

July 1, 2022

SUNCORPORATION

Representative Director and President, Ryusuke Utsumi

Contact : 052-756-5981

Security Code : 6736

<https://www.sun-denshi.co.jp/>

The status of SUNCORPORATION's ("the Company") corporate governance is as follows.

I Basic Policy on Corporate Governance and Other Basic Information Including Capital Structure, Corporate Attributes

1 Basic Policy

We believe it is important to enhance corporate governance in order to meet the wide range of trust and expectations of our shareholders, customers, and all segments of society.

To do so, we are implementing various measures based on the following basic ideas.

- (1) Ensure soundness and transparency of management
- (2) Compliance with laws and regulations
- (3) Clarification of the decision-making process
- (4) Appropriate business execution
- (5) Timely and appropriate information disclosure
- (6) Group-wide risk management

[Reasons for not implementing the following principles of the Corporate Governance Code]

The information below is based on the revised Code of June 2021.

Supplemental Principle 1-2 ④

Although the Company has translated the convocation notice of the General Meeting of Shareholders into English, it has not introduced a system to enable electronic exercise of voting rights.

The Company is aware of the need to create an environment to enable the electronic exercise of voting rights, taking into account the situation of institutional investors and overseas investors, and will continue to study the issue in response to changes in the composition of shareholders and other circumstances.

Supplemental Principle 2-4 ①

The Company recognizes that ensuring the diversity of its human resources will lead to the enhancement of its corporate value over the medium and long term, and appoints employees to management positions based on a comprehensive assessment of their skills and experience, regardless of gender, nationality, or whether they were hired mid-career. However, we have yet to set measurable numerical targets for securing diversity in our core human resources.

In addition, we have not yet been able to disclose our human resource development policy and internal environment improvement policy and their implementation status. We will work on these issues in the future.

Supplemental Principle 2-5 ①

The Company has designated the department in charge of internal audit as the point of contact for internal reporting and has established rules to prohibit confidentiality and disadvantageous treatment of those who provide information through the internal reporting system operation rules. In the future, we will consider establishing a contact system independent of management.

Supplemental Principle 3-1 ③, 4-2 ②

The Company recognizes that the 21st century is the "Environmental Century" and has established "Environmental Management Regulations" to promote business growth and reduce the burden on the global environment. (<https://www.sun-denshi.co.jp/csr/>)

However, the Board of Directors has not yet formulated a basic policy on sustainability, which is currently under consideration.

In addition, the Company is considering how to appropriately disclose and provide information on investments in human assets and intellectual property, and will proactively disclose such information when it formulates new management plans.

Principle 4-11

The Company appoints as Directors those individuals who are considered most suitable to serve as Directors of the Company, regardless of nationality, race, gender, age, or other factors. At present, all of the Company's directors are male and no female directors have been appointed. However, if there are suitable candidates, the Company will consider nominating them as candidates for directors.

In terms of internationality, we have appointed several foreign directors, and we believe that the current Board of Directors can appropriately manage the Company. As for the Directors who are members of the Audit Committee, one certified public accountant and one attorney-at-law have been appointed as External Directors as they have considerable knowledge of finance, accounting or legal affairs.

Supplemental Principle 4-11 ①

As an industrial company with multiple businesses, the Company recognizes the importance of appointing a well-balanced group of directors with expertise in each business, corporate management, financial accounting, legal and risk management, and global skills in order to balance important decision-making and supervision of business execution.

In the future, we will promote the selection and concentration of businesses, establish specific decision criteria and policies according to the Company's business characteristics and management environment in order to consider M&As and business structure reforms for new businesses, and build a system that is more conscious of the balance of knowledge, experience and ability, diversity and scale of the Board of Directors as a whole. In addition, the Company will consider disclosing the skill matrix of directors as early as possible.

The policies and procedures for the election of directors are as described in Principle 3-1(iv).

Supplemental Principle 4-11 ③

The Company will continue to examine the effectiveness of the Board of Directors, including evaluation methods, from the perspective of improving the functioning of the Board of Directors.

【 Disclosure based on the principles of the Corporate Governance Code 】

The following is based on the revised code of June 2021

Principle 1-4

The Company may hold shares of listed companies as policy holdings if such holding will contribute to the enhancement of corporate value over the medium to long term through the maintenance and strengthening of stable business relationships with the companies in which the Company holds such shares.

Each year, the Board of Directors examines the rationality of the purpose of holding each stock and the related income and benefits of holding the stock, and decides whether or not to hold the stock in comparison with the case where the stock is not held.

This year, as a result of the verification, we have confirmed that all of the shares currently held for policy purposes are held in accordance with the holding policy.

In addition, when exercising voting rights for shares held for policy purposes, we will make a comprehensive judgment as to whether the exercise of voting rights for shares held for policy purposes will not damage the corporate value of the Company and whether it will lead to the enhancement of the value of the company in which the shares are held.

When there is a possibility of damage to shareholder value, such as the occurrence of illegal activities, or when there are serious concerns about corporate governance, we will vote against.

Principle 1-7

When conducting transactions with related parties such as directors and major shareholders, the Company shall explain the rationality of the transaction and the terms and conditions of the transaction in advance to the Board of Directors from the perspective of preventing conflicts of interest with the Company and ensuring the fairness and impartiality of the transaction, in accordance with laws and regulations and internal rules. In the event that such transactions are implemented, the details of the transactions are reported to the Board of Directors.

The Company confirms whether or not there are any transactions between the Company and related parties by conducting a written survey of the Company's directors every year.

Principle 2-6

The Company does not have a defined-benefit corporate pension plan, but as part of its welfare program, the Company has established a defined-contribution pension plan that allows employees to select their own investments. In cooperation with the administrative management organization, we use videos and other means to inform employees of the system and encourage them to use it.

In addition, the division in charge of the pension plan is the human resources division, which appoints employees with basic knowledge of public and private pension plans in general, including defined contribution pension plans. In addition to the above, the Company also provides investment education to its subscribers.

Principle 3-1

(i) Based on the following "Slogans" "Corporate Philosophy" and "Basic Strategies", the Company strives to plan, develop and continue to provide high value-added products and services with superior product appeal and quality.

Slogans: "Dreams, Challenges, Creations"

Corporate philosophy: Improving the quality of people's lives through "Information & Communication Technology and Entertainment"

Management policy: "Having a Challenge-Seeking Spirit"

- ① Focusing on information and communication technology and entertainment
- ② Improving corporate value
- ③ Actively taking action with a venturing spirit

The Company's basic strategy, medium-term vision, and other financial explanatory materials are available on the Company's website. <https://www.sun-denshi.co.jp/>

(ii) Please refer to "I 1. Basic Policy" in this report.

(iii) The amount of remuneration, etc. of directors (excluding directors who are members of

the Audit Committee) shall be determined by the Board of Directors within the maximum amount of remuneration approved by a resolution of the General Meeting of Shareholders (hereinafter referred to as the "Remuneration Policy"), and the Nomination and Remuneration Committee will determine remuneration in accordance with the Remuneration Policy. The amount of remuneration for Directors who are members of the Audit Committee shall be determined by the Audit Committee within the maximum amount of remuneration approved by a resolution of the General Meeting of Shareholders.

The Company shall design the remuneration of directors to function effectively as a medium- to long-term incentive for the continuous growth of corporate performance and sustainable enhancement of corporate value while promoting value sharing with shareholders, to enable the recruitment and retention of excellent human resources to realize these goals, and to ensure that the level of remuneration is appropriate for the roles and responsibilities required of each director, which are our basic policies.

Specifically, the basic remuneration shall consist of base salary and post-delivery stock-based compensation, and the post-delivery stock-based compensation shall consist of restricted stock units ("RSUs"), which are not subject to performance conditions, and performance share units, which are subject to performance conditions. However, PSUs shall not be granted to outside directors.

The monetary compensation for Directors shall be a fixed monthly amount, and the specific amount to be paid to each Director shall be drafted by the Representative Director based on the roles and responsibilities of each Director and determined by the Compensation Advisory Committee, whose main members are independent Outside Directors, and for Directors who are Audit Committee members, it shall be determined by the Audit Committee.

The Company has introduced a post-delivery stock compensation plan as non-monetary compensation for directors. The post-delivery type stock-based compensation is a system under which shares of the Company's common stock are delivered in a predetermined number or in a predetermined calculation method after a certain period of time has elapsed after the grant of rights, provided that certain conditions are fulfilled. There are two types of Units: RSUs that are not subject to performance conditions and PSUs that are subject to performance conditions.

(iv) The Representative Director prepares drafts for the appointment of executive directors (members of the Audit Committee and directors who are not outside directors) based on the results of mutual evaluations of executive directors, taking into consideration the balance of knowledge, experience, and ability. Based on the opinions of the Nomination Advisory Committee, the Board of Directors shall decide on the agenda for the election of Directors by resolution.

With the consent of the Audit Committee, the Company selects Directors who are Audit Committee members and who have sufficient expertise, experience, and insight to conduct appropriate audits and supervision.

With respect to outside directors, in accordance with the requirements of the Companies Act and the independence standards stipulated by the Tokyo Stock Exchange, the Company selects as independent outside directors those who do not present a risk of conflicts of interest with general shareholders.

In the event of any violation of laws, regulations, or the Articles of Association by any member of the management team, including the Representative Director, or in the event that the criteria for selection are not met or it is deemed difficult for such a member to perform his/her duties, the Nomination Advisory Committee will deliberate on the matter and, based on its opinion, the Board of Directors will determine a proposal to be submitted to the General Shareholders Meeting to dismiss such director.

(v) With respect to the individual election and dismissal and nomination of candidates for Directors, a brief personal history of each individual and the reasons for their appointment are provided in the "reference materials for the General Meeting of Shareholders" in the "notice of the General Meeting of Shareholders".

https://www.sun-denshi.co.jp/ir_info/notes/2022/51thNoticeGeneralMeetingShareholders.pdf

Supplementary Principle 4-1 ①

The Company has established the separation of management decision-making and business execution by establishing the Board of Directors as the decision-making and supervisory

body of management, and the Executive Committee as the business execution system based on the decisions made by the Board of Directors, as well as executive officers and meeting bodies for each business field.

In addition, the scope of delegation to management is clearly defined in the Board of Directors Regulations and the Table of Duties and Authorities, which sets out the decision-making bodies, such as the Board of Directors, executive officers and executives, as well as the authority of decision-makers in relation to decisions, deliberations and approvals.

Principle 4-9

The Company has not established any standards or policies regarding the independence of the selection of independent outside directors. However, in making the selection, the Company takes into account the independence standards established by the Tokyo Stock Exchange and selects as independent outside directors those who are judged to have no risk of conflict of interest with general shareholders.

Supplemental Principle 4-11 ②

The status of important concurrent positions held by the Company's directors is disclosed annually through the notice of convocation of the General Meeting of Shareholders and the Annual Securities Report. The four external directors of the Company do not concurrently hold positions at other listed companies outside the Group, and are able to concentrate on their duties as directors of the Company.

Supplementary Principle 4-14 ②

Upon assuming office, the Company provides and mediates various training opportunities for Directors to acquire and appropriately update the knowledge necessary to properly assign and deepen their understanding of their roles and responsibilities. In addition, even after assuming office, the Company provides opportunities necessary for Directors to fulfill their roles, such as providing knowledge and information necessary for supervising management, and the Company bears these costs.

Principle 5-1

In order to promote constructive dialogue with shareholders, the Company has established the following systems and measures for dialogue with shareholders.

- (i) The Company has appointed a director in charge of IR from among its directors.
- (ii) The director in charge of IR organically collaborates with other departments related to IR activities, such as corporate planning, human resources and general affairs, accounting, and legal departments, by holding meetings as needed, and shares information with other departments related to IR activities.
- (iii) The department in charge of IR receives telephone interviews and other IR interviews from shareholders and investors.
- (iv) The opinions of shareholders and investors obtained through IR activities are appropriately and effectively fed back to the Management Committee and the Board of Directors.
- (v) In dialogue with shareholders and investors, we pay attention to the management of insider information in accordance with the insider trading rules.

2. Capital Structure

Foreign shareholding ratio	30% or more
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Major Shareholders

Name or Company name	Number of shares held (shares)	Percentage (%)
Tokai Engineering Co.Ltd.	4,267,600	17.78
INTERACTIVE BROKERS LLC	1,041,000	4.33
Fujishoji Co., Ltd.	940,000	3.91
NOMURA CUSTODY NOMINEES LIMITED OMNIBUS-FULLY PAID (CASHPB)	834,467	3.47
GOLDMAN SACHS INTERNATIONAL	800,483	3.33
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	748,710	3.12
Michie Utsumi	680,000	2.83
Yasue Watanabe	680,000	2.83
OASIS INVESTMENTS II MASTER FUND LTD.	678,220	2.82
CEPLUX- THE INDEPENDENT UCITS PLATFORM 2	567,300	2.36

Name of controlling shareholder	—
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Parent company	None
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3. Company Attributes

Listed Stock Market and Market Section	Tokyo Standard
Fiscal Year-end	March
Type of Business	Electronic equipment
Number of employees (consolidated) as of the end of the previous fiscal year	More than 1000
Sales (Consolidated) in the previous fiscal year	Between ¥10 billion and ¥100 billion
Number of consolidated subsidiaries as of the end of the previous fiscal year	Between 10 and 50 companies

4. Guidelines on measures to protect minority shareholders in transactions with controlling shareholders

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5. Other special circumstances that may have a significant impact on corporate governance

None

II. Status of the management control organization and other corporate governance systems for management decision-making, execution and supervision

1. Matters related to the composition and management of the organisation

Form of organization	Company with Audit Committee
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Directors

Number of directors under the articles of association	12
Term of office of directors under the articles of association	1 year
Chairman of the Board of Directors	President
Number of directors	9
Appointment of outside directors	existent
Number of outside directors	4
Number of outside directors designated as independent directors	3

Relationships with the company (1)

Full name	Category	Relationship with the company (*1)												
		a	b	c	d	e	f	g	h	i	j	k		
Akira Iwata	Scholar													
Yaniv Vardi	from another company													
Tomoyuki Shinkai	Certified Public Accountant													
Takashi Matsui	Lawyer													

*Items regarding the relationship with the company

*If the person corresponds to each item in the "present and recent", "○"; if the person corresponds to each item in the "past", "△".

*If a close relative is applicable to each item in the "present and recent" period, the item is marked with "●"; if the item is applicable to the "past" period, the item is marked with "▲".

a. Business executors of listed companies or their subsidiaries

b. Executive or non-executive directors of the parent company of the listed company

c. Executives of sibling companies of listed companies

d. A person who has a listed company as a major business partner or an executive of such a person

e. Major business partners of the listed company or their business executors

f. Consultants, accounting experts, and legal experts who receive a large amount of money or other property from listed companies other than remuneration for their services as directors.

g. Major shareholders of the listed company (if the major shareholder is a corporation, the executive person of the corporation)

h. Business executors (in person only) of listed companies' business partners (not falling under any of d, e and f)

i. Executives of parties with whom the external director has a relationship of mutual appointment (in person only)

j. Executives of companies to which listed companies have made donations (in person only)

k. Others

Relationships with the company (2)

Full name	Audit Committee members and other committee members	Independence Board members	Supplementary information on applicable items	Reasons for appointment
Akira Iwata		○	—.	<p>Mr. Iwata has a high level of technical expertise in the fields of artificial intelligence (AI), neural networks, deep learning and information security, as well as a wealth of consulting experience in the planning, development and manufacture of IOT sensor systems. He provides objective and expert advice and recommendations on the Company's management from an independent standpoint as an outside director of the Company, and is expected to contribute to the growth and development of the Group.</p> <p>In addition, he has no special interest in the Company, does not fall under any of the independence criteria set out by the Tokyo Stock Exchange (Guideline III 5.(3)-2 for listing management, etc.), and has been designated as an independent director because there is no risk of a conflict of interest with general shareholders.</p>
Yaniv Vardi			—.	<p>Mr. Vardi is expected to contribute to the growth and development of the Group by providing objective and expert advice and recommendations on the Company's management from an independent standpoint as an outside director. As such, he is judged to be suitable for the position of Outside Director and has been elected.</p>
Tomoyuki Shinkai	○	○	—.	<p>Mr. Shinkai has a wealth of expertise and experience</p>

				<p>as a certified public accountant, and is expected to strengthen the functions of the Board of Directors, and therefore judged suited for the appointment as an outside director.</p> <p>In addition, he has no special interest in the Company, does not fall under any of the independence criteria set out by the Tokyo Stock Exchange (Guideline III 5.(3)-2 for listing management, etc.), and has been designated as an independent director, as there is no risk of conflict of interest with general shareholders.</p>
Takashi Matsui	○	○	—	<p>Mr. Matsui has a wealth of expertise and experience as a lawyer, and is expected to strengthen the functions of the Board of Directors, and therefore judged suited for the appointment as an outside director.</p> <p>In addition, he has no special interest in the Company, does not fall under any of the independence criteria set forth by the Tokyo Stock Exchange (Guideline III 5.(3)-2 for listing management, etc.), and has been designated as an independent director because he is judged to have no risk of conflict of interest with general shareholders.</p>

The Audit and Supervisory Committee
Composition of the committee and attributes of the chairman

	All committee members (Name)	Full-time members (Name)	Internal directors (Name)	Outside directors (Name)	Chairman of the committee (Chairman)
Audit and Supervisory Committee	3	1	1	2	Internal directors

Directors and employees to assist the Audit Committee in its duties	existent
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Matters concerning the independence of the directors and employees concerned from the executive directors

As described in "IV. 1. Basic policy on the internal control system and the status of its development", employees of the department in charge of internal audit assist the Audit Committee in its duties.

Decisions on matters relating to the personnel rights of employees in the Internal Audit Department require the prior consent of the Audit Committee, thereby maintaining independence from the executive directors.

Cooperation between the Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Department

The Internal Audit Department also carries out audits at the direction of the Audit Committee. In addition, at the request of the Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Department hold liaison meetings and cooperate with each other by reporting and explaining.

Voluntary committees

Whether there is a voluntary committee equivalent to a nomination committee or a remuneration committee	Yes
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Status of voluntary committees, composition of members and attributes of the chairman (chairperson)

	Name of the committee	All committee members (total)	Full-time committee members (total)	Internal directors (total)	Outside directors (total)	External experts (total)	Others	Chairman of the committee (Chairman)
Committees equivalent to the nomination committee	Nomination Advisory Committee	3	1	1	2	0	0	Internal directors
A voluntary committee equivalent to the Remuneration Committee	Remuneration Committee	3	1	1	2	2	0	Internal directors

Supplementary information

The Company has a voluntary Nomination and Compensation Committee, the majority of whose members are independent outside directors. The Nomination and Compensation Committee nominates candidates for directors, ensures transparency and fairness in the process of selecting representative directors and executive officers, and ensures that outside directors, who are members of the Audit Committee, have sufficient information to form their opinions on director nominations and other matters, and a forum for discussion. In addition, the Company determines the remuneration of Directors (excluding Directors who are members of the Audit

Committee) in accordance with the policy on remuneration, etc. for such Directors. Remuneration for Directors who are members of the Audit Committee is determined by the Audit Committee.

Relationship with independent directors

Number of independent directors	3
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Other matters relating to independent directors

The Company has designated all outside directors who meet the qualifications for independent directors as independent directors and has notified the Tokyo Stock Exchange of this designation.

Incentive-related

Status of implementation of measures to provide incentives to directors	Introduction of a performance-linked compensation system and a stock option scheme
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Supplementary information on relevant items

Stock option plans are determined based on comprehensive consideration of the Company's business environment, stock price, and other factors at the time of granting. The level of each payment is also determined based on comprehensive consideration of each director's position, business performance, and contribution to the improvement of the Company's business performance.

The Company has introduced a post-delivery stock compensation plan as a performance-linked compensation system (excluding directors who are members of the Audit and Supervisory Committee). Details are stated in the "Reference Materials for the General Meeting of Shareholders" in the "Notice of Convocation of the General Meeting of Shareholders".

https://www.sun-denshi.co.jp/ir_info/notes/2022/51thNoticeGeneralMeetingShareholders.pdf

Persons to whom stock options have been granted	Internal directors, external directors, employees and Directors of subsidiaries, employees of subsidiaries
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Supplementary information on relevant items

We believe that the growth of a company can be achieved not only through the work of a few senior executives, but also through the work of the entire Group's workforce, which is why not only senior executives but also the entire Group's workforce are eligible for grants.

Directors' remuneration

Status of disclosure (of individual directors' remuneration)	Individual remuneration is not disclosed.
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Supplementary information on relevant items

The total amount of remuneration paid to directors for the fiscal year ended on March 31, 2022 was as follows.

Directors (excluding those who are members of the Audit and Supervisory Committee) (excluding outside directors): 4 Directors: 120,654 thousand yen

Directors (Audit & Supervisory Committee Members) (excluding Outside Directors) 1 director, 13,900 thousand yen

Outside Directors: 4 directors, 28,100 thousand yen

The total amount of remuneration for Directors is also stated in the Business Report and Annual Securities Report, which are available on the Company's website.

Notice of convocation:

https://www.sun-denshi.co.jp/ir_info/notes/2022/51thNoticeGeneralMeetingShareholders.pdf

Annual Securities Report : https://ssl4.eir-parts.net/doc/6736/yo_ho_pdf/S100OI10/00.pdf

Whether there is a policy for determining the amount of remuneration or its calculation method	Yes
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Details of the disclosure of the policies for determining the amount of remuneration or its calculation method

① Matters related to the policy on the amount of remuneration for officers or the method of calculation of such remuneration.

(i) Matters related to the determination of the amount of remuneration of officers or the method of calculation of such remuneration.

SUNCORPORATION is a company with an Audit Committee, and the policy on remuneration of directors (excluding directors who are members of the Audit Committee) ("Remuneration Policy") is determined by the Board of Directors.

The remuneration policy as at the date of submission was decided by a resolution of the Board of Directors under the Group's medium-term management plan 2022-2024, excluding Cellebrite.

A. Basic policy

The remuneration of the Company's Directors shall be designed to function effectively as a medium- to long-term incentive for the continuous growth of corporate performance and sustainable enhancement of corporate value while promoting value sharing with shareholders, to enable the recruitment and retention of excellent human resources to realise these objectives, and to be at an appropriate level commensurate with the roles and responsibilities required of each Director, which are the basic policies.

Specifically, remuneration shall consist of base remuneration and post-delivery share-based remuneration. The post-delivery share-based remuneration consists of Restricted Share Units ('RSUs') without performance conditions and Performance Share Units ('PSUs') with performance conditions. However, PSUs shall not be granted to outside directors.

B. Policy on determining the amount of basic remuneration.

The basic remuneration of the Company's directors shall be a monthly fixed remuneration (monetary remuneration), which shall be determined based on the roles and responsibilities of each director.

C. Policy on determining the content and amount or number of non-monetary remuneration or the method of calculation of such remuneration.

Post-delivery share-based remuneration, which is non-monetary remuneration, is granted with the aim of raising awareness of the Group's performance and corporate value over the medium to long term while sharing value with shareholders.

Subsequent Delivery Share Units (RSUs) are a system under which, after a certain period of time has elapsed after the grant of rights, shares of the Company's common stock are delivered in a predetermined number or in a predetermined calculation method, subject to the fulfilment of certain conditions. It consists of two types: RSUs, which are not subject to performance conditions, and PSUs, which are subject to performance conditions.

i) Overview.

RSUs are non-pecuniary remuneration for all directors, subject to the condition that they continuously hold a certain position as a director of the Company or as determined by a resolution of the Board of Directors of the Company from the date of grant until the expiry of the vesting period. The RSUs are non-pecuniary remuneration in the form of a base number of shares of the Company's common stock determined at the date of the grant of the rights after the expiry of the relevant period.

The vesting period is one year from the grant date for one third of the RSUs granted, two

years from the grant date for one third and three years from the grant date for one third. PSUs shall be granted to Directors who are engaged in the execution of business operations, on condition, among others, that they continuously hold the position of Director of the Company or a position determined by a resolution of the Board of Directors of the Company from the date of grant until the end of the period covered by the medium-term management plan (three consecutive fiscal years) that includes the date of grant. The PSUs are non-monetary remuneration in the form of a number of shares of the Company's common stock obtained by multiplying the base amount of shares determined on the date of grant by a coefficient determined in accordance with the degree of achievement of the performance targets set in the relevant medium-term management plan, at a reasonable time after the relevant performance is determined.

ii) Method of delivery of shares.

Regarding the delivery of the shares, the Company shall provide monetary compensation credits equivalent to the amount of such shares and shall deliver all of such monetary compensation credits by way of contribution in kind, thereby allocating a number of Company shares calculated based on the number of Units granted by the Company in advance. However, the delivery of the Company's shares may be replaced in whole or in part by the payment of money equivalent to the value of the shares concerned.

The amount to be paid for the Company's shares shall be determined by the Company's Board of Directors on the basis of the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day preceding the date of the meeting of the Board of Directors concerning the issue or disposal of such shares (or, if no trading is effected on that date, the closing price on the immediately preceding trading day) to the extent that such amount is not favourable to the Directors who subscribe for such Company shares.

iii) Method of calculating the number of shares to be delivered

RSUs are calculated based on the following formula to determine the number of units to be granted to each director, with one unit being one share (or one share per unit if the Company carries out a share split or consolidation after granting the units).

Number of units granted = base amount (*1) / share price at grant (*2)

Any fractions of less than 100 units resulting from the calculation are rounded up to the nearest 100 units.

PSUs are calculated by calculating the number of units to be granted to each director based on the same formula as above, multiplying this by the grant rate (*3) and then multiplying each unit by 1 share (to be adjusted reasonably if the Company carries out a share split, reverse stock split, etc. after the grant of units).

*1 The base amount is determined by the Board of Directors of the Company for each eligible director in accordance with the size of his or her responsibilities.

*2 The share price at the time of grant is an objective and reasonable share price, such as the average closing price of the Company's ordinary shares on the Tokyo Stock Exchange during the month preceding the day before the date of the annual general meeting of shareholders in the year of grant.

*3 The rate of payment is varied from 0% to 150% depending on the achievement of performance targets set by a resolution of the Board of Directors.

iv) Grant requirements.

Under the plan, delivery, etc. of the Company's ordinary shares will be made to each director upon completion of the applicable period and fulfilment of the following requirements. Delivery of the Company's ordinary shares will be made by way of a share issue or disposal of treasury shares by the Company, and the actual recipients among the eligible directors and the subscription matters related to such share issue or disposal of treasury shares will be determined by the Board of Directors of the Company after the elapse of the eligible period.

① The relevant director has continuously been a director of the Company or in a certain position determined by a resolution of the Board of Directors of the Company during the period covered.

② Certain acts of misconduct as determined by the Board of Directors of the Company have not been committed.

③ Other requirements determined by the Board of Directors of the Company as necessary to achieve the purpose of the Scheme.

v) Clawback.

If, after delivery, etc. of the Company's ordinary shares under the Scheme, it is found that the eligible director falls under ② or ③ of (iv) above, the Board of Directors of the Company may, by resolution, demand the return of the delivered ordinary shares (including such money if money has been paid in lieu of such shares).

D. Details of performance indicators for performance-linked remuneration and the method of determining the amount of performance-linked remuneration.

The performance indicators used as the basis for calculating PSUs in the pre-delivery share-based remuneration are based on the following performance indicators for each financial year in the period covered by the medium-term management plan in order to provide a strong incentive to the directors to achieve the medium-term management plan. The number of shares to be granted fluctuates according to the degree of achievement of the performance indicator targets.

The payment rate shall be based on the average of the achievement rate for each year, with each performance indicator weighted at 40% of sales, 30% of operating profit and 30% of operating margin. However, the maximum payment rate shall be 150%, and if the achievement rate is less than 75%, the payment rate shall be zero.

E. Policy for determining the percentage of each type of remuneration.

For directors, excluding outside directors, the base amount for pre-delivered share-based remuneration is approximately one times the amount of basic remuneration, of which approximately 30% is RSUs and PSUs for around 70% of this amount. However, in principle, PSUs will only be granted in the first year of the medium-term management plan. For external directors, the base amount for RSUs should be around 30% of the amount of basic remuneration.

The remuneration of directors who are members of the Audit Committee consists solely of basic remuneration, which is determined by consultation of the directors who are members of the Audit Committee within the remuneration limit set by a resolution of the General Meeting of Shareholders.

(vi) Details of resolutions of the General Meeting of Shareholders concerning the remuneration of directors and officers.

The maximum amount of remuneration for Directors other than members of the Audit Committee of the Company was resolved at the 45th Annual General Meeting of Shareholders held on June 23, 2016. It was resolved that monetary remuneration be no more than JPY 200 million per annum. At the conclusion of that Annual General Meeting of Shareholders, the number of directors other than members of the Audit Committee was five. In addition, the 51st Ordinary General Meeting of Shareholders held on 23 June 2022, separately from monetary remuneration, resolved that the total base amount of RSUs to be granted to eligible directors in each financial year be no more than ¥120 million. Resolutions also requires that the total number of shares of the Company's common stock to be issued or disposed of by Directors in respect of RSUs granted in each fiscal year shall not exceed 150,000 shares, the total base amount for PSUs shall be no more than ¥630 million for the period covered by the medium-term management plan (three fiscal years), and the total number of the Company's common shares to be issued or disposed of by Directors shall be no more than 1.2 million for the relevant period. At the conclusion of the relevant Annual General Meeting of Shareholders, the number of directors other than members of the Audit Committee was six.

The 45th Annual General Meeting of Shareholders held on June 23, 2016 resolved that the annual amount of Directors who are members of the Audit Committee shall not exceed JPY 25 million. At the conclusion of that Annual General Meeting, the number of directors who are members of the Audit Committee was three.

(vii) Summary of bodies and procedures for determining the policy on the amount of remuneration for officers or the method of calculation of such remuneration.

The Board of Directors is the decision-making body for the remuneration policy for directors. However, from June 2022, the Board of Directors' decisions on remuneration policy are subject to the deliberations of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee is composed of a majority of independent external directors, with an emphasis on objectivity and transparency.

In addition, the standard amount of remuneration for each position, the specific details of RSUs and PSUs and the amount granted, and other important matters related to remuneration were previously decided by resolution of the Board of Directors, but from June 2022, the Nomination and Remuneration Committee has been entrusted with the authority to make such decisions.

The Board of Directors decided on the individual remuneration details for the current financial year at its meeting in June 2021.

Details of the remuneration of directors are also given in the Annual Securities Report.
https://ssl4.eir-parts.net/doc/6736/yuho_pdf/S100O110/00.pdf

Support system for outside directors

There is no full-time staff to support the outside directors, but each department, led by the full-time director, provides the necessary materials and information and other necessary support.

Matters related to functions such as business execution, auditing and supervision, nomination and remuneration decisions (overview of the current corporate governance system)

- The Board of Directors

In addition to the regular monthly meetings of the Board of Directors, the Board of Directors meets as necessary to resolve, deliberate and report on matters relating to the overall management of the Group.

- Audit and Supervisory Committee

In addition to the regular monthly meetings of the Audit Committee, meetings are held as necessary to receive reports from the full-time Audit Committee members on the status of the execution of their duties and from the selected Audit Committee members on the status of the audit.

The Board of Directors receives reports and deliberates on the results of investigations and surveys, and reports and proposes resolutions and discussion results to the Board of Directors as necessary.

- Management Meetings

Meetings attended by the directors (excluding outside directors), executive officers, and full-time Audit Committee members are held once a month, at which the general managers of each division report on the progress of the management plan.

The Board is responsible for reporting and discussing management issues.

- Independent auditors

The term of KPMG AZSA LLC, the Company's accounting auditor, expired at the 51st Ordinary General Meeting of Shareholders held on June 23, 2022, and based on a comprehensive review of the audit response and fees appropriate to the scale of the Company's business, Frontier Audit Corporation was proposed as the accounting auditor and was approved.

Details of Frontier Audit Corporation are stated in the notice of convocation.

https://www.sun-denshi.co.jp/ir_info/notes/2022/51thNoticeGeneralMeetingShareholders.pdf

- Limited liability contract

The Company has entered into agreements with non-executive directors to limit their liability under Article 423, Paragraph 1 of the Companies Act, and the maximum amount of liability under such agreements is stipulated in Article 425(1) of the Companies Act.

3. Reasons for choosing the current corporate governance system

The Company has adopted a corporate governance system with an Audit Committee for the following reasons

1. Enhanced monitoring
As Audit Committee members have voting rights at meetings of the Board of Directors, they are able to exercise a monitoring function over management by opposing inappropriate proposals by executive directors.
In addition, the Audit and Supervisory Committee members appointed by the Audit and Supervisory Committee have the right to express their opinions on the election, dismissal and remuneration of directors (excluding directors who are Audit and Supervisory Committee members) at the General Meeting of Shareholders. The Audit and Supervisory Committee members, who are selected by the Audit and Supervisory Committee, also have the right to express their opinions on the election, dismissal, remuneration, etc. of directors (excluding directors who are Audit and Supervisory Committee members) at the General Meeting of Shareholders.

2. Speeding up decision-making in the execution of business
In the case of a company with an Audit and Supervisory Committee, if the majority of the directors are outside directors, or if the articles of incorporation so stipulate, certain important business execution decisions may be delegated to directors (excluding directors who are Audit and Supervisory Committee members). This enables the Board of Directors to make quick decisions on important business operations. This allows the Board of Directors to concentrate on monitoring the executive directors.

III. Status of implementation of measures concerning shareholders and other interested parties

1. Efforts to revitalise the General Meeting of Shareholders and to facilitate the exercise of voting rights

	Supplementary information
Early dispatch of notices of general meetings of shareholders	Every year, we try to send out the mail earlier than the legal deadline. This year, due to the impact of COVID-19, it was sent out on the legal date (8 June).
Setting up shareholder meetings to avoid concentrated days	The date of the Ordinary General Meeting of Shareholders is set to avoid concentrated days. This year the meeting was held on 23 June, avoiding the intensive day of 28 June.
Exercise of voting rights by electromagnetic means	We recognise that this is an issue that needs to be considered in the future.
Participation in the electronic voting platform and efforts to improve the voting environment for other institutional investors	We recognise that this is an issue that needs to be considered in the future.
Provision of the notice of convocation (summary) in English	The English version will be available from the Notice of Convocation of the General Meeting of Shareholders in June 2020.
Other	In the interests of early disclosure of information to shareholders, the information will be posted on the Company's website and on TDnet, seven working days prior to the dispatch of the notice of

	<p>convocation.</p> <p>In addition, the "Notes to Consolidated Financial Statements" and "Notes to Non-Consolidated Financial Statements" among the documents to be provided in the notice of convocation are provided only on the Company's website in accordance with laws and regulations and Article 14 of the Articles of Incorporation.</p> <p>In previous years, at the Company's shareholders' meetings, we have included explanatory slides with graphs when presenting the business report and consolidated financial statements in order to allow shareholders to better understand our business.</p> <p>The narration of the business report and the consolidated financial statements are used to provide shareholders with a clear understanding of the report.</p> <p>Other shareholder newsletters are published on the Company's website immediately after the General Meeting of Shareholders.</p>
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Activities related to investor relations

	Supplementary information	Whether the representatives themselves give explanations
Preparation and publication of a disclosure policy	In light of the Fair Disclosure Rules, which came into effect on 1 April 2018, the Company will consider preparing and publishing a disclosure policy.	
Regular briefings for individual investors	We do not currently hold these meetings on a regular basis. In the future, we will consider holding such sessions complying with the purpose and the significance of the Fair Disclosure Rules, as a means to ensure a proper understanding of our corporate value, reducing the information gap between institutional and individual investors.	None
Regular briefings for analysts and institutional investors	The financial results presentation for the fiscal year ended in March 2022 was given online on May 31st. The video and the material of this presentation are posted on the Company's website.	Existent
Regular briefings for overseas investors	We do not currently hold regular meetings, but we do respond to enquiries on an individual basis.	None
IR materials posted on website	Various reports, explanatory materials for financial results, notices of convocation of general meetings of shareholders, shareholder newsletters, etc. are posted on the Company's website, and explanatory materials for financial results and notices of convocation of general meetings of shareholders are also posted in English. In addition, in light of the Fair Disclosure Rules that will come into effect on 1 April 2018, we will continue to consider expanding the provision of information on our website, including the translation of the convocation notice into English.	
Establishment of a	At present, investor relations is handled by the	

department (or person) in charge of IR	Public Relations and Investor Relations department.
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Efforts to respect the position of stakeholders

	Supplementary information
Respect for the position of stakeholders in internal rules and regulations	A number of internal rules and regulations are in place to raise awareness within the company.
Implementation of environmental protection activities, CSR activities, etc.	Recognising that the 21st century is the "Environmental Century", we have established the "Environmental Management Regulations" and are committed to the growth of our business and the reduction of our impact on the global environment. In addition, we have obtained the "Privacy Mark" and are promoting activities to protect personal information.
Formulation of policies and other matters relating to the provision of information to stakeholders	A number of internal rules and regulations are in place to raise awareness within the company.
Other	We do not yet have any female directors, but we do have four female managers. We see the promotion of female executives and managers as an issue that we must continue to address.

IV. Matters relating to internal control systems, etc.

1. Basic policy on internal control system and its development

1. Systems to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

- Directors and employees shall strive to engage in legitimate and fair business activities that meet the needs of society in accordance with the Directors' Regulations and the Employees' Employment Regulations.

- In order to ensure compliance with laws, regulations and internal rules in our business activities, we have established compliance regulations and appointed a compliance officer.

- We will identify the laws and regulations that apply to our business, establish a basis for compliance with legal requirements, and provide education and awareness from time to time.

- The Internal Audit Department, which reports directly to the Audit Committee, shall audit compliance and report to the Board of Directors and the Audit Committee.

- The Company has introduced an internal reporting system to prevent violations of laws, regulations, the Articles of Incorporation and internal rules, and in the event of a violation, the Company will promptly ascertain information and take action.

- The Company shall resolutely exclude and block antisocial forces and groups, and the General Affairs Department shall deal with them in close cooperation with the police and other external specialized agencies.

2. System for the storage and management of information relating to the execution of duties by directors

- In accordance with laws, regulations, the Articles of Incorporation, and internal rules, the Company shall preserve and manage information related to decision-making at the Board of Directors, the Executive Committee, and other important meetings, information related to important decisions made by the President and Representative Director, executive officers, and other persons, and information related to finance, other administrative operations, risk, and compliance. The information shall be stored and managed in accordance with laws, regulations, the Articles of Incorporation and internal rules.

3. Regulations and other systems for managing the risk of loss

In accordance with the Risk Management Rules, the Company aims to minimize losses by preventing the occurrence of risks and responding appropriately to any risks that may arise.

4. System to ensure the efficient execution of duties by directors

- In order to achieve swift and highly efficient corporate management, an executive officer system will be introduced to clarify the roles of directors (excluding directors who are members of the Audit Committee) and executive officers. The roles of directors (excluding directors who are members of the Audit Committee) and executive officers will be clarified.

- The Board of Directors, which meets once a month in principle, makes decisions on important management matters in accordance with relevant laws and regulations, the principles of business judgment, and the duty of care of a good manager, and regularly reports on the status of the execution of duties.

- The responsibilities and authorities for the execution of business are set out in the Rules on Division of Duties and Organization Rules.

- Important business operations are deliberated on by the Management Committee, which consists of directors and executive officers, in order to conduct a multifaceted review.

- Matters relating to the operation of the Board of Directors are set out in the Regulations of the Board of Directors, and basic matters relating to directors are set out in the Regulations of the Directors.

5. The following systems and other systems to ensure the appropriateness of business operations of the corporate group consisting of the Company and its subsidiaries

(hereinafter referred to as the "Group")

a. A system for reporting to the Company on matters relating to the performance of duties by directors, executive officers, employees who execute business, persons who are required to perform duties under Article 598, Paragraph 1 of the Companies Act, and other persons equivalent to these persons (referred to as "directors, etc." in C and D) of subsidiaries. Systems for reporting to the Company on matters relating to the execution of duties by directors, executive officers, employees, persons who are to perform duties under Article 598, Paragraph 1 of the Companies Act, and other persons equivalent thereto (referred to as "directors, etc." in (c) and (d))

- The Company requires its subsidiaries to submit to the Company monthly financial statements, quarterly financial statements, and other relevant materials as necessary, in order to obtain an accurate understanding of the management of the subsidiaries, in accordance with the Company's Regulations for the Management of Affiliated Companies.

- The Company shall require subsidiaries to report to the Company their operating results, financial condition, and other important information at the quarterly meetings of the Board of Directors, which are attended by the Company's directors.

b. Rules and other systems for managing the risk of loss in subsidiaries

- In accordance with the Company's risk management regulations, the Company requires its subsidiaries to prevent the occurrence of risks and to take appropriate measures to deal with any risks that may arise, in order to minimize the Company's losses.

- The Company requires its subsidiaries to establish a system whereby any violation of laws and regulations, or any other fact that may cause significant damage to the Group, is immediately reported to the department in charge of managing the subsidiary as soon as it is discovered.

c. System to ensure the efficient execution of duties by directors, etc. of subsidiaries
System to ensure that the execution of duties by directors, etc. of subsidiaries is carried out efficiently

- The Company shall respect the autonomy and independence of the management of its subsidiaries, and shall require its subsidiaries to formulate basic policies and rules necessary for the execution of their business operations in order to contribute to the proper and efficient management of its subsidiaries.

- The Company shall require its subsidiaries to make decisions on important management matters at the quarterly meetings of the Board of Directors attended by the Company's directors in accordance with relevant laws and regulations, principles of business judgment, and the duty of care of a good manager, and to report regularly on the status of execution of duties and other matters.

d. System to ensure that the execution of duties by directors and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation

- The Company requires its subsidiaries to establish a system whereby its directors, etc. and employees strive to conduct legitimate and fair business activities that meet the needs of society in accordance with the basic policies established by the subsidiaries.

- The Company shall require its subsidiaries to be assessed by a member of the Audit Committee selected by the Audit Committee of the Company and the department in charge of internal audit in order to confirm the status of compliance and the development and operation of internal control systems.

- The Company requires its subsidiaries to introduce and use an internal reporting system for the early detection and correction of legal violations and other compliance issues.

6. Matters concerning employees who are to assist the Audit Committee in its duties

- Employees of the Internal Audit Department shall assist the Audit Committee in its duties (hereinafter referred to as "Audit Assistants"). Employees of the Internal Audit Department assist the Audit Committee in its duties (hereinafter referred to as "Audit Support Staff").

7. Independence of audit support staff from directors (excluding directors who are members of the audit committee)

- Audit assistants are subject to the direction and orders of the Audit Committee and Audit Committee members selected by the Audit Committee.
- The prior consent of the Audit Committee is required for decisions on matters relating to the appointment of audit support staff.

8. Matters relating to ensuring the effectiveness of instructions given by the Audit Committee to employees who assist the Audit Committee in its duties

- Directors (excluding directors who are members of the Audit and Supervisory Committee) and employees shall cooperate in the development of the audit environment so that the work of the audit support staff, who are to assist the Audit and Supervisory Committee, can be carried out smoothly. Directors (excluding Directors who are members of the Audit Committee) and employees shall cooperate in the development of the audit environment so that the work of the audit support staff who are to assist the Audit Committee in its duties can be carried out smoothly.

9. The following systems and other systems for reporting to the Audit and Supervisory Committee of the Company

a. System for reporting to the Audit Committee by the Company's directors (excluding directors who are members of the Audit Committee) and employees b. Systems for reporting by the Company's directors (excluding directors who are members of the Audit Committee) and employees to the Audit Committee of the Company

- Directors (excluding Directors who are members of the Audit Committee) and employees shall immediately report to the Audit Committee any fact that may cause significant damage to the Company. Directors (excluding Directors who are Audit & Supervisory Board Members) and employees shall immediately report to the Audit & Supervisory Board any facts that may cause significant damage to the Company.
- The Audit Committee members selected by the Audit Committee shall attend meetings of the Board of Directors and other important meetings in order to gain an understanding of the important decision-making process and the status of business execution.
- The Audit and Supervisory Committee members selected by the Audit and Supervisory Committee may inspect major approval documents and other important documents related to the execution of business, and may request explanations from directors (excluding directors who are Audit and Supervisory Committee members) or employees as necessary. The Audit and Supervisory Committee members selected by the Audit and Supervisory Committee may inspect major approval documents and other important documents concerning the execution of business, and may request explanations thereof from directors (excluding directors who are Audit and Supervisory Committee members) or employees as necessary.

b. The Company's subsidiaries' Directors, corporate auditors, executive officers, employees who execute the business of the Company's subsidiaries, persons who are required to perform duties under Article 598(1) of the Companies Act, and other persons equivalent to these persons.

(referred to as "Directors, etc." in this item) (in this item, "Directors, etc.") and employees, or persons who receive reports from these persons, to the Audit Committee of the Company.

- Directors, etc. and employees of subsidiaries shall promptly and appropriately report to the Audit Committee of the Company on matters related to the execution of business when requested to do so by the Audit Committee members selected by the Audit Committee.
- Directors, etc. and employees of subsidiaries shall immediately report to the department in charge of managing subsidiaries as soon as they discover any violation of laws and regulations, etc., or any other facts that may cause significant damage to the Group, and the department in charge shall report to the Audit Committee.
- The department in charge of the management of the Company's subsidiaries and the department in charge of internal audit regularly report to the Audit Committee of the Company on the current status of internal control audit, compliance, risk management,

etc. in the subsidiaries.

10. System to ensure that those who report to the Audit Committee of the Company are not subjected to disadvantageous treatment by reason of such reporting

- The Company shall clearly stipulate in its Internal Reporting System Operation Rules that it shall prohibit any disadvantageous treatment of directors, corporate auditors and employees of the Group who have reported to the Audit Committee of the Company on the grounds that they have made such a report.

11. Matters relating to the policy regarding the prepayment of expenses incurred in the execution of duties by members of the Audit Committee of the Company

- When a member of the Audit & Supervisory Board of the Company makes a request to the Company for advance payment of expenses in connection with the performance of his/her duties, the Company shall promptly dispose of such expenses or debts after deliberation by the department in charge of accounting, unless it is proved that the expenses or debts relating to such request are not necessary for the performance of the duties of the Audit & Supervisory Board member.

12. Other systems to ensure that the audits of the Audit Committee of the Company are conducted effectively

- Regular exchange of opinions between the Representative Director and the Audit and Supervisory Committee shall be held.

- In addition to holding liaison meetings between the Audit Committee, the accounting auditor and the department in charge of internal audit at the request of the Audit Committee, the Company shall establish a system to ensure that the Audit Committee's audits are conducted effectively by ensuring the attendance of Audit Committee members at various meetings.

2. Basic approach to the elimination of antisocial forces and the status of its development

1. Basic approach towards antisocial forces

- The Company shall not provide any benefits to antisocial forces, nor shall it be involved with antisocial forces in any way.

- The Company's employees (all those who work for the Company) must be committed to social justice, and to winning the trust of customers, the market and society, they must not tolerate unjustified intervention by anti-social forces, and must show their determination to eliminate them.

2. System for the elimination of antisocial forces

- In order to cope with antisocial forces, the Company will describe such forces in the Compliance Rules and the Rules for Dealing with Antisocial Forces, and under the supervision of the officer in charge of compliance, the entire company will work together to ensure that all employees are aware of and thoroughly understand how to deal with such forces.

- Organizationally, the director in charge of compliance, the head of the division in charge of general affairs, the head of the division in charge of legal affairs, and the legal counsel will take the lead in seeking guidance from external organizations such as the police to deal with the situation.

V.1. Others

1. Introduction of anti-takeover measures

Introduction of takeover defense measures	None
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Supplementary information on relevant items

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2. Other matters relating to corporate governance systems, etc.
 Schematic diagram of the corporate governance system" and "Outline of the timely disclosure system".

