

June 28, 2023

SUNCORPORATION

Representative Director and President, Ryusuke Utsumi

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<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]

Supplemental Principle 1-2 ④ Creation of an environment for the electronic exercise of voting rights, and English translation of the convocation notice

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 Ensuring diversity in the appointment of core personnel, etc.

The Company recognises that ensuring the diversity of its human resources will lead to medium- and long-term improvements in corporate value and makes comprehensive assessments of the skills and experience of its employees, regardless of gender, nationality or mid-career employment, before appointing them to management positions. Although we have yet to set measurable numerical targets for ensuring the diversity of our core human resources, we believe that the company's greatest asset is its people, and that the development of a comfortable working environment and various systems to draw out the abilities of each and every employee will ultimately lead to increased corporate value, and we will continue to actively consider human resources development policies and internal environmental improvements.

Supplemental Principle 2-5 ① Establishment of a whistleblower contact point independent of management, and rules on confidentiality and prohibition of prejudicial treatment of informants

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 Disclosure on the company's sustainability efforts, 4-2 ② Formulation by the board of directors of a basic policy on the company's approach to sustainability, and oversight of the allocation of management strategies and the implementation of the business portfolio strategy

The Company believes that simultaneously promoting environmental protection activities aimed at reducing environmental impact and preventing pollution in all aspects of its business activities, products and services is a sincere corporate activity that leads to consideration for the global and working environment and the realisation of fair and proper business transactions.

We have established an Environmental Management Regulation and an Environmental Management System, which are firmly established and promoted as part of our management infrastructure, and the specific details of these are disclosed on our website.

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

However, the Board of Directors has yet to set specific numerical targets for sustainability, and will actively consider the continuous improvement and development of environmental improvement activities and the prevention of pollution.

The company is also considering appropriate ways of disclosing and providing information on investments in human assets and intellectual property, and will proactively disclose such information when formulating new management plans in the future.

Principle 4-11 Preconditions for ensuring board effectiveness

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 ③ Assessing the effectiveness of the board as a whole

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 】

Principle 1-4 Cross-shareholdings

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 Transactions between related parties

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 Functioning as an asset owner for corporate pensions

The Company has not introduced a defined benefit corporate pension plan, but has a defined contribution pension plan as part of its benefits package, under which employees can choose the content of their own investments. In collaboration with the management organisation, the company works to inform employees about the plan and encourage them to use it, while the department in charge of the pension plan, the human resources department, assigns employees with basic knowledge of public and private pensions in general, including defined contribution pensions, to the department in charge of the pension plan. In this way, the company is making use of external training and other training programmes to educate its members on investment and to make proposals on life planning for a prosperous retirement.

Principle 3-1 Sufficient disclosure of information

(i) Slogans, Corporate Philosophy, Management Policies

Based on the following "Slogans" "Corporate Philosophy" and "Management Policies", 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) Basic ideas and policies regarding corporate governance

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

(iii) Policies and procedures in determining the remuneration of directors

The amount of remuneration for Directors (excluding Directors who are members of the Audit Committee) is within the remuneration limits approved by resolution of the General Meeting of Shareholders (hereinafter referred to as the 'Remuneration Policy'). The Board

of Directors determines the amount of remuneration.

The Company shall design the remuneration of Directors to function effectively as a medium- to long-term incentive for continued growth in corporate performance and sustainable enhancement of corporate value while promoting value sharing with shareholders, and the basic policy is to ensure that it is possible to attract and retain excellent human resources to realise these goals, and that the level of remuneration is appropriate to the roles and responsibilities required of each director.

The Board of Directors has delegated Representative Director Ryusuke Utsumi to draft the basic remuneration, etc. of each Director. The reason for the delegation is that the Board of Directors has decided that the Representative Director is the most suitable person to evaluate each individual Director while taking into account the Company's overall performance and other factors.

The amount of remuneration for directors who are members of the Audit Committee is determined by the Audit Committee within the limit of remuneration approved by a resolution of the General Meeting of Shareholders.

Directors' remuneration specifically consists of base remuneration and post-delivery share-based remuneration.

The basic remuneration for directors is a fixed monthly amount, and the specific amount to be paid to each director is drafted by the representative director and decided by the Nomination and Remuneration Committee, based on the roles and responsibilities of each director. For directors who are members of the Audit Committee, the amount is decided by the Audit Committee.

In addition, the post-delivery type of share remuneration, which is non-monetary remuneration for directors, is a system under which, after a certain period of time has elapsed after the grant of rights, a pre-determined number of shares of the Company's common stock or a pre-determined calculation method are delivered subject to the fulfilment of certain conditions.

There are two types : RSUs, which are not subject to a performance condition, and PSUs, which are subject to a performance condition.

However, PSUs are not granted to outside directors.

(iv) Policies and procedures for nominating directors

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) Appointment, removal and nomination of directors

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/2023/52thNoticeGeneralMeetingShareholders.pdf

Supplementary Principle 4-1 ① The scope of delegation to management

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 Criteria for determining the independence of independent outside directors and their qualifications

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 4-10① Powers, roles, etc. of nomination and remuneration committees

The Company has established a voluntary Nomination and Remuneration Committee, the majority of whose members are independent outside directors.

The Nomination and Remuneration Committee receives advice from the Board of Directors, deliberates and reports on the nomination of directors, and determines the remuneration of directors (excluding directors who are members of the Audit Committee) in accordance with the policy on remuneration determined by the Board of Directors.

The remuneration of directors who are members of the Audit Committee is determined by the Audit Committee.

Four out of nine directors of the company are outside directors (three of them are independent outside directors), who participate in deliberations and express their opinions at board meetings from a standpoint independent of the management team. The Nomination and Remuneration Committee also provides appropriate involvement and advice on the diversity and skills of the directors, and the system further enhances the objectivity and transparency of the procedures.

Supplemental Principle 4-11 ① The board's view on diversity, etc.

The Company's Articles of Association stipulate that there shall be no more than eight directors (excluding directors who are members of the Audit Committee) and no more than four directors who are members of the Audit Committee. Currently, there are six directors (excluding directors who are members of the Audit Committee), two of whom are outside directors, and three directors who are members of the Audit Committee, two of whom are outside directors.

The Company is a manufacturing company with multiple businesses, and its basic policy is to appoint people with expertise in each business, corporate management, financial accounting, legal and risk management and global expertise in a balanced manner in order to supervise business execution and make important decisions.

The Board of Directors therefore considers it important to promote selection and concentration and to identify appropriate skills in line with the Company's business characteristics and business environment for the consideration of M&A and business restructuring for new businesses.

In addition, the Audit Committee consists of three members: one director who is familiar with the business, one director with a high degree of expertise in legal matters and one director with a high degree of expertise in accounting matters.

For the appointment and dismissal of directors, the three-member Nomination and Remuneration Committee, including two independent external directors, discusses and gives its opinion on the balance of knowledge, experience and skills of the Board of Directors and the

right number of people based on their respective knowledge and management experience. The combination of skills and other attributes possessed by the directors (skills matrix) has been prepared and is presented at the end of this report. The policies and procedures for the appointment of directors are described in Principle 3-1(iv).

Supplemental Principle 4-11 ② Directorships held concurrently

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 our group, and are able to concentrate on their duties as directors of the Company.

Supplementary Principle 4-14 ② Policies on training the directors

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 Policies on having constructive discussions with shareholders

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	18.90
GOLDMAN SACHS INTERNATIONAL	1,265,482	5.60
Fujishoji Co., Ltd.	940,000	4.10
INTERACTIVE BROKERS LLC	834,600	3.70
NOMURA CUSTODY NOMINEES LIMITED OMNIBUS-FULLY PAID (CASHPB)	834,467	3.70
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	748,210	3.30
Michie Utsumi	680,000	3.00
Yasue Watanabe	680,000	3.00
OASIS INVESTMENTS II MASTER FUND LTD.	678,220	3.00
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	614,089	2.70

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	Between 100 and 500
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	Fewer than 10 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 an 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 our 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 our 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 and Remuneration Committee	3	1	1	2	0	0	Outside directors
A voluntary committee equivalent to the Remuneration Committee	Nomination and Remuneration Committee	3	1	1	2	0	0	Outside directors

Supplementary information

The Company has a voluntary Nomination and Remuneration Committee, the majority of whose members are independent outside directors.

With regard to the executive directors (members of the audit committee and directors who are not outside directors), a balance of knowledge, experience and ability is taken into consideration. Based on the results of a mutual evaluation of the executive directors, the representative director prepares a draft proposal and consults the Nomination and Remuneration Committee, in which the majority of independent outside directors are members.

Based on their report, the Board of Directors then decides on the appointment proposal by resolution.

Remuneration is determined by the Nomination and Remuneration Committee in accordance with the policy on remuneration of directors (excluding directors who are members of the Audit Committee) decided by the Board of Directors.

The remuneration of 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 plan
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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). Further details can be found in the Reference Document for the General Meeting of Shareholders in the Notice of the 51st Ordinary 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 directors' remuneration paid in the fiscal year ended in March 2023 was as follows.

Directors (excluding members of the audit committee and outside directors): 4 people
¥ 94,125,000

Directors (excluding members of the audit committee and outside directors) 1 eligible person
¥ 15,120,000

Outside directors 6 eligible people ¥ 27,974,000

The total amount of directors' remuneration is also stated in the Business Report and Annual Securities Report, which are also available on the Company's website.
 Notice of convocation : https://www.sun-denshi.co.jp/ir_info/notes/2023/52thNoticeGeneralMeetingShareholders.pdf
 Annual Securities Report : https://ssl4.eir-parts.net/doc/6736/yuho_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.
 The Company is a company with an audit committee and the remuneration policy for directors (excluding directors who are members of the audit committee) 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 our group's medium-term management plan 2022-2024.

a. Basic policy

The remuneration of the Company's directors is designed to function effectively as a medium- to long-term incentive for continued growth in corporate performance and sustainable enhancement of corporate value while promoting value sharing with shareholders. The basic policy is to ensure that it is appropriate and commensurate with the roles and responsibilities required of each director, while making it possible to attract and retain excellent human resources to realise these objectives.
 Specifically, it consists of base remuneration and post-delivery share-based remuneration. Subsequent delivery of share-based remuneration consists of Restricted Share Units ('RSUs'), which are not subject to a performance condition, and Performance Share Units ('PSUs'), which are subject to a performance condition. 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 by the Nomination and Remuneration Committee in accordance with their respective positions. It is then paid at a fixed time each month.

c. Policy on determining the nature and amount or number of non-monetary remuneration or its calculation method

Non-monetary remuneration, etc. is delivered after the fact as stock-based remuneration, with the aim of promoting sustainable growth in the Company's corporate value and promoting value sharing with shareholders.
 Under this plan, after a certain period of time has elapsed after the grant of rights, and subject to the fulfilment of certain conditions, shares of the Company's common stock are delivered in a pre-determined number or using a pre-determined calculation method. Specifically, the plan consists of Restricted Stock Units ('RSUs'), which are not subject to a performance achievement condition, and Performance Share Units ('PSUs'), which are subject to a performance achievement condition.

The RSUs are subject to the condition that the grantee continues to hold certain positions as determined by a resolution of the Board of Directors of the Company or the Board of Directors of the Company from the date of grant until the expiry of the vesting period. The RSUs will be granted a base number of shares of the Company's common stock as determined on the grant date after the expiry of the relevant vesting 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 of the RSUs granted and three years from the grant date for one-third of the RSUs granted.

PSUs are available to directors who are engaged in the execution of the business. Conditions include, among others, that they must continuously hold the position of director 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) to which the rights grant date belongs, or a certain position determined by a resolution of the Board of Directors of the Company. In addition, the number of shares of the Company's common stock obtained by multiplying the base amount of shares determined on the date of grant of rights by a coefficient determined in accordance with the degree of achievement of the performance targets set out in the relevant medium-term management plan will be delivered. The timing of such delivery will be after the relevant performance is determined.

d. Details of performance indicators for performance-linked remuneration and 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 a strong incentive for the directors to achieve the medium-term management plan.

The performance indicators are the consolidated sales, operating profit and operating profit margin excluding Cellebrite for each financial year in the period covered by the medium-term management plan, and the number of shares to be delivered will fluctuate according to the degree of achievement of the performance indicator targets.

The weighting of each performance indicator is 40% for sales, 30% for operating profit and 30% for operating margin, and the average of the achievement rate for each fiscal year is used as the grant rate. 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

The percentage of remuneration for each type of executive director will be based on the remuneration levels of companies of a similar business size to the Company. The Nomination and Remuneration Committee determines the amount of remuneration, etc. for each individual director, so that the higher the position, the higher the proportion of non-monetary remuneration.

The remuneration of directors who are members of the Audit Committee consists solely of base remuneration.

The amount of remuneration, etc. for directors who are members of the Audit Committee is determined by consultation of the directors who are members of the Audit Committee, within the remuneration limit set by resolution of the General Meeting of Shareholders.

(ii) Details of resolutions of the General Meeting of Shareholders regarding remuneration of directors

The amount of monetary remuneration for Directors was resolved at the 45th Annual General Meeting of Shareholders held on 23 June 2016 to be "within an annual amount of JPY 200 million".

At the conclusion of the said Annual General Meeting of Shareholders, the number of directors who are not members of the Audit Committee is five. Separately from such monetary remuneration, a resolution was passed at the 51st Annual General Meeting of Shareholders held on 23 June 2022 to revise the amount of remuneration for Directors

(excluding Directors who are members of the Audit Committee) in connection with the introduction of a post-delivery stock remuneration system. Specifically, it was resolved to grant Restricted Stock Units (RSUs), which are not subject to performance conditions, and Performance Share Units (PSUs), which are subject to performance conditions. At the conclusion of the relevant Annual General Meeting, the number of non-audit committee members on the Board of Directors was six.

The amount of monetary remuneration for Directors who are members of the Audit Committee was resolved at the 45th Annual General Meeting of Shareholders held on 23 June 2016 to be "not more than 25 million yen per annum". At the conclusion of the said Annual General Meeting of Shareholders, the number of directors who are members of the Audit Committee is three.

(iii) Summary of bodies and procedures for determining the policy on the amount of remuneration or the method of calculation of remuneration for directors

The Nomination and Remuneration Committee is the decision-making body for the Directors' remuneration policy.

The Board of Directors delegates Representative Director Ryusuke Utsumi to draft the basic remuneration, etc. of each Director.

The reason for the delegation is that the Board of Directors has decided that the Representative Director is the most suitable person to evaluate each individual Director while taking into account the Company's overall performance and other factors.

The standard remuneration amounts for each position, the specific details of the RSUs and PSUs and the amounts granted, and other important matters relating to the remuneration of individual Directors other than members of the Audit Committee are as follows.

1. Taking into account the remuneration standards of companies of a similar business size to the company
2. Determining the amount of remuneration, etc. for each individual director by considering a structure in which the proportion of non-monetary remuneration increases with the higher level of office.

The details of individual remuneration for the current financial year were decided at the Board of Directors' meeting held in June 2022.

Details of the remuneration of the directors are also provided in the Annual 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 our 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 Company has commissioned Frontier Audit Corporation to carry out the accounting audit work.

The certified public accountants who performed the accounting audit work were Yukio Fujii and Daisuke Hongo.

The assistants for the accounting audit work comprise 10 certified public accountants and one other person.

- 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	The electronic provision measures were disclosed earlier than the statutory deadline. However, as this is the first year of electronic provision measures, the mailings that continued to be carried out were sent out on the existing statutory date (7 June).
Setting up shareholder meetings to avoid concentrated days	The date of the Ordinary General Meeting of Shareholders is set to avoid concentrated days.
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.
Others	From the perspective of early disclosure of information to shareholders, the Company takes measures to provide information

	<p>electronically on its website and TDnet earlier than the statutory deadline.</p> <p>In addition,</p> <ol style="list-style-type: none"> 1. at the General Meeting of Shareholders of the Company in previous years, explanatory slides including graphs are displayed when explaining the business report and consolidated financial statements, in order to help shareholders understand the Company's business. 2. narration is used in the reports on the business report and consolidated financial statements to promote understanding among shareholders. 3. a shareholder newsletter is posted on the Company's website immediately after the General Meeting of Shareholders.
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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 2023 was given online on June 2nd. 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 department (or	At present, investor relations is handled by the Public Relations and Investor Relations	

person) in charge of IR	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.
Others	Our Group promotes the recruitment of foreign nationals and gender-equal personnel in all positions. In addition, to support a balance between work and childcare, Our Group is working to create a comfortable working environment, including leave and leave before and after childbirth and for childcare, and a system of shortened working hours. The use of the childcare leave system by male employees is gradually gaining ground. In addition, various systems are in place to support self-development and mutual interaction and activation among employees. We strive to thoroughly manage working hours and reduce long working hours, while at the same time we provide medical check-ups and guidance on lifestyle-related diseases, and have a mental health consultation service. We believe that promoting the physical and mental health management of our employees will in turn improve productivity and increase our corporate value. Although we do not yet have any female directors, we see the appointment of female directors as an issue that we should continue to work on.

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 our 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 our 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 our 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

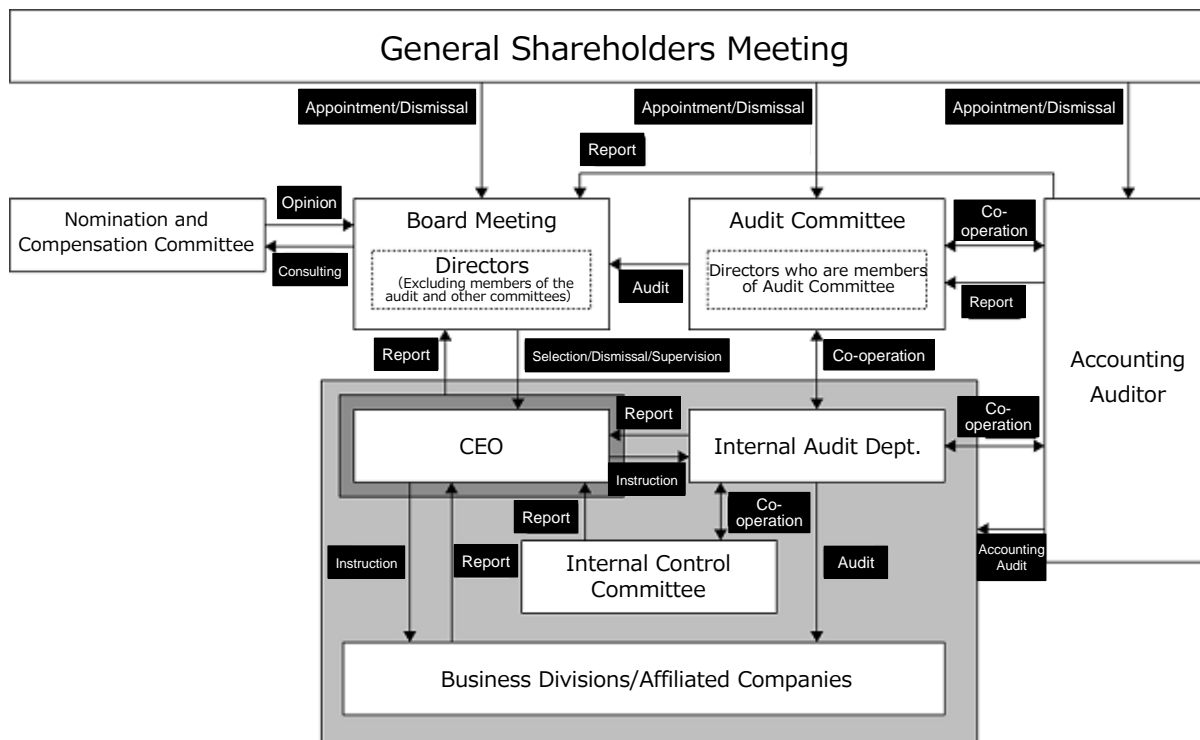
1. Introduction of anti-takeover measures

Introduction of takeover defense measures	None
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Supplementary information on relevant items

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2. Other matters related to corporate governance systems, etc.
 "A schematic diagram of the corporate governance system" and "An outline of the timely disclosure system".



Name	Positions And Responsibilities	Skills									
		Corporate Management	Financial and Accounting	Legal affairs/ Risk Management	Global	Business (Entertainment)	Business (Global DI)	Business (IT)	M&A	Sales Marketing	HR
Ryusuke Utsumi	Representative Director, CEO	○		○		○	○	○	○	○	○
Yoshimi Kimura	Representative Director, Senior Management Officer	○	○		○			○	○		○
Yonatan Domnitz	Director	○	○		○		○	○	○		
Yakov Zlich	Director	○		○	○		○	○	○	○	
Akira Iwata	Director	○					○	○			
Yaniv Valdy	Director	○	○	○	○		○	○	○	○	
Yasushi Muto	Director, Audit Committee Member		○	○		○	○	○			
Tomoyuki Shinkai	Director, Audit Committee Member	○	○								
Takashi Matsui	Director, Audit Committee Member	○		○							