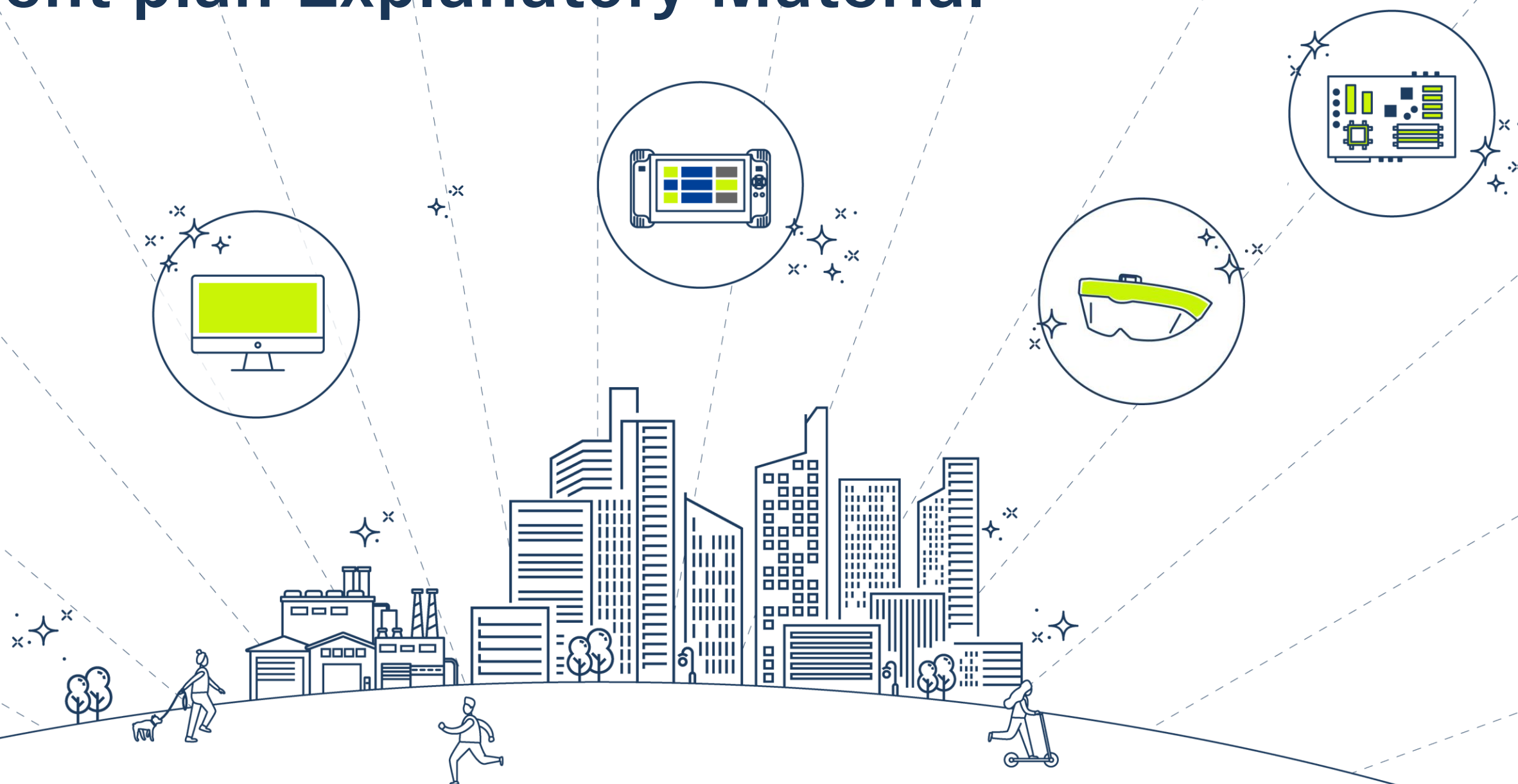


May 31st 2022

 **サニ電子株式会社**

Year ending 31 March 2022

Financial results & Medium-term Management plan Explanatory Material



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Company Profile



Company Profile

Company Name	SUNCORPORATION
Headquarters	Nagoya Headquarters GLOBAL GATE 20F, 4-60-12, Hiraikecho, Nakamura-ku Nagoya-shi, Aichi 453-6120 Japan
Establishment	April 16, 1971
Representative	Ryusuke Utsumi, CEO
Business Segments	Mobile Data Solutions, Entertainment Business IT Business (M2M), Others (Game Content)
Features	Mobile Data Solutions, which provides a digital intelligence platform mainly in the US and worldwide; Entertainment, which is involved in the planning, development and sales of amusement machines and games; and New IT, which develops DX solutions based on the "Rooster series" network equipment, which has the top market share in Japan. Developing original products and services for a wide range of markets, including related businesses.
Capital	2,086 million yen as of March 31, 2022



Dreams, Challenges and Creations

SUNCORPORATION have been creating fresh and innovative products based on our accumulated technological capabilities and the ideas of our outstanding engineers.

We will continue to shine a bright light on the future by meeting the diverse needs of society with our ability to create "fun" and "convenience" that can only be realized through our "desire to take on challenges" and our technological prowess.

Dreams

Living up to expectations

Challenges

Taking on challenges courageously

Creations

New value creation

Basic Philosophy

Making people happy through telecommunication & entertainment

History

SUNCORPORATION's DNA

Dreams, Challenges, Creations



1971
The establishment of SUNCORPORATION

Founded with an aim to manufacture and market electronics-related equipment



1985
The development of software for Nintendo consoles
The release of the "SUNSOFT" series

Main office built in Konan City, Aichi prefecture
Business structure was established and moved on to expansion



1985
The development and release of SUNCORPORATION's brand modem "My Loofer 300"

SUNCORPORATION's brand was established
The development and sales of an industry-first system
Nation-wide sales locations



2007
The acquisition of Cellebrite's shares

Listed on JASDAQ
Acquired 100% ownership of Cellebrite and accelerated its global expansion



2010
The development and release of the mobile router the "Rooster Series"
M2M's full scale entry to the market

Marking the 50th anniversary of its founding as a global corporation



2020
The release of "AceReal for docomo", a remote operation support solution using 5G and AR SmartGlass



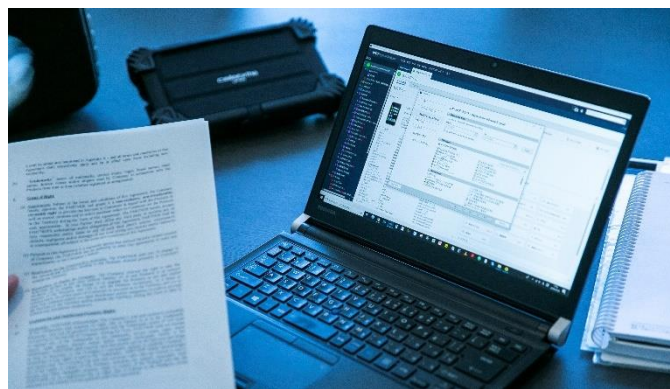
「Challenging Spirit」

- 1 Concentration on telecommunications and entertainment**
Provide society with the technology, enjoyment and enrichment that make it safe and secure
- 2 Improving the value of the enterprise**
Aim to grow into a world-class company by integrating the management resources we have accumulated through challenges in various fields
- 3 Acting on their own initiative with a venture spirit**
Value the spirit of challenge, innovative thinking and the drive for growth of the next generation

With technology at the core Operating in 3 business segments

Mobile data solutions (Digital Intelligence)

- Development and sale of mobile forensic equipment
- Sales of mobile data backup solutions for mobile handset retailers



Entertainment (Amusement · Game)

Amusement

- Planning, development and manufacture of amusement machines
- Development of video content for amusement machines

Game

- Development and sale of game content



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New IT (M2M/IoT)

- Development, manufacture and sale of industrial communication equipment and IoT solutions
- Development and sales of B2B business support solutions using smart glasses



Business Overview (Mobile Data Solution)

Business activities.
Data extraction and analysis of mobile devices

Develops and markets mobile forensic tools for criminal investigation agencies for many devices including mobile phones worldwide, as well as smartphones, portable GPS terminals, tablets, etc.

Competitive Advantages

Next generation solutions using advanced access technologies, a new remote mobile collection system for the private sector, the development of SaaS-based evidence management solutions, etc. These maintain the company's superiority in new technologies, productivity and efficiency,

- Commercial relationships with consolidated subsidiaries and dominance in the country

Cellebrite UFED for criminal investigation agencies



A global standard software program for digital crime investigations that extracts and analyzes data from mobile and smart phones.

main clients

National Police Agency,
Prefectural Police,
Public Prosecutor's Office,
Ministry of Health, Labour and Welfare.
FSA, Ministry of Defence.
Other law enforcement agencies.

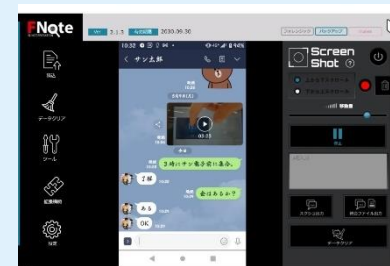
Recommended

Used by police agencies throughout the country.
Standard tools

[Main functions]

- Digital evidence data visualisation tools.
- Easy preparation of investigation documents for prosecution.
- Extraction of evidential transport card usage history.

FNote
SUNCORPORATION



Business activities: for mobile device retailers / Mobile data backup

Solutions for shops to migrate data such as phonebooks and photos, backup and re-write data, etc. for mobile phones and mobile devices worldwide.

"Mobilogy NOW" for mobile device retailers

[Main functions]

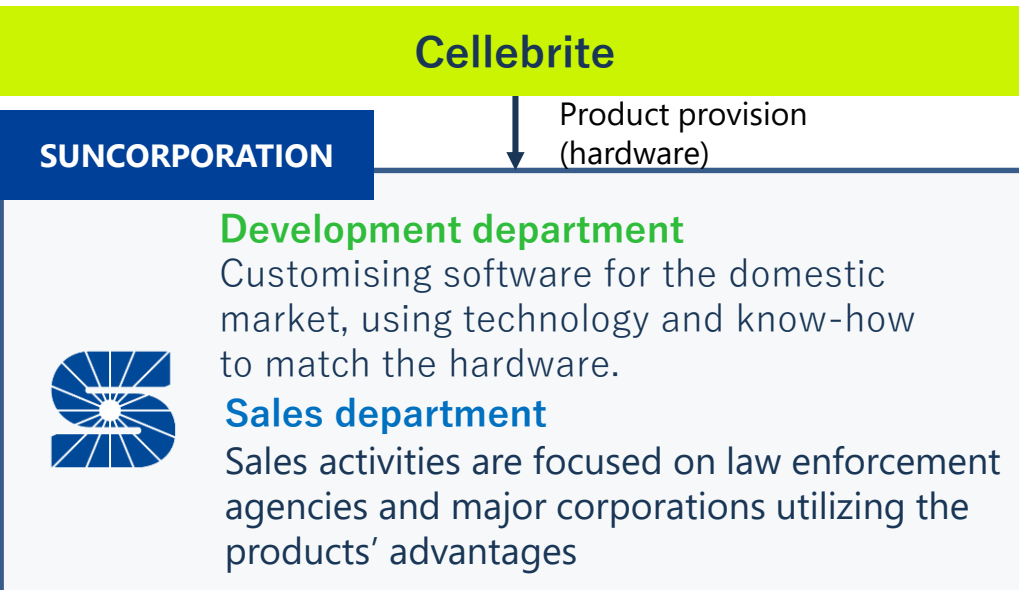
- Copying mobile phone data
- data backup
- Mobile terminal fault diagnosis
- Support for the purchase of used mobile phones
- data deletion



main clients

Communication carrier shops
wholesale shops selling household electrical appliances

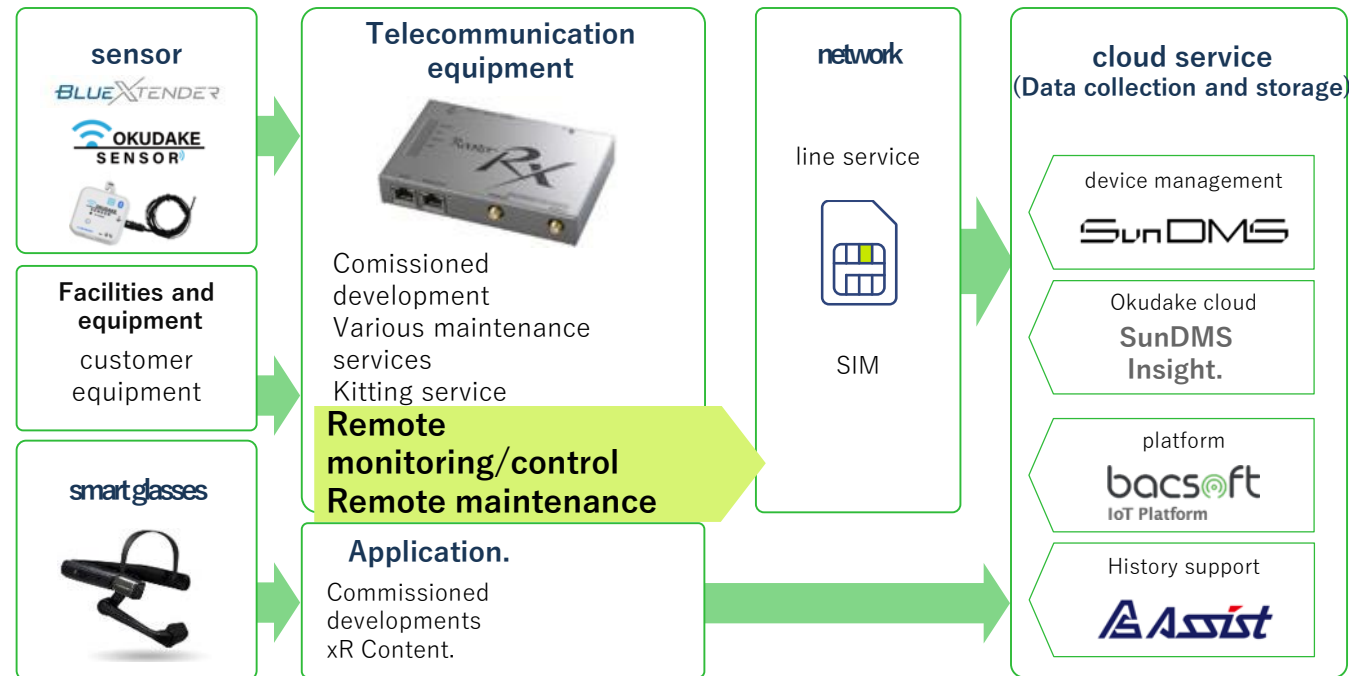
Used mobile phone distribution companies



Business Overview (New IT) M2M/IoT

Business activities

Provides services such as remote monitoring, control, analysis and maintenance for IoT in a wide range of fields including manufacturing facilities, vending machines and infrastructure equipment.



Competitive advantages/features of the business

M2M

Related to migration from 3G lines to LTE (4G) lines. Patented and maintained technological competitive advantage

IoT

Release of multiple simultaneous connection version of Assist, specialising in remote assistance for multiple smart glass devices, with support for smart glasses from other manufacturers. Support for other manufacturers' smart glasses sequentially.

Main customers.

- (i) NTT Docomo, KDDI, Softbank, NTT Communications
- (ii) Panasonic
- (iii) Major beverage vending machine manufacturers.
- (iv) Osaka Gas

Recommended

SunDMS

SUNCORPORATION's Rooster series routers installed in multiple locations in the cloud. The service enables centralised management remotely, such as monitoring Rooster's dead/active status, acquiring status information, updating firmware, and changing settings.

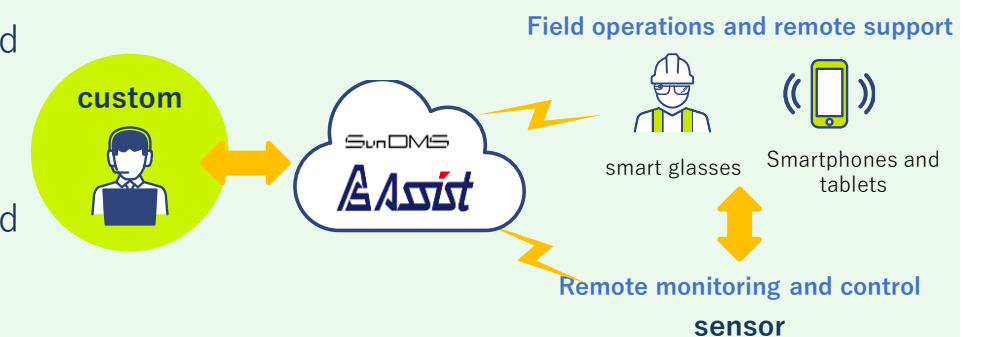
3 features of Sun DMS



Assist

A remote support solution dedicated to smart glasses. Real-time sharing of video, audio and AR images between on-site workers and remote technicians and skilled workers via the network to provide smooth and accurate work support.

Stimulation of on-site communication.



Business Overview (Entertainment).

Amusement

Business activities

Planning, development and manufacture of a wide range of products, from hardware to software for LCD display units and various control boards for amusement machines, making full use of accumulated digital technology and graphic expression skills.

Main customers

- Amusement industry (including pachinko and gaming industry)

Competitive advantages/features of the business

Maintains a system that realises the accumulation of expressive and technical skills in the amusement field, the development of contents with high product appeal and the development of high-quality control boards.

Recommended

Professional group for the development of Amusement machines

Development of high quality machines that combine the know-how and technical skills developed over many years in the development of pachinko and pachislot machines with the video production skills acquired in the development of video games. Specialists engage in the development of a series of machines, from planning, design, video production, sound production, software development, hardware development and control board production, enabling a one-stop supply.

Recently, the company has also developed and marketed an real machine simulation application for pachinko/pachislot machines, which is highly regarded for its high reproducibility of actual machines.



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SunSoft

Business activities

Develop and distribute games for various platforms, including smartphones and VR.

Main customers

- Smartphone games market
- Consumer and PC games market

Competitive advantages/features of the business

It retains the popular 'Shanghai' brand of IP and is able to create mobile games from development to operation in-house, enabling it to maintain revenues cost-effectively over the long term. Also owns many IPs in the 'retro game' genre, which is experiencing a resurgence in popularity, particularly in the US and European markets.

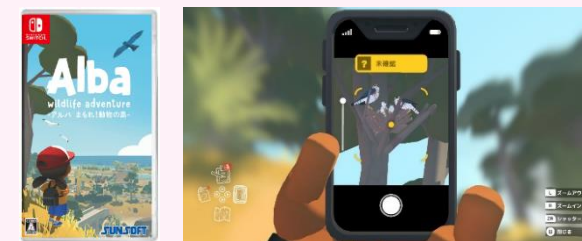
Recommended



Through the medium of games, Sunsoft introduces high-quality foreign video game productions to Japan which include stories set in tradition, culture and nature.

Alba: A Wildlife Adventure

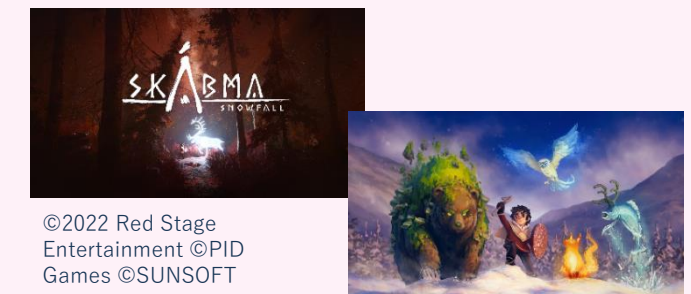
Experiential games that make you feel the fascination of nature, such as rescuing dolphins on land and making a picture book of the island's wildlife by photographing them with your smartphone.



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Skábma - Snowfall

3D adventure game set in the world of the Sami, the northernmost indigenous people of Europe.



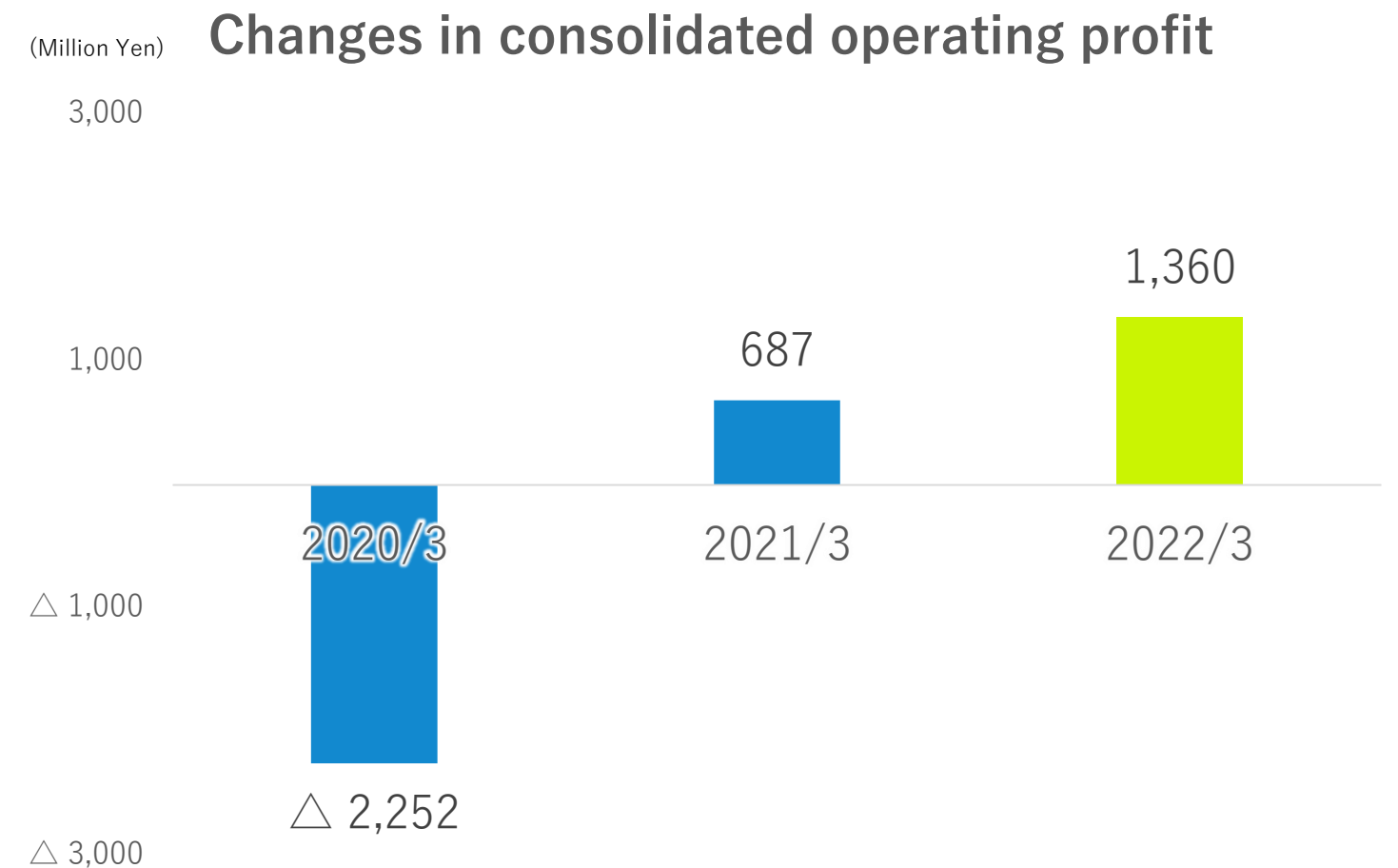
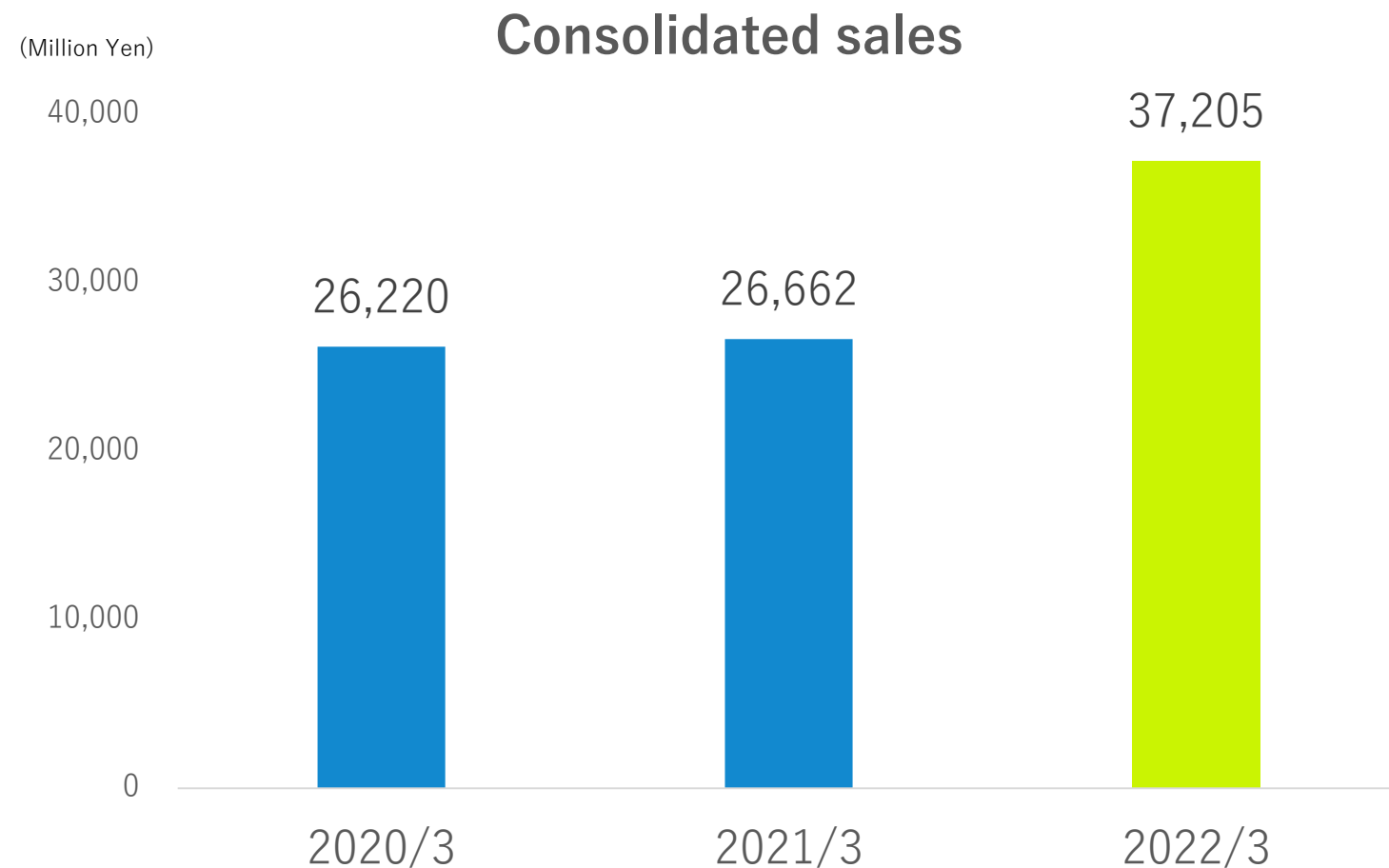
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Summary of financial results for the year ended 31 March 2022

Financial Highlights (Consolidated)



- Increased revenues were achieved as a result of steady orders in the mobile data solutions business.
- Selection and concentration of businesses, including the sale of businesses and the liquidation of unprofitable divisions and product groups, and a change to a more profit-oriented organisational structure.
- The company's five consecutive terms of non-consolidated deficits ended and it has become profitable for the full year in FY2022.



Income Statement (Consolidated)



Improvement in ordinary profit/loss was mainly due to foreign exchange gains of JPY 3,435 million and gains on valuation of derivatives of JPY 4,730 million.

(Unit: million yen)	2021/3	2022/3	
	Actual results	Actual results	Year-on-year variance (%)
Sales	26,662	37,205	39.5
cost of goods sold	7,837	10,868	38.6
Gross profit	18,825	26,337	39.9
Selling, general and administrative expenses	18,137	24,976	37.7
Operating profit	687	1,360	98.0
Ordinary profit	881	9,673	998.0
Net profit for the year attributable to shareholders of the parent company	47	2,822	5904.2

Segmental Overview (Consolidated).

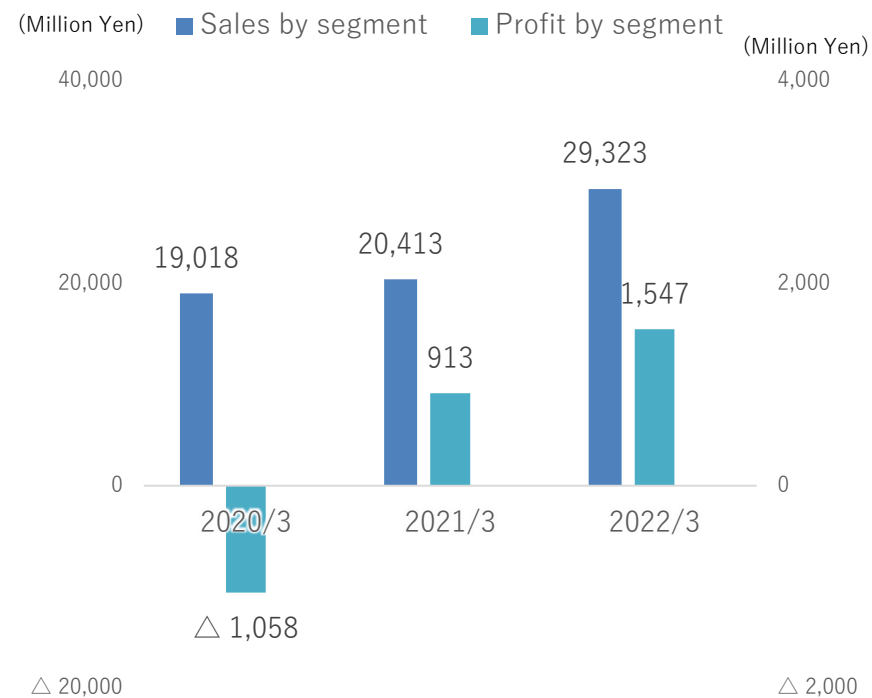


Mobile data solutions (Digital Intelligence)

Sales **29,323 million**
Composition ratio **78.8%**

Outline

Net sales increased due to a steady increase in orders for mobile forensic equipment and related services, and a significant increase in sales of digital forensic products compared to the previous fiscal year period.

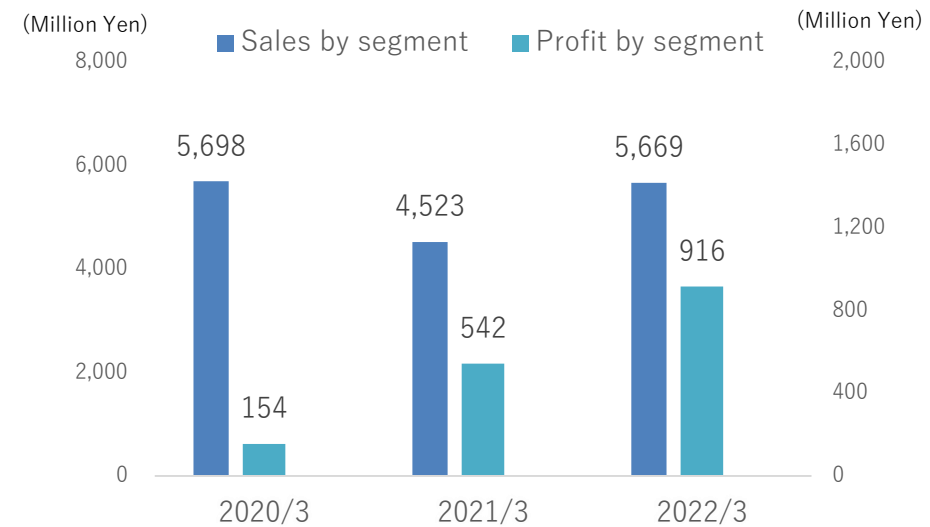


Entertainment related (Amusement and gaming)

Sales **5,669 million**
Composition ratio **15.2%**

Outline

Both sales and profits increased due to strong sales of control boards for pachinko/pachislot machines and steady orders for contracted development of pachinko/pachislot machines. In the game business, both sales and income increased as a result of focusing on "Shanghai," which has a large number of users, to improve profitability.

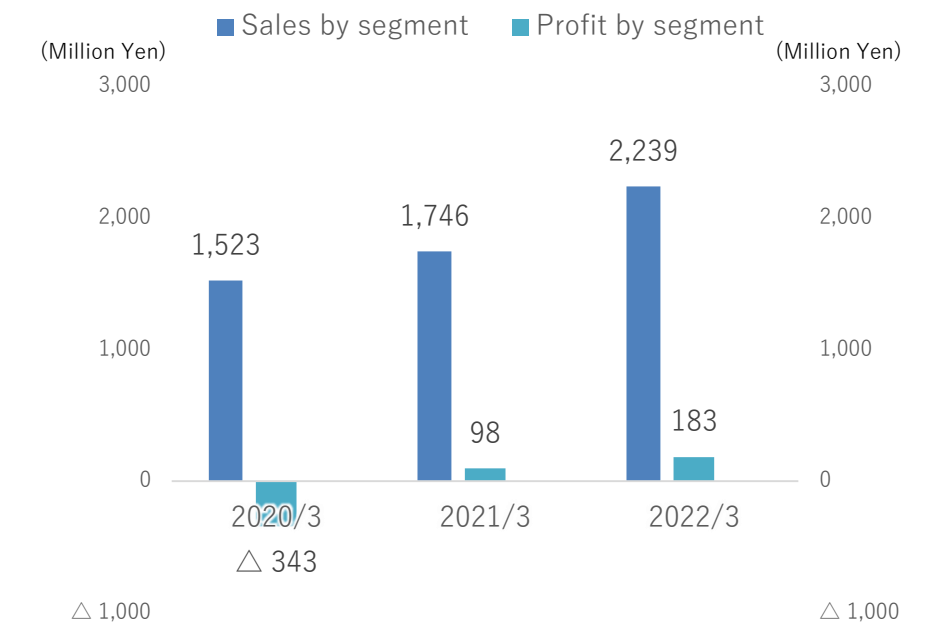


New IT-related (M2M/IoT)

Sales **2,239 million.**
Composition ratio **6.0%**

Outline

As for sales, both sales and profits increased due to strong sales of M2M communication equipment such as those for vending machines and increased sales of equipment for the migration from 3G to LTE (4G).



Balance Sheet (Consolidated)

Current assets increased by 28,816 million yen from the previous year due to the sale of Cellebrite shares held by SUNCORPORATION.

Intangible assets increased by 1,891 million yen in goodwill and 646 million yen in other technologies, etc., due to the acquisition of Digital Clues, while derivative liabilities of 14,388 million yen were generated due to the listing of the company's shares in Cellebrite as a result of the merger.



	2021/3		2022/3	
	(million yen)	Actual results	Actual results	Year-on-year change (%)
Cash on hand and in banks		32,534	31,679	▲2.6
Other current assets		11,114	40,785	267.0
Tangible fixed assets		3,237	3,468	7.1
Intangible fixed assets		1,661	4,197	152.6
Investments and other assets		1,237	1,957	58.1
Total assets		49,785	82,088	64.9
Current liabilities		27,885	38,961	39.7
Fixed liabilities		1,079	16,086	1390.6
Total liabilities		28,964	55,047	90.1
Shareholder's equity		14,811	23,865	61.1
Accumulated other comprehensive income		▲419	512	-
Share warrant		2,051	2,662	29.8
Non-controlling interests		4,377	-	-
Total net assets		20,820	27,040	29.9
Total liabilities and net assets		49,785	82,088	64.9

Cash Flow (Consolidated)



Net income 9,678 million yen, income taxes paid 1,119 million yen, increase in trade receivables 204 million yen.

(In millions)	2021/3	2022/3		Comments
	Actual balance	Actual balance	Year-on-year variance (%)	
Cash flows from sales activities	6,110	3,632	▲40.5	Income taxes paid 1,119 million. Increase in research and development costs of approx. 1,136 million yen
Cash flows from investing activities	▲ 910	4,020	-	8,432 million yen decrease in term deposits 2,279 million yen for business acquisitions, and 1,195 million yen for the acquisition of investment securities.
Cash flows from financial activities	3,598	▲3,036	▲184.3	2,646 million yen in repayment of short-term borrowings 3,323 million yen in dividends paid.
Cash and cash equivalents at the beginning of year	12,674	21,113	66.5	
Cash and cash equivalents at end of year	21,113	27,438	29.9	
Free cash flow	5,200	7,652	47.1	

New medium-term management plan 2022-2024 (SUN Group excluding Cellebrite)

- As Cellebrite was listed on NASDAQ in the US in August 2021, SUNCORPORATION's medium-term management plan does not include Cellebrite's management plan.
- For management information on Cellebrite, please see the company's website. (<https://cellebrite.com>)

Medium-term management plan and growth picture (SUN Group excluding Cellebrite)

New medium-term management plan focuses on new growth for SUNCORPORATION, aiming for non-consolidated sales of 20 billion yen.






Main implementation themes

Expansion of new business areas

Improvement of the profit structure

Strengthening the Group's management base and Achieving sustainable growth

External environment awareness (SUN Group excluding Cellebrite)

		External Environment
 Mobile data solutions business		<p>The digital forensics market where the digital intelligence business for criminal investigation agencies belongs</p> <p>In addition to the global trend toward digitization in law enforcement operations, the establishment of the Cyber Police Bureau in Japan's National Police Agency has further stimulated the development of forensic solutions for digital crimes.</p>
	 New IT	<p>M2M</p> <p>The migration from 3G to LTE (4G) will be implemented on a full scale as each communication carrier (NTT Docomo, KDDI, and Softbank) will shut down their 3G lines in phases by March 2026.</p> <p>IoT</p> <p>While demand for systems that remotely access and monitor/control industrial equipment is increasing, many companies are entering the market, so while the market itself is expanding, the competitive environment remains severe.</p>
 Entertainment	<p>Amusement</p>	<p>Although the future is uncertain due to supply difficulties caused by the ongoing global shortage of semiconductors, soaring costs, and a decrease in the number of pachinko parlors, the introduction of new game machines (smart pachinko and smart pachislot) scheduled for 2022 is expected to revitalize the market and increase hardware demand.</p>
	<p>Games</p>	<p>Global</p> <p>The expansion trend continues as the network environment improves and new game hardware is introduced.</p> <p>In the smartphone game market, games that embody the core of fun in a short development period, called hyper-casual games, have expanded over the past few years.</p> <p>Domestic</p> <p>While home video games are booming, the Smartphone market has leveled off since 2015 due to intense competition.</p>

Business strategies and measures (SUN Group excluding Cellebrite)

Business measures will be developed in view of the market environment in each segment



Mobile Data Solution (SUN's business in Japan)

Business policy (goals) and social values

- ① Realization of a safe/secure social environment
- ② Increase the social utility of mobile device data

Business activities

- ① **Realization of a safe/secure social environment**
Proposed security solutions
Collaboration with companies involved in security products
- ② **For criminal investigation agencies**
Mobile forensic equipment
Develop and promote mobile solutions
- ③ **For mobile device retailers**
Mobility brand for the domestic market

Key measures for Revenue Structure Transformation

	Challenges/opportunities	Direction of solutions/measures
Realization of a safe/secure social environment	Demand in the information security market is growing along with the expansion of DX	Proposal for new security solutions Provides countermeasures against cyber threats, which are becoming more sophisticated with the development of information technology
For criminal investigation agencies	Trust from law enforcement accounts developed through existing transactions	Effective use of accounts Propose solutions for services required in criminal investigations, such as video image recognition/analysis
For mobile device retailers	Business opportunities are apparent in the market	Proposals for mobile device retailers Propose and target the introduction of solutions for constantly used at mobile device retailers

Business strategies and measures (SUN Group excluding Cellebrite)

New IT

Business policy (goals) and social values

M2M Identifying next-generation technologies and building an ecosystem of purpose-built solutions from existing product sales-based businesses

IoT Provide services and market value to society in accordance with new needs.

Business activities

Remote monitoring, control, analysis and maintenance for IoT

Entertainment

Business policy (goals) and social values

Amusement ... Pursue enhanced entertainment and provide new enjoyment and stimulation to more people

Game Stabilization of existing businesses through IP assets and the challenge of new possibilities through hyper-casual games

Business activities

- Planning, development and manufacture of a wide range of hardware and software for LCD display units and various control boards for amusement machines.
- Develop and distribute games for various platforms

Key measures for Revenue Structure Transformation

	Challenges/opportunities	Direction of solutions/measures
M2M	Business expansion towards solutions business	Strengthening solutions Expand the solutions business by leveraging the competitive advantage of technology
	Full-scale development of the platform business. Expand business by widening opportunities from the current service of only in-house products to other companies' products	Stock business in maintenance services Enhancing the functionality of the device management 'SunDMS' to add value and expand the stock business.
IoT	Accelerated movement towards DX through the use of IoT	Exploring new territories By developing synergies with mobile communication devices cultivated in the M2M business, we aim to expand the perspective of remote support and aiming to provide new solutions to all companies promoting DX based on AR and AI technologies in the future.

Key measures for Revenue Structure Transformation

	Challenges/opportunities	Direction of solutions/measures
Amusement	Supply difficulties and rising costs due to shortage of semiconductors	Expanding into new areas while implementing cost reductions Maintain and continue the current business (commercial products) by reducing costs while improving product strength and quality. In addition, develop new commercial products that utilize pachinko/pachislot machine development technology, such as actual machine simulation applications for smartphones.
Game	Maintains a certain customer base through existing IP	Utilization of IP Secure stable revenues by bringing remakes to the market that utilize the existing flagship IP Shanghai and a number of retro game IPs held by the company

Organizational strategies for product value creation (SUN Group excluding Cellebrite)

Establishment of a cross-functional department (Marketing Department) to create new SUN products and provide new value to customers and society



Mobile Solution



New IT



Entertainment

Marketing Department

Initiative

1

Review of current products and service

2

Improved sales methods current products and service

3

Planning new products and service

4

M&A development of priority growth businesses



New technology development

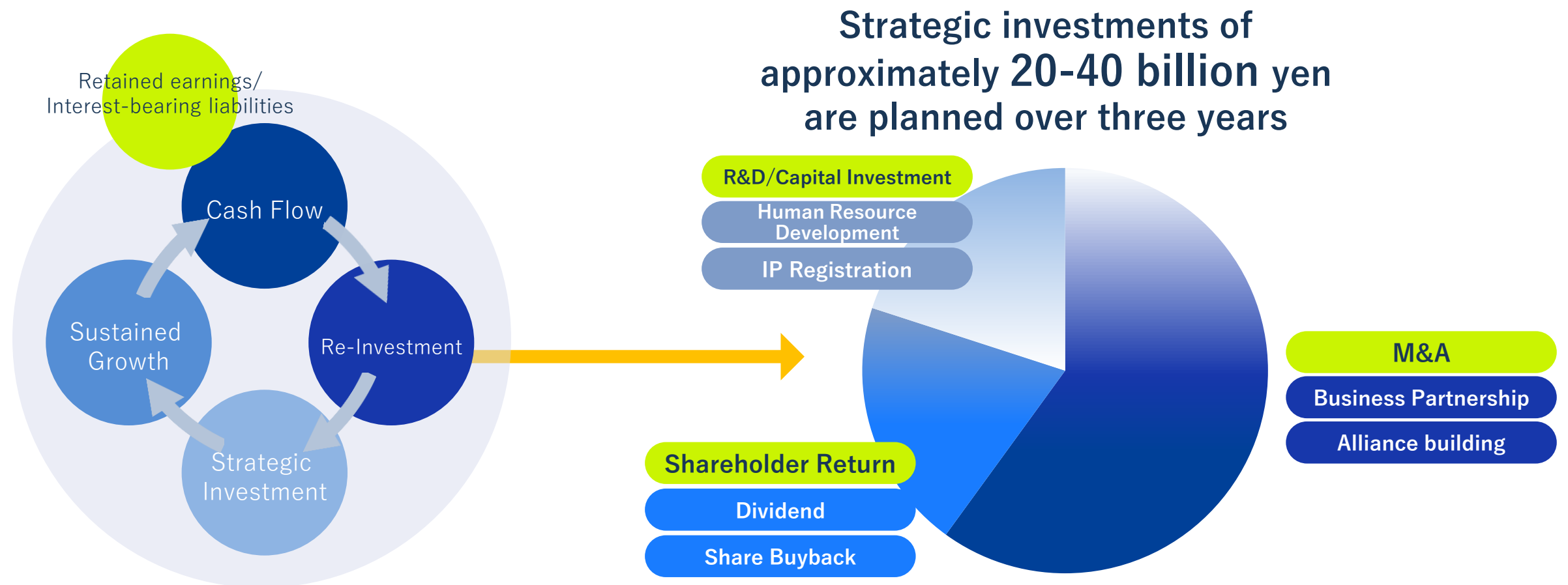
Further study of underlying hardware and technology techniques

Investment Strategy (SUN Group excluding Cellebrite)

Maximize the corporate value of the entire Sun Group by strategically promoting capital allocation

Basic Policy

- Actively develop priority growth businesses. Optimal allocation of CF for sustainable growth businesses.
- Maximize the use of a cash-rich balance sheet, strengthen human resources and R&D functions, and achieve sustainable growth.
- Contribute to stakeholder value creation by returning profits (including share buy-backs)



Shareholder Returns (Non-Consolidate)

Policy

While taking into account the medium- and long-term business earnings base
We will actively and flexibly pay out profit dividends in line with our performance.

		2021/3	2022/3
Dividend	(Annual)	10.00 JPY	40.00 JPY
	(End of Term)	10.00 JPY	20.00 JPY
	(Q2)	-	20.00 JPY
Dividend payout ratio (Consolidated)		481.4%	33.9%

Disclaimer



The purpose of this document is to provide information on the Company's business, management strategy and performance.

It is not intended as a solicitation to invest in securities issued by the Company.

In addition, this material has been prepared based on data as of 20 May 2022 for financial and company data.

The opinions and forecasts expressed in this material are based on the company's judgment at the time the material was prepared.

The accuracy and completeness of the information is not guaranteed or promised and is subject to change in the future without notice.

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