of humanity and society”. In doing so, we promise to “Listen closely, look ahead, and create a future of value.”

Shindengen Group employees are committed in their pursuit of developing sustainable electronics across all stages of production from development and design to manufacturing. Products include semiconductors, power supply units, electrical components, and solenoids.

- 1 We are committed to complying with applicable requirements, including laws, regulations, and contracts.
- 2 We will evaluate the impact our business activities and products have on the environment, and we will strive for continual improvement.
- 3 We will regularly update our environment management systems to improve environmental performance.

Environmental policies are applied to ISO 14001 certified companies in the Shindengen Group (Japan). Other domestic and overseas companies engage in environmental activities in accordance with the environmental policies of the Group.

Please visit our website for details [ISO 14001 Certification] <https://www.shindengen.com/company/iso/iso14001/>

■ Environmental management

Environmental Education

At the Shindengen Group, we are committed to increasing environmental awareness amongst our employees. For new hires, we provide training on our compliance rules and the relationship between business activities and the environment in an effort to raise awareness about the interconnectedness of the environment and our operations.

Furthermore, we provide employee education on environmental laws and regulations in a systematic manner, believing that the awareness of each employee significantly affects the success of our compliance with these laws.

In FY2019, Shindengen stepped up its efforts to maintain compliance with the Act on Rational Use and Appropriate Management of Fluorocarbons by providing training to employees who conduct simple inspections of fluorocarbon-containing equipment, going over the main points of laws and regulations, and telling them what to pay attention to when conducting an inspection.

Such training is aimed not only at increasing general environmental awareness, but also on developing a workplace culture that recognizes what it means to be an environmentally conscious corporate citizen.

Environment

At the Shindengen Group, we set environmental goals based on our environmental policies and have implemented initiatives that alleviate environmental problems.

Environmental Objectives and Targets

The Shindengen Group Domestic Companies: Environmental Objectives and Targets with Key Results (FY 2019)

Objective	Target	Result
Greater Chemical Substance Management ·Contribute to environmental protection activities through the proper management of chemical substance information	·Clarify the policy on the elimination of equipment regulated under the Act on Preventing Environmental Pollution of Mercury	·Decided to aim to develop internal technologies that will enable internally manufactured production equipment to be mercury-free within 10 years of the law going into effect
Greater Energy Conservation ·Contribute to the prevention of global warming and the solution of climate change issues through efficient energy use and emission control activities	·With FY2012 as the base year, reduce carbon dioxide emissions per unit with an annual average improvement of 1% throughout the period leading up to 2030 (6.79% improvement achieved FY2019)	·Achieved the equivalent of an annual average improvement of around 4% (a 25.44% improvement compared to the base year)
Promotion of proper waste management ·Strengthen the system for reducing risk associated with waste	·Continue to implement audits of waste contractors and evaluate their effectiveness	·By continuing to implement audits of waste contractors, we confirmed the effectiveness of our audit methods and evaluated the appropriateness of the contractors.

The Shindengen Group Domestic Companies: Environmental Objectives and Targets (FY 2020)

Objective	Target
Promote chemical substance management ·Contribute to environmental protection efforts through the proper management of chemical substance information	·Strictly manage information on substances contained in chemical products used in our business activities and develop more efficient methods to measure usage
Promote energy saving ·Help to curb global warming and to solve issues related to climate change through efficient energy use and activities to control emissions	·Improve energy intensity by at least 7.73% by the end of FY2020 compared with the benchmark year, and make steady progress toward 2030 (sustain our FY2012 onward 1% annual average improvement)
Promote proper waste management ·Strengthen the system for reducing risk from waste	·Mitigate risks by reviewing our agreements with waste disposal subcontractors

Regarding ISO 14001 certification at the Shindengen Group domestic companies, Shindengen's Hanno factory and main production companies have received group certification. As for internal environmental audits, we are working to ensure a uniform level of awareness as well as to enhance our capabilities through audits mutually performed by environmental ISO secretariats at each company. In addition, from December 10 through 12, 2019, these Group companies underwent examination under the 2015 version of ISO 14001 standard, and their environmental management systems were deemed effective, sustainable and comprehensively functioning. At ISO certified overseas Group company, internal audits are conducted based on their audit plans and schedules.

Contents	CSR Report 2020	Message from the President	Initiatives for ESG Management	Initiatives for the SDGs	Company Outline	Global Network	Business Fields	Corporate Mission
	Guidelines for Action	Organizational Governance	Human Rights	Labor Practices	Environment	Fair Business Practices	Creating Value for Customers	Community

Environment

■ ■ Reducing our Environmental Footprint

The Shindengen Group is committed to reducing its environment footprint. We focus on managing activities that address global warming, the proper use and disposal of chemicals, safe waste disposal and water-use reduction as well as protecting biodiversity and shrinking our environmental footprint.

The following introduces our FY2019 main activities, including practical case studies.

Reduction of carbon dioxide emission volume

The Shindengen Group is striving to reduce its carbon dioxide emissions in ways that are optimized to each Group company's circumstances.

Domestic Shindengen Group companies participate in the "Low-Carbon Society Action Plan" that was formulated by the electric and electronic machine industry as a voluntary action plan. They engage in activities improve equipment and improve the energy efficiency of production processes with the aim of improving energy intensity by at least 1% on average per year.

As part of these efforts, Akita Shindengen reduced annual CO₂ emissions by 256.4 tons in FY2019 by installing heat pumps in the air conditioning facilities and appropriately managing the number of boilers in operation that use heavy oil as fuel. In addition, each domestic and overseas Shindengen Group company is striving to reduce CO₂ emissions by engaging in various energy-saving activities, such as switching to LED lighting, turning off equipment not in use, improving production equipment and processes, and enhancing air conditioning effectiveness.

Contributing to a Low-carbon Society

To help create a sustainable society and promote de-carbonization as targeted in the Paris Agreement, the Shindengen Group will continue to deliver eco-friendly products while proactively striving to reduce greenhouse gases emitted when products are used and helping resolve issues specified by United Nations Sustainable Development Goals, a set of universal targets to be pursued via international collaboration. In addition, we agree with initiatives to alleviate and adapt to the impact of climate change being promoted by regional communities and are staunch supporters of relevant activities.

Shindengen's Hanno factory contributed a CO₂ credit equivalent of 11,482 tons on March 19, 2020 to Saitama Prefecture as part of its participation in the "Zero Carbon Saitama initiative" related to carbon offsets. Regarding these CO₂ credits, based on the "Saitama Prefecture Global Warming Countermeasure Promotion Rules" and "Saitama Prefecture Goal-Oriented Emission Trading Program", Saitama Prefecture recognizes the results of greenhouse gas emission reduction activities implemented over the last five fiscal years for which there is data (2010 to 2014) as an extra reduction amount. For the most part, we were able to utilize the results of these repeated efforts in activities carried out by regional communities.

Initiatives to preserve water resources

To address the global issue of declining water resources driven by growing populations and climate change, the Shindengen Group needs to promote sustainable water resource conservation initiatives, including water recycling.

As for water resource conservation initiatives, the Group is taking various measures adapted to the local environments and operational situations of each domestic and overseas company.

Since its founding in 2014, Shindengen India has utilized rainwater to conserve a maximum of 400 m³ annually. Rainwater that falls on the factory's roof is diverted through gutters into storage tanks. After being treated, the water is used to water plants and to flush toilets. When the factory was built, a 5-m³ rainwater storage tank was installed, and, in 2019, a 60-m³ rainwater storage tank was added.

In addition, Shindengen Philippines works to recycle water and maintains a recycling rate of at least 23%.

Steam used to heat treated water for semiconductor cleaning processes is collected as water by the heat exchanger and fed back into the boiler. Furthermore, treated factory wastewater is reused in the heat exchanger that is used to collect steam, which means that water resources are recycled twice, once in the heating process and once in the collection process.

Environment

Initiatives for biodiversity

Recognizing the relationship between biodiversity and business activities, we are providing employee education at domestic Group companies using an in-house developed original DVD and setting up nesting boxes for birds at the Hanno Factory in accordance with “Action Guidelines for Conservation of Biodiversity in the Electrical and Electronic Industry.” We have been promoting relevant activities in accordance with the eight items listed in the Aichi Biodiversity Target.

From FY2017, we are working on reducing forest loss by adopting FSC-certified paper for business cards, product catalogs, corporate profiles and IR reports.

Shindengen Philippines encourages employees and their families to participate in tree planting activities sponsored by the Carmelray Industrial Park, where its factory is located, and those sponsored by local power companies.



Participation in afforestation activities

Awards Received

Akita Shindengen receives Energy Management Excellent Operator Award

Every February, which is energy conservation month, the Tohoku Economic Bureau, Energy Conservation Center, and Tohoku Seven Prefectures Electric Power Use Committee give awards to operators whose energy conservation initiatives serve as models for those of other operators.

Akita Shindengen was awarded the Energy Management Excellent Operator Award at the recommendation of Akita Prefecture Electricity Use Committee. The company was praised for its efforts to rationalize energy use through the following activities over the three-year period from 2016 to 2018 and its remarkable results for improving productivity and promoting energy conservation.

- 1 FY2017: Reduced A heavy oil consumption by replacing refrigeration units at the Asuka factory
- 2 FY2018: Reduced electric power consumption by switching the internal lighting to LEDs at office entrances at the Oura factory
- 3 FY2018: Reduced electric power consumption by installing large compressors at the Oura factory



Lumphun Shindengen and Shindengen Thailand receive Green Industry Award

Lumphun Shindengen and Shindengen Thailand received the Green Industry Award sponsored by Thailand’s Ministry of Industry. There are five levels to the Green Industry Awards. Lumphun Shindengen was recognized as a level three Green System company for having all its employees participate in environmental activities, operating an environmental management system, the continuity of its environmental activities and the ongoing effectiveness of its activities. Shindengen Thailand was recognized as a level four Green Culture company for maintaining environmental activities in line with its environmental management system and for its social contribution activities.

The five levels of Green Industry



Lumphun Shindengen (Green System)

Accepting the Green Industry Award



Shindengen Thailand (Green Culture)



Left: Head of the Department of Industrial Works in Thailand’s Ministry of Industry
Right: Koji Kodama, President, Shindengen Thailand

Environment

LCA & Scope 3 for High-voltage DC power supply (HVDC) Systems

Objective	
Evaluation target	CO ₂ emissions (per vehicle)
Energy (electric, hydroelectric)	0.2t - CO ₂

Scope of evaluation: Shindengen Three E Co., Ltd. factories
 [1] Implement inventory analysis
 [2] Evaluate effects of CO₂ emissions

Scope 3		
	Category	CO ₂ emissions (per vehicle)
1	Purchased goods and services	0.5t - CO ₂
4	Transport and delivery (upstream)	0.3t - CO ₂
5	Waste products from operations	1.0t - CO ₂
7	Staff commuting	7.2t - CO ₂
9	Transport and delivery (downstream)	16.9t - CO ₂

Trial calculations conducted for part of 15 categories of Scope 3.
 [1] Calculations using primary data
 [2] Calculations using estimated values and secondary data

Chemical Management

The Shindengen Group is committed to appropriately managing chemicals that are used in the manufacturing process and contained within our products and has established the “promotion of chemical substance management” as part of its environmental policy.

The Chemical Substance Management Committee (consisting of Shindengen Hanno Factory employees and the domestic Group companies) regularly share with Group companies, the latest information regarding domestic and international laws and regulations related to REACH, EU RoHS Directives, the Act on Preventing Environmental Pollution of Mercury, green procurement and non-fluorocarbon equipment.

In accordance with the Act on Preventing Environmental Pollution of Mercury, the scope of legally regulated products using mercury will be expanded on January 1, 2021. With this in mind, we are systematically replacing equipment that uses mercury by introducing alternatives with no mercury content. However, we have found it difficult to replace some equipment used in manufacturing facilities. We aim to develop in-house technologies to be mercury-free within 10 years of the enactment of the law.

Please visit our website for details [\[Environment\] https://www.shindengen.com/csr/environment/](https://www.shindengen.com/csr/environment/)

Environmental Risk Management

At the Shindengen Group, we have been conducting field surveys of soil and groundwater contamination since FY1997, focusing on the sites of Group companies that previously employed trichloroethylene in the cleaning process of semiconductor manufacturing. In February 2012, the remediation of one site’s soil was completed. Environmental risks from soil pollution are continuously and appropriately managed at five more sites, including Shindengen Hanno Factory. Management status is regularly reported to the relevant administrative authorities.

PCB wastes owned by the Shindengen Group as well as wastes containing trace amounts of PCBs are stored according to the “Special Measures Law on Proper Disposal of PCB Waste.” In FY2017, the processing and disposal of high-concentration PCB waste stored in Akita Shindengen was safely completed. Moreover, Shindengen Hanno Factory completed the disposal of large condensers with high concentrations of PCB in 2018. Currently, PCB-containing waste that must be disposed of by the factory consists only of small-size equipment containing PCBs and waste with only trace amounts of PCBs.

Going forward, local and national government waste disposal facilities will be utilized.

In FY2019, the Shindengen Group received no administrative orders associated with the violation of laws, regulations or ordinances.

Environment

PRTR Report

(Unit : t)

Name of Substance	No.	CAS No.	Amount handled FY 2018	Amount handled FY 2019	Emissions				Amount transferred	
					Atmospheric	Public waterway	Soil	Landfill deposit	Sewage	Waste material
n-Alkylbenzenesulfonic acid and its salts	30	—	18.5	15.8	1.0	0.0	0.0	0.0	0.0	14.8
Antimony and its compounds	31	—	12.4	11.7	0.0	0.0	0.0	0.0	0.0	8.9
Ethylbenzene	53	100-41-4	15.0	12.5	1.2	0.0	0.0	0.0	0.0	5.6
Ethylenediamine	59	107-15-3	1.4	1.3	0.1	0.1	0.0	0.0	0.0	1.1
Xylene	80	1330-20-7	44.1	35.3	3.3	0.0	0.0	0.0	0.0	7.2
Cumene	83	98-82-8	1.8	1.1	0.1	0.0	0.0	0.0	0.0	1.0
Tetrahydromethylphthalic anhydride	265	11070-44-3	16.2	17.7	0.0	0.0	0.0	0.0	0.0	0.1
1,2,4 -Trimethylbenzene	296	95-63-6	36.1	32.3	0.3	0.0	0.0	0.0	0.0	30.0
1,3,5 -Trimethylbenzene	297	108-67-8	8.5	7.6	0.2	0.0	0.0	0.0	0.0	7.1
Naphthalene	302	91-20-3	1.1	—	—	—	—	—	—	—
Lead	304	7439-92-1	18.9	17.5	0.0	0.0	0.0	0.0	0.0	6.3
Hydrazine	333	302-01-2	2.4	2.2	0.1	0.2	0.0	0.0	0.0	1.9
Pyrocatechol	343	120-80-9	2.7	2.3	0.2	0.0	0.0	0.0	0.0	2.1
Phenol	349	108-95-2	3.6	3.3	0.3	0.0	0.0	0.0	0.0	2.5
Hydrogen fluoride and its water-soluble salts	374	—	87.5	74.5	0.2	2.4	0.0	0.0	0.0	52.7
1-Bromopropane	384	106-94-5	11.1	10.9	4.9	0.0	0.0	0.0	0.0	0.4
Boron compounds	405	—	4.8	3.9	0.0	0.0	0.0	0.0	0.0	0.0
Methylnaphthalene	438	1321-94-4	24.1	21.2	0.7	0.0	0.0	0.0	0.0	2.2
Total			310.3	271.1	12.7	2.7	0.0	0.0	0.0	143.8

* The amount handled in FY2019 is the total value of substances used by each domestic site with more than 1 ton.

* The amounts handled have been rounded off to the nearest tenth, and therefore the amount handled does not always match the sum of emissions and amount transferred.

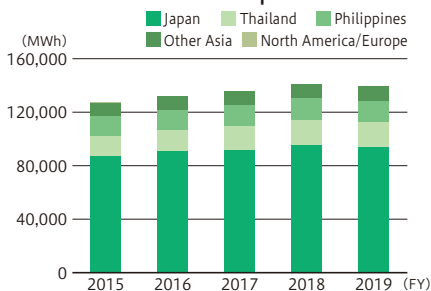
Trends in primary environmental loads associated with manufacturing activities

Energy

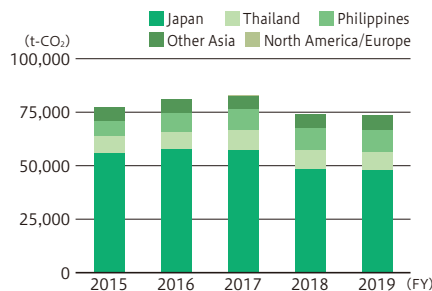
* The classification by region has been changed. From "Japan, Asia, China, North America, Europe " to "Japan, Thailand, Philippines, other Asia, North America / Europe".

* In the "CO₂ Emissions" of "Fuel Oil Consumption", the data from FY2015 to FY2018 is the CO₂ emissions associated with the use of only heavy oil. But FY2019 is the CO₂ emissions associated with the use of fuels such as light oil and gasoline in addition to heavy oil.

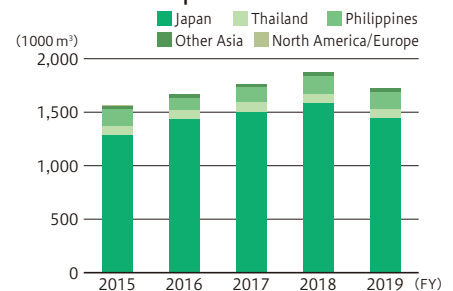
Electric Power Consumption



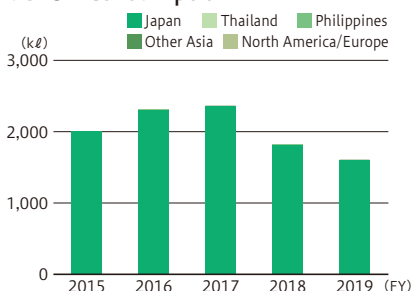
CO₂ Emissions



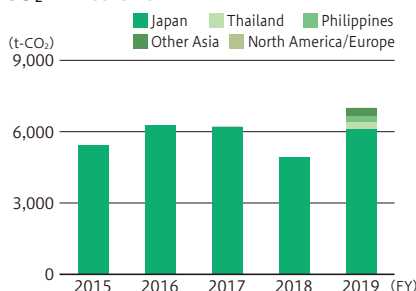
Water Consumption



Fuel Oil Consumption

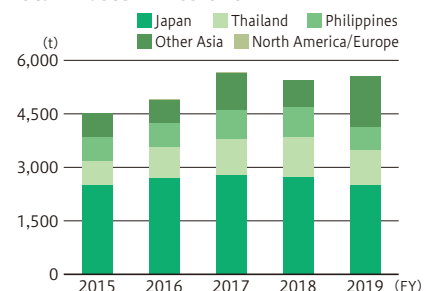


CO₂ Emissions



Waste

Total Waste Emissions



Environment

Environmental Accounting

The Shindengen Group has introduced environmental accounting to better promote effective environmental management. It identifies and discloses environmental conservation costs and benefits quantitatively (economic benefits in monetary values and environmental impacts in physical units).

The below figures are calculated or estimated according to our own standards and the Environmental Accounting Guidelines by the Ministry of the Environment, Japan.

Environmental Conservation Cost

(Unit : ¥ million)

Category	Item	FY 2018		FY 2019	
		Investment	Cost	Investment	Cost
1 Business area cost		235	275	129	426
Breakdown	Pollution prevention cost	30	131	2	174
	Global environmental conservation cost	201	30	122	101
	Recycling, disposal costs	4	114	5	151
2 Upstream/downstream cost	Cost of green procurement, and cost of analytical instruments	1	83	0	7
3 Administration cost	Environmental education fees, certification costs, and internal audit costs	0	291	0	298
4 R&D cost	Development of smart energy management system, power conditioner for solar power generation, ECU with idling function, and chargers for EV/PHEV	0	130	0	193
5 Social activity costs	Participation in local community environmental activities	0	4	0	1
6 Environmental remediation costs	Remediation of contaminated soil and groundwater	34	68	0	56
Total		271	851	129	981

Notes: Some numbers are estimates. Totals are subject to rounding differences.

Environmental Conservation Benefit

[1] Economic Benefit associated with environmental conservation activities

(Unit : ¥ million)

Item		FY 2018	FY 2019
Revenue	Revenues from sale of recycled products	223	312
Expense reduction	Energy expense savings from energy conservation (electricity, fuel oil, etc.)	28	50
	Disposal cost savings from reduced material usage or recycling	0	5
	Other expense savings from environmental improvements	2	0
Total		253	367

[2] Environmental Conservation Benefit (physical quantities)

Item	FY 2018	FY 2019
CO ₂ emissions (t-CO ₂)	78,897	80,634
Electricity consumption (GWh)	141	139
Fuel oil consumption (kℓ)	1,819	1,604
Water consumption (1000m ³)	1,869	1,721
Amount of waste (t)	832	520
Amount of material recycled (t)	4,599	5,027

Notes

*CO₂ emission factors of Japanese electric power: We use the emission factors of electric power company published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

*CO₂ emission factors of overseas electric power: We use emission factors of each country announced by the GHG Protocol (Greenhouse Gas Protocol Initiative).

Fair Business Practices



The Shindengen Group is committed to conducting business in a way that is both ethical and complies with laws and regulations as well as to be adaptable to the ever-changing social values and expectations. The “Shindengen Group Guideline for Action” establishes a set of internal ethical principles that guide the Group’s actions at each stage of the value chain, including marketing, product development, material procurement, production, and logistics.

Approach to Compliance Setting up the Compliance Committee

The Shindengen Group considers compliance with laws and regulations, such as Competition Laws and Bribery Prevention Laws, as one of its top priorities. The establishment and timely improvement of effective compliance management procedures and standards is essential. Regular compliance training, as well as keeping up to date with the latest laws and regulations ensures Shindengen can meet its compliance obligations. On October 1, 2015, the Compliance Committee was established with Shindengen’s President as the Chair, and it aims to support the establishment, implementation, and improvement of compliance management at domestic and overseas Group companies.

Committee actions include:

Revised Shindengen Group Guideline for Action

- In April 2016, we renewed the “Shindengen Group Guideline for Action” adding in terms regarding the observance of competition laws and bribery regulations. We sent this revised guideline to all employees of Shindengen Group companies under the name of the chairperson and also updated the website.
- In FY2017, overseas Group companies translated these the guideline for action into the local languages of their host countries to ensure that all are thoroughly informed and educated.

Competition Law

- In FY2016, the working team of the Compliance Committee took the initiative to establish internal rules and emergency response manuals to ensure compliance with relevant laws.
- In FY2017, the Compliance Committee Secretariat supported the establishment of compliance programs at overseas Group companies and the development of regulations, etc., for each Group company. The subject activities were almost completed.
- While implementing competition law education and training on an ongoing basis, in FY2017 the Secretariat focused on business combination and conducted in-house training for staff divisions and sales departments concerning notes on pre-notification systems, etc., to authorities.
- In FY2018, employees at sales and other departments underwent training on competition laws that focused on what led to the latest incidents associated with overseas competition laws, risks arising from involvement in cartels (fines and criminal penalties), and leniency systems as well as other relevant topics, such as matters to be noted in the course of exchanging intelligence with competitors.

Bribery Prevention Actions

- In FY2016, as with the competition law, the working team set up anti-bribery provisions and prepared operational manuals, etc.
- In FY2017, we implemented the same support as for the competition law, and the classifications, etc., of overseas group companies were upgraded. We also conducted in-house training on bribery regulation in the United States, the United Kingdom, and China for the sales department.

Initiatives for the Personal Information Protection Law

- With the enforcement of Japan’s revised Personal Information Protection Law, we created a new working team, mapped personal data, and developed regulations, etc.
- Based on the enforcement of the EU General Data Protection Rule (GDPR), the Secretariat and the European subsidiary (Shindengen UK) are working together to grasp the contents of laws, regulations, and guidelines while seeking advice from experts and have implemented practical measures, such as the data mapping of Shindengen UK. In addition, when personal data gleaned in the European Economic Area (EEA) is transferred to a Group sales subsidiary operating outside Japan, we have made it a rule to require that said subsidiary sign a contract containing Shindengen Group standard contract clauses (SCC) aimed at sufficiently safeguarding personal data as required by the GDPR.
- In January 2018, we invited experts on education and training on the Personal Information Protection Law, including the GDPR, to address board members and department managers.



In-house Training on the Personal Information Protection Law

- In FY2019, employees at sales departments underwent training for to ensure comprehension of the basic rules of the GDPR. In addition, the Compliance Committee works to share information on and provide explanations about global trends in personal data protection rules and Shindengen’s initiatives through the secretariat. Going forward, we will continue to conduct in-house training, updating manuals to prepare for data leaks, responding to regulations in various countries, and offering support as needed to Group companies.
- Shindengen’s “Privacy Policy” recognizes protection of customer privacy and personal information is of the utmost importance. This Privacy Policy was updated in July 2019.

Please visit our website for details

[Privacy Policy] <https://www.shindengen.com/privacypolicy/>

Fair Business Practices

Whistleblowing System and Internal Reporting on Corporate Compliance

To ensure the Shindengen Group operates at the highest legal and ethical standards, an internal whistle-blowing system has been established. The system aims to provide a safe communication channel for employees to report and respond appropriately to illegal and/or unethical conduct.

A whistleblower hotline has been established, with domestic Group companies using Shindengen's Internal Audit Department and an external lawyer as communication channels for reporting and counseling. Overseas subsidiaries establish their own in-house channels and use Shindengen's Internal Audit Department as a communication channel for reporting and counseling.

Compliance with the Subcontract Act

The Shindengen Group considers compliance with the Subcontract Proceeds Payment Delay Prevention Laws (Subcontract Act), a special Law under the Anti-Monopoly Laws, essential for the promotion of fair trade. Shindengen's Purchasing Department is responsible for regular education training sessions, preventive actions, and on-site compliance inspections for all Group companies.

Anti-Social Forces

The Shindengen Group is committed to fulfilling its social responsibilities by not engaging with any group or individual that endangers or harms society. Any contact with a group or individual that endangers or harms society that has been identified internally, or by a business partner is ceased immediately. Therefore, we kindly ask our stakeholders to sign the "Memorandum of the Anti-social Forces."

Risk Management

Business Continuity Plan

The Shindengen Group's Business Continuity Plan (BCP) ensures risks are managed appropriately at times of large-scale disaster. The BCP conforms to ISO 22301 (Business Continuity Management) and provides guidance in managing operational and supply chain risks, until such time as the business can restart operations as per normal.

The Business Continuity Management (BCM) Committee was established in FY2012, and is chaired by the President. This Committee has strengthened disaster response and business continuity measures under the "Disaster Prevention and Business Continuity Policy" and regularly distributes and collates risk management information from across the Group both domestically and overseas.

Annually, training and top management reviews are held to continuously improve the suitability, appropriateness, and effectiveness of the BCM system.



Business Continuity Training

Responding to COVID-19

The Company-wide BCPs prescribe responses to infectious disease scenarios, and Shindengen has taken the following measures in line with the BCPs in response to the COVID-19 pandemic to prevent the spread of the disease.

- Thoroughly practice basic disease prevention actions (take temperatures, wash hands, practice coughing etiquette, wear masks, avoid the Three Cs, etc.)
- Reduce infection risk (limit meeting participants; prohibit domestic business trips, seminars, and group meals; stagger cafeteria times; install partitions; etc.)
- Promote flex time and working from home (set up remote access environments, etc.)
- Uploading press releases on Shindengen's website (disseminate information on infection outbreaks and subsequent responses, etc.)
- Unveiling a COVID-19 response portal on the internal intranet (raise awareness of COVID-19 response table and flow chart, etc.)

Information Security

Shindengen is committed to ensuring the security of all workplace information. An information security division is tasked with both protecting the Group's information systems from external attack, and preventing external leaks from internal sources.

Information security education workshops are held annually for all employees.

Intrusion detection and prevention software helps to protect, identify, and respond to any external threats that may potentially compromise Shindengen's information systems.

Additionally, the surveillance of employee internet activities and maintenance of computer operational logs through integrated monitoring software are designed to manage the risk of an information leak from an internal source.

Fair Business Practices

Export Control and Security

To maintain international peace and security, the Shindengen Group complies with export laws, including the “Foreign Trade Control Law,” and has established a strict export control system. The Shindengen Group strives to prevent the spread and accumulation of excessive weaponry, with particular regard to weapons of mass destruction or social harm.

At Shindengen, the “Security Trade Control Committee” is tasked with ensuring export transactions meet the high ethical standards imposed by “Security Trade Control Regulations.” Additionally, even in domestic sales cases, end-users are investigated to determine whether or not the product is ultimately to be exported and if it has the potential to be used to cause social harm and/or endanger international peace.

Emergency Response and Business Continuity Plan-Statement of Principles

Emergency Response and Business Continuity Plan-Statement of Principles

The Shindengen Group Emergency Response and Business Continuity Plan is designed to promote a coordinated and effective response to a natural disaster or other unforeseen event in order to minimize the disruption to the operations of the Group as a whole.

1 Objectives

- 1 To ensure the safety of employees, customers and affiliated staff
- 2 To fulfill our delivery obligations to customers and enable the resumption of normal business operations as soon as practicable
- 3 To retain the confidence and respect of our customers and suppliers
- 4 To work together with and make a meaningful contribution to both the local community and wider society, particularly with regards to preventing secondary disasters

2 The Emergency Response and Business Continuity Plan will be reviewed both regularly and on an as-needs basis to ensure ongoing relevance and efficacy.

3 This Statement of Principles will be circulated widely both within and outside the Shindengen Group.

CSR activities in the area of procurement

Primary Challenges in Materials Procurement Based on ISO 26000 Core Themes

Core theme	Topic	Primary challenge
Human rights	Avoiding complicity	Conflict minerals The Shindengen Group is not an enterprise covered under the US Dodd-Frank Wall Street Reform and Consumer Protection Act., however from a human rights perspective, the inclusion of conflict minerals in products is investigated, and all possible efforts are made to effect their removal.
Fair business practices	Preventing corruption	Compliance Materials procurement based on 'Compliance with Laws and Regulations' as determined in the Shindengen Group Behavioral Guidelines. <ul style="list-style-type: none"> • Prevention and early discovery of illegal behavior • Preventing conflict of interest • Preventing leakage of confidential information • Prohibiting insider trading
	Fair competition	Compliance with Subcontracting Law The Shindengen procurement division, acting with overall responsibility, circulates through the Group companies periodically implementing preventative measures (e.g. hearings, education) to promote compliance. <ul style="list-style-type: none"> • Regular interviews • Education • Individual discussions Evaluation of suppliers To strengthen healthy relationships with suppliers, and to contribute to the development of these relationships, suppliers are evaluated annually on quality, prices, delivery dates, and business service, and awards presented to superior suppliers.
	Promoting social responsibility in the value chain	Exclusion of anti-social elements To ensure sufficient awareness of the importance of breaking relationships with anti-social elements, and from the viewpoints of social responsibility, compliance, and enterprise defense, the Shindengen Group promotes efforts to break these relationships. <ul style="list-style-type: none"> • Memorandum: Requests signing of a 'Memorandum on Exclusion of Anti-social Elements' with its suppliers. • Education : Implements participation in periodic compliance education in the materials division, and external lectures.

Note: See 'ISO 26000:2010' (published by Japan Standards Association) for core themes and topics.

Contents	CSR Report 2020	Message from the President	Initiatives for ESG Management	Initiatives for the SDGs	Company Outline	Global Network	Business Fields	Corporate Mission
	Guidelines for Action	Organizational Governance	Human Rights	Labor Practices	Environment	Fair Business Practices	Creating Value for Customers	Community

Fair Business Practices

Intellectual Property Protection

Intellectual Property Rights Policy

The Shindengen Group understands the importance of respecting and protecting intellectual property rights. Three principles guide our actions:

- Do not infringe upon the intellectual property rights of other companies;
- In an instance where another company's patent is required, obtain agreement from that company prior to commercialization; and
- In an instance where a patent is infringed upon accidentally and subsequently identified, terminate such infringing activities within six months.

Invention Compensation

To encourage innovation, Shindengen guarantees the invention credit rights of employees.

Under the "Rules for Handling Inventions" we have established a compensation system that pays incentives for new invention or design as prescribed under the Patent Act, Utility Model Law, and Design Law. Compensation can include application fees, registration fees, licensing fees, and any transfer of license fees. Additionally, compensation is not strictly limited to instances of registered inventions, but rather assessed on a case-by-case basis before the determination of compensation from the "internal awards regulation."

Intellectual Property Rights Education

By increasing awareness through education about intellectual property rights, the Shindengen Group aims to encourage innovation while maintaining compliance with the relevant legislation. Thorough research is conducted before any commercialization commences in order to prevent the infringement of intellectual property rights.

The Shindengen Group is also committed to protecting privileged information. Regular training is provided to employees to empower them with the knowledge as to what constitutes intellectual property rights and privileged information.

Regular brainstorming events to encourage inventions in the workplace are also held for each department.

Counterfeit Products – Zero-Tolerance

The Shindengen Group has a zero-tolerance policy for counterfeit products that infringe patents, models, designs, and trademarks.

Please visit our website for details [Beware of Counterfeit] <https://www.shindengen.com/support/beware/>

Participation in the Kawasaki Intellectual Property(IP) Exchange Program

In addition to stepping up initiatives to reduce IP-related risks, Shindengen is participating in the Kawasaki IP Exchange Program sponsored by the Innovation Promotion Office of Kawasaki City's Economic and Labor Affairs Bureau and the Kawasaki Institute of Industrial Promotion. Through participation in this program, Shindengen intends to offer open patents from its patent portfolio and thereby assist SMEs, venture startups, and research organizations in their efforts to develop new products and businesses.

In the face of rapid technological advancement, a number of businesses are shifting their IP strategies from a "competition"-focused approach aimed at monopolizing IP rights to a "co-creation"-focused approach that promotes open innovation and facilitates collaborative business creation involving major companies, SMEs, startups, and research organizations. Accordingly, Shindengen will contribute to this approach via the aforementioned program in line with its support of the United Nations' Sustainable Development Goal No. 9, which aims to "promote inclusive and sustainable industrialization and foster innovation."

Creating Value for Customers



We believe that the Shindengen Group’s “quality with real value” is the product of the outstanding efforts of each employee at every step of the supply chain, reaching all the way to customers. Our exacting management system encompasses design, manufacturing and quality control to build in quality and supply the best possible products to our customers.

■ Company-Wide Quality Policy

The Shindengen Group is focused on improving quality by employing the customer perspective in line with the following Company-Wide Quality Policy. With all employees contributing their ideas, we are taking a multifaceted approach in our creative efforts to manufacture products of high quality. To this end, we are engaged in quality improvement activities that encompass all processes, ranging from planning, design, development and manufacturing to shipment, and prioritize the customer perspective.

Company-Wide Quality Policy

“Manufacture the good-quality product and build up our customer’s credibility with our wisdom and creativity”

■ Quality Management

ISO 9001 series & IATF 16949 Certification within the Shindengen Group

ISO 9001& IATF 16949 are the international standards of quality management systems. The Shindengen Group (both domestic and overseas offices and affiliated companies) has obtained ISO 9001 series & IATF 16949 to contribute to customers’ operations by consistently providing products and services that meet their needs and expectations.

Promoting Activities for Improvement/Kaizen

Annually, “Shindengen Group Improvement Presentation” is held in June to share improvement activities undertaken across the Shindengen Group. Specific case studies are examined with a focus on building knowledge upon such successes across manufacturing processes and the Group.



Shindengen Group Improvement Presentation

Creating Value for Customers

ISO 9001 series & IATF 16949 certification status

Office Names	Applied Standards	Certifying Institution	Acquisition Date
Shindengen Electric Manufacturing Co., Ltd. Shindengen Mechatronics Co., Ltd.	ISO 9001	JAB/UKAS	August 5 2021
Shindengen (Thailand) Co., Ltd.	ISO 9001	UKAS	August 27 2022
Lumphun Shindengen Co., Ltd.	ISO 9001	UKAS	June 27 2021
Shindengen Philippines Corp.	ISO 9001	UKAS	December 6 2020
Guangzhou Shindengen Electronics Co., Ltd.	ISO 9001	DAkkS	November 7 2022
PT. Shindengen Indonesia	ISO 9001	UKAS	February 22 2020
Akita Shindengen Co., Ltd. Oura Factory	IATF 16949	IATF	July 17 2021
Akita Shindengen Co., Ltd. Asuka Factory	IATF 16949	IATF	July 17 2021
Higashine Shindengen Co.,Ltd.	IATF 16949	IATF	July 17 2021

(November, 2019)

■ Customer Consultation Desk of Power Conditioner for the Solar Power Generation System

As society places increasing focus on renewable energy, improving the customer service aspect of our power conditioners business is essential. Since September 2013, a customer consultation desk has actively worked with customers to solve problems and improve customer satisfaction.

Community participation and Development



The Shindengen Group recognizes that long-term corporate value creation is essential to its being able to contribute to solving social issues, including the climate change. With passion and purpose, contributing to the development of local communities through business and social contribution activities, we work hand-in-hand to empower the local communities in which we operate.

Moving Towards a Low-Carbon Society

Initiatives to create a low-carbon society

The Shindengen Group promotes activities to decrease its environmental footprint, such as reducing chemical substances and reducing carbon emissions in business activities. The Group also greatly contributes to the creation of a low-carbon society through eco-friendly technology.

The 90 kW high-power quick charger (with two connectors) that Shindengen sells was used in demonstration tests conducted by Kansai Electric Power Company. The tests were related to the efficient operation methods used when installing super quick chargers for electric vehicles (EVs). The Shindengen-produced quick charger SDQC2F90 series boasts the highest capacity of any charger in Japan*1 at 90 kW. One EV compatible with CHAdeMo Ver1.2 can fully charge in 60% of the time required when using a conventional 50 kW quick charger. In addition, because the unit has two connectors, two EVs can be charged simultaneously, leading to shorter charging wait times.*2

*1 As of May 2020, according to Shindengen

*2 When two EVs are charging, the power is shared evenly at 45 kW and 45 kW



High-power quick charger

Initiatives to utilize renewable energy

For the third consecutive year, Shindengen applied to purchase CO₂ reduction credits through a CO₂ emission reduction project being implemented through the Yamagata prefectural government and was as one of the seven companies selected. On February 21, 2020, the Company's president Yoshinori Suzuki attended a contract signing ceremony held at the Yamagata prefectural government building.

Shindengen supports Yamagata Prefecture's efforts to reduce CO₂, this time purchasing credits for 250 t-CO₂, which was effectively used to offset CO₂ emissions related to the Company's businesses.



Contract signing ceremony
(right: Mieko Yoshimura, Governor of Yamagata Prefecture)

Community participation and Development

Engaging Local Communities

Community activities

The Shindengen Group is conducting activities aimed at ensuring harmonious coexistence with local communities with the aim of maintaining their trust.

Participating in the FUN RUN (Shindengen Philippines)

Every year, Shindengen Philippines sponsors the “FUN RUN,” a marathon race in which a number of employees, their families and friends as well as people from surrounding communities participate. This event raises money by soliciting donations in amounts based on each participant’s running distance. Shindengen Philippines used the funds raised via the 2019 race to purchase such electronics and teaching aids as TVs, PCs, and projectors that it donated to schools in the neighboring area.



Teaching aids and electronics donated by Shindengen Philippines

Cleaning and painting playground equipment at elementary schools (Shindengen Thailand)

Shindengen Thailand employees visited local elementary schools to clean and paint playground equipment to prevent it from deteriorating and ensure the students can safely and gleefully play on it. In addition, the company provides material support to elementary schools.



Shindengen Thailand employees cleaning and painting elementary school playground equipment

Hometown tax donation (Shindengen)

Shindengen supports regional revitalization initiatives through sports. The Company donated to the Kumagaya Sports & Culture Park-Rugby Holy Ground Project, which is one of the projects recognized by Saitama Prefecture in its corporate hometown tax donation for tax credits scheme. In this way, we helped with the renovation work on the Kumagaya Sports & Culture Park, which was one of the locations used for the Rugby World Cup 2019.



Hometown tax donation appreciation certificate ceremony (middle: Kiyoshi Ueda, former Governor of Saitama Prefecture)

Community participation and Development

Engaging with Communities (Shindengen Vietnam)

Shindengen Vietnam cosponsored a summer festival as a cultural activity hosted by Thang Long Industrial Park II with the aim of invigorating the community where its base is located. The company had a stall at the summer festival, facilitating deeper engagement with neighboring residents and contributing to the lively atmosphere.



Shindengen Vietnam's summer festival



Safety prayer ritual at a business site (Shindengen)

After careful consideration, Shindengen decided to build a new business site and to this end concluded a periodic land lease with the city of Asaka in Saitama Prefecture. On September 17, 2019, we performed a safety prayer ritual for the construction of the new business site on the land where it is to be built. The event was held on a crisp day under a clear blue sky and attended by around 35 people, including the mayor of Asaka and other city officials, architects, and construction workers, who all prayed for the safe construction of the site. The new site is intended to enhance productivity and ensure the continuity of business by consolidating the main functions of the divisions and departments of the Hanno factory and some of the functions of the Ohtemachi Head Office under one roof. Construction is proceeding apace and is slated to wrap up in February 2021.



The safety prayer ritual

Neighborhood cleanup activities (Higashine Shindengen Co., Ltd.; Shindengen Three E Co., Ltd.)

Higashine Shindengen conducted beautification activities in the area around its factory to show its gratitude to the community ahead of the Higashine Sakuranbo Marathon. Recognizing its responsibility as a corporate citizen, Shindengen Three E conducts cleanup activities twice a year in the area around its bases as part of its local environmental activities.



Higashine Shindengen's beautification activity



Shindengen Three E's cleanup activity

Community participation and Development

Supporting COVID-19 countermeasures (Lumphun Shindengen)

At the request of the Federation of Thai Industries and the secretariat of the industrial park, Lumphun Shindengen and several other companies in the industrial park purchased healthcare materials and donated them to Lamphun Province's health department to support the healthcare professionals providing treatment for COVID-19 and people working hard to prevent the spread of infections. In addition, donations voluntarily made by Lumphun Shindengen employees were used to purchase healthcare materials and donate them to the local Lamphun Hospital.



Healthcare materials voluntarily donated by Lumphun Shindengen employees

Supporting areas affected by natural disasters (Shindengen Thailand)

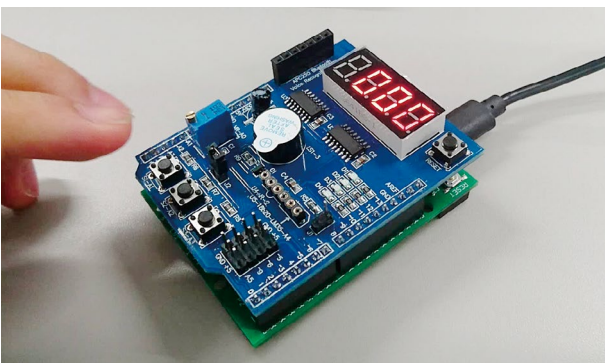
Shindengen Thailand provided material support to areas in Laos stricken by floods from August to September 2019 that gravely impacted the regions' infrastructure and other social foundations.



Materials support provided by Shindengen Thailand

Giving factory tours to students

Every year, the Shindengen Group factories proactively invite students to tour their facilities in order to give them a glimpse of what is it like to work for a manufacturer. At the request of Kumamoto Prefectural College of Technology, Shindengen Kumamoto Technoresearch accepted interns, providing them two weeks of work experience and instilling in them an understanding of work and its worth. Okabe Shindengen gave a factory tour to 30 students from the Saitama Institute of Technology with the aim of raising awareness of job opportunities as a one of Saitama Prefecture's Sainokuni Factories. In addition, the company provided factory tours to students from two high schools in Saitama Prefecture. At the request of Akita Regional Promotion Bureau, Akita Shindengen provided social experience studies to high school students, teaching them about manufacturing through product explanations and factory tours. Higashine Shindengen cosponsored workplace learning experiences for students at schools for the disabled as part of activities aimed at promoting community harmony. Shindengen Thailand accepted five interns from universities in Thailand and provided hands-on workplace training. Receiving requests for factory tours as part of social education for local high schools, Shindengen Indonesia arranged tours for high school students.



The LED program created by students from Kumamoto Prefectural College of Technology (Shindengen Kumamoto Technoresearch)



Everyone from the Saitama Institute of Technology (Okabe Shindengen)

Third-Party Written Opinion



Naoko Hase

Manager, the Center for the Strategy of Emergence
ESG Research Center, the Japan Research Institute, Ltd.

I hereby submit a third-party opinion with regard to the Shindengen Group's CSR activities and its information disclosure practices. This opinion letter is prepared based on my findings from the Shindengen Group CSR Report 2020.

After reading this year's report, I got the impression that the Company is steadily working to create a positive impact on society through its businesses. I'd like to go over three main points.

The first point is that Shindengen is working harder than ever to integrate corporate social responsibility (CSR) and environmental, social and governance (ESG) initiatives into its corporate management. In the President's Message at the beginning of the report, he states that the Group is advancing product strategy for sustainable growth under the 15th Medium Term Business Plan and that the Group will continue contributing to the SDGs through the promotion of ESG management and its business activities. I give credit to Shindengen for promoting CSR and ESG initiatives across the Company as a material issue for management, such as by revamping the organization of the CSR promotion framework and establishing the new CSR Promotion Office as an organization under the direct supervision of the president.

The second point I want to touch on is the progress that has been made on initiatives aimed at contributing to the SDGs. The Shindengen Group's corporate mission is "Maximizing energy conversion efficiency for the benefit of humanity and society." In line with this mission, the Group decided that it should focus on SDG target 7.3 (By 2030, double the global rate of improvement in energy efficiency). Moreover, this is a target that Shindengen can contribute to through the provision of its products, so we can expect the Company to have a large impact on Target 7 (Ensure access to affordable, reliable, sustainable and modern energy for all) through its operations. Shindengen's devices that help reduce electric power consumption contribute to the improvement of energy efficiency. The Company also provides quick chargers for electric vehicles. Thus, Shindengen's products are contributing to the realization of a decarbonized society. The Company's inverters for portable generators, which can provide energy during crises, help enhance resilience to natural disasters and therefore contribute to SDG 13 (Take urgent action to combat climate change and its impacts). In addition, beyond the fields of the environment and energy, a Shindengen affiliate is helping to circumvent severe complications of COVID-19 by boosting the supply of solenoids for ventilators. Going forward, I think the proposition that Shindengen's products support the realization of a sustainable society will become more persuasive as it becomes clearer that every one of its products has a quantifiably positive impact on the environment and society and the Company continues to promote this.

The third point is that the Company is making steady progress on initiatives aimed at enhancing product quality, long an area of focus, and on establishing an environment where it is easy to work. Regarding the work environment, Shindengen has improved the percentage of paid leave taken every year, and there has been an increase in the number of people taking nursing care leave and the number of men taking childcare leave. The Company is also promoting telecommuting that takes advantage of the latest technologies. To raise awareness of these efforts among employees and increase the number of users, I think it would be effective to clearly document its policies on realizing various work styles and promote these policies internally and externally.

Finally, as I pointed out in the previous report, there is a growing trend toward setting targets for reducing CO₂ emissions accompanying business activities over the medium to long term based on the Paris Agreement, an international framework for global warming countermeasures. Going forward, I look forward to Shindengen considering CO₂ reduction targets for the medium and long term, specifically 2030 and 2050.

 Contents	CSR Report 2020	Message from the President	Initiatives for ESG Management	Initiatives for the SDGs	Company Outline	Global Network	Business Fields	Corporate Mission
	Guidelines for Action	Organizational Governance	Human Rights	Labor Practices	Environment	Fair Business Practices	Creating Value for Customers	Community

Commentary on the Third-Party Written Opinion

We thank Naoko Hase, and ESG Analyst from the Japan Research Institute, Ltd., for her valuable comments on, and suggestions for, our Group's CSR activities.

The Group outlined its ESG initiatives in its Medium Term Business Plan. To carry out these initiatives, we unveiled our SDG Material Issues in line with our corporate mission. The Group is working to contribute to the international initiatives of the Paris Agreement and the SDGs by addressing the issues identified.

Regarding the social and environmental issues we are facing, such as CO₂ emission reduction and workstyle reforms aimed at enhancing productivity, we aim to promote additional measures, maintain the trust of all stakeholders, and contribute to sustainable growth with society.

CSR Promotion Office (CSR committee secretariat)
Shindengen Electric Manufacturing Co., Ltd.

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