



June 7, 2022

Dear all,

Company name: SUNCORPORATION
Name of representative: Ryusuke Utsumi,
CEO
(Code No. 6736 TSE Standard)
Contact: Yoshimi Kimura,
Senior Managing Director
(Tel 052-756-5981)

Supplement to Proposal 6 of the 51st Annual General Meeting of Shareholders

With regard to "Proposal 6" of the 51st Ordinary General Meeting of Shareholders to be held on 23 June 2022, "Revision of remuneration in connection with the introduction of a post-delivery share remuneration system for directors (excluding directors who are members of the Audit Committee)", the following supplemental explanation is provided in order to provide shareholders with correct information and to gain their understanding of the proposal.

Shareholders are kindly asked to refer to the "Notice of the 51st Ordinary General Meeting of Shareholders (pages 56-58)".

The proposal is to introduce Restricted Share Units ('RSUs') and Performance Share Units ('PSUs') in order to share interests with shareholders and to strengthen incentives to improve performance in order to create medium- and long-term corporate value. In order to realise future global growth, human resources that can face risks appropriately and make management decisions with a sense of speed are essential. In order to effectively draw out the strengths of such human resources and grow the business, we considered it appropriate to place more emphasis on stock-based compensation.

Particularly, PSUs, which represent 70% of share-based payments, are designed to provide a strong incentive to achieve KPI targets, with a payout range of 0-150% depending on the degree of achievement of the target. The KPIs are designed to prevent market misleading caused by gaps in Cellebrite's disclosures and to aim for the resolution of more challenging business issues. Therefore, the KPIs are based on the consolidated medium-term business plan excluding Cellebrite.

• KPI

Sales, operating profit and operating profit margin (ratio 40%, 30% and 30%)

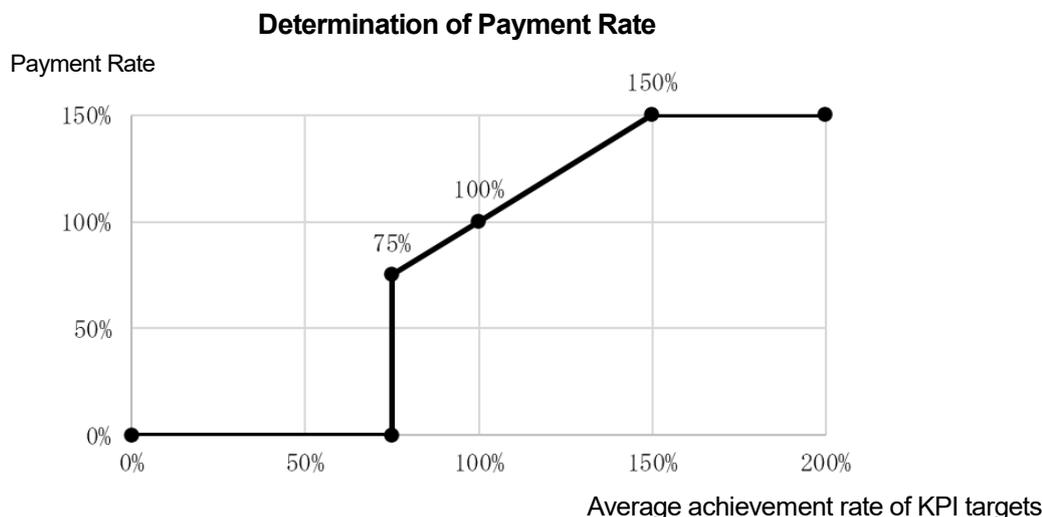
• Target

	Sales (million yen)	Operating Profit (million yen)	Operating Profit margin (%)
Year ending March 31, 2023	10,602	579	5.5%
Year ending March 31, 2024	11,908	989	8.3%
Year ending March 31, 2025	13,376	1,689	12.6%

• Determination of Payment Rate

Average achievement of KPI targets less than 75%: No payment

Please see the chart below for the payment rates between the various thresholds.



The following estimates of the number of shares to be granted and the dilution rate for the implementation of the plan have been made for the three-year evaluation period of the PSUs. This estimate is the sum of grants to the employees in addition to the directors.

	Number of shares granted (shares) ※1			Total number of shares issued (share,2022/3)	Cumulative Dilution rate	Average burn rate for the period ※2
	RSU	PSU	Total			
	a	b	c=a+b			
3 years	134,145	134,994	269,140	23,992,328	1.12%	0.37%

※1 The number of shares is calculated based on the total of the maximum amount of share-based payment for each eligible officer and the closing price of 1,611 yen as of 17 May 2022. Although the number of shares will vary depending on the share price level at the time of grant, the calculation is based on the maximum number of shares that can be expected to be granted.

※2 The burn rate, which represents the ratio of the number of shares granted to the total number of shares outstanding, is a measure used mainly by European and US companies and is a dilution rate in relation to equity compensation. For example, the voting advisory company ISS in the US attaches importance to the three-year average burn rate in addition to the voting criteria, and its 2022 policy sets an average burn rate of 4.08% for technology companies, with a maximum permissible burn rate of 7.26%.

As indicated in the chart, the impact of the maximum PSU payment of 150% is estimated at a cumulative dilution rate of 1.12% over the three-year evaluation period and an average of 0.37% during the period, which is considered to be insignificant.

Many Japanese companies have adopted equity compensation as an alternative to retirement benefits whereby the transfer restriction is lifted upon retirement, and the number of shares granted is accumulated over a long period of time, so the dilution rate may be calculated as a cumulative value over a 10-year period and considered important.

However, as we have designed the scheme as incentive remuneration where the transfer restriction is lifted after a 3-year period, we consider it reasonable to use the dilution rate and burn rate for a 3-year period to determine the appropriateness of the scheme.

Even if a 10-year estimate is made in the same way as in the preceding chart, the cumulative dilution rate is 3.74% and the average for the period is 0.37%, and the impact is as minor as in the three-year case.

We believe that the content of this remuneration system is reasonable, as it is designed to enable the management team to share with shareholders their interest in share price fluctuations and to raise awareness of their contribution to improving performance and increasing corporate value over the medium to long term. We would appreciate your understanding.