

[Translation]

Dear Shareholders,

(Securities Code: 6736)

June 8, 2022

Representative Director and President: Ryusuke Utsumi
SUNCORPORATION
250 Asahi, Kochino-cho, Konan-shi, Aichi

Notice of Convocation of the 51st Ordinary General Meeting of Shareholders

We express our deep appreciation to each of the shareholders for their continued support.

Please be notified that the 51st Ordinary General Meeting of Shareholders of SUNCORPORATION (“the Company”) will be held as outlined below.

In order to prevent infections of COVID-19 and its spread, we would like to ask each of the shareholders to exercise their voting rights by mail as much as possible. Also, in order to avoid the “Three Cs” (closed spaces, crowded places, close-contact settings) at the venue, we will limit the number of attendees to the first 30 or so on the day of the meeting. We would appreciate your understanding.

After reviewing the reference documents concerning the general meeting of shareholders described below, please indicate your approval or disapproval on the enclosed voting rights exercise form and send it to arrive by 6:00 p.m., Wednesday, June 22, 2022.

Yours sincerely,

1. Time and Date: Thursday, June 23, 2022 at 10:00 a.m.
2. Venue: Conference room on the 3rd floor of the Company’s Konan Office
250 Asahi, Kochino-cho, Konan-shi, Aichi
(Please see the venue guide map at the end)
3. Subject matter of the General Meeting of Shareholders
Matters to be reported
 - 1: The business report, consolidated financial statements, and audit results of the consolidated financial statements by the Accounting Auditor and the Audit and Supervisory Committee for the 51st fiscal year (from April 1, 2021 to March 31, 2022)
 - 2: The non-consolidated financial statements for the 51st fiscal year (from April 1, 2021 to March 31, 2022)

Matters to be resolved

Proposal No. 1: Appropriation of surplus

Proposal No. 2: Partial amendment to the Articles of Incorporation

Proposal No. 3: Appointment of six directors (excluding directors who are Audit and Supervisory Committee Members)

Proposal No. 4: Appointment of three directors as members of the Audit and Supervisory Committee

Proposal No. 5: Appointment of the Auditor

Proposal No.6: Revision of the remuneration for directors (excluding the directors who are members of the Audit and Supervisory Committee) in connection with the introduction of a post-delivery type stock compensation system

© Of the documents that should be provided in this convocation notice, the “notes to the consolidated financial statements” and “notes to the non-consolidated financial statements” are posted on our website (<https://www.sun-denshi.co.jp>) based on laws and regulations and the provisions of Article 14 of the Company’s Articles of Incorporation, and are not described in the materials attached to this convocation notice. The consolidated and non-consolidated financial statements included in the attached documents of this convocation notice are part of the consolidated and non-consolidated financial statements audited by the Accounting Auditor and the Audit and Supervisory Committee in preparing the accounting audit report and the

- audit report.
- ◎ Please note that any amendments to the matters stated in the “business report, consolidated financial statements, non-consolidated financial statements, and reference documents concerning the general meeting of shareholders” will be posted on our website (<https://www.sun-denshi.co.jp>).

Reference Documents Concerning the General Meeting of Shareholders

Agenda and relevant information

Proposal No. 1: Appropriation of surplus

The Company proposes to appropriate surplus as given below.

Our basic policy regarding dividends is to actively and flexibly pay dividends in line with business performance, taking into consideration the medium to long-term free cash flow and dividend payout ratio, in order to develop business for the future, strengthen the management foundation, and increase corporate value over the medium to long term.

Based on this policy, we propose to pay the year-end dividend for the current fiscal year as follows, taking into consideration the solid performance of the current fiscal year and our financial position.

Matters concerning year-end dividends

(1) Type of dividend property: Cash

(2) Matters concerning the allocation of dividend assets to shareholders and the total amount thereof
20 yen per share of common stock of SUNCORPORATION Total amount: 478,821,320 yen

(3) Effective date of the distribution of surplus
June 24, 2022

Proposal 2: Partial amendment to the Articles of Incorporation

Reasons for the changes

The amendment stipulated in the provision of Article 1 of the Supplementary Provision of the "Law Partially Amending the Companies Act" (Law No. 70 of 2022) will come into effect on September 1, 2022, and the Company proposes to amend its Articles of Incorporation as follows in order to prepare for the introduction of the electronic provision system of materials for the General Meeting of Shareholders.

- (1) Article 14, Paragraph 1 of the Proposed Amendment provides that the Company shall take measures to provide information that is the content of the Reference Documents for the General Meeting of Shareholders, etc. electronically.
- (2) Paragraph 2 of Article 14 of the Proposed Amendment will establish a provision to limit the scope of matters to be included in the document to be delivered to shareholders who have requested delivery of the document.
- (3) The provision for Internet disclosure and the deemed provision of reference documents for the General Meeting of Shareholders, etc. (Article 14 of the current Articles of Incorporation) shall be deleted as it is no longer necessary.
- (4) In accordance with the above new establishment and deletion, supplementary provisions regarding the effective date, etc. are to be established.

Details of the changes

The details of the changes are as follows.

(The underlines indicate the changes.)

Current Articles of Incorporation	Proposed Changes
<p><u>(Internet Disclosure and the Deemed Provision of Reference Documents for the General Meeting of Shareholders, etc.)</u> Article 14. The Company shall be deemed to have <u>provided to its shareholders, at the time of convocation of a general meeting of shareholders, information pertaining to matters to be stated or indicated in the reference documents for the general meeting of shareholders, business report, financial statements and consolidated financial statements by disclosing such information via the Internet in accordance with the provisions of the applicable Ordinance of the Ministry of Justice. The Company may deem that it has provided such information to shareholders by disclosing it via the Internet in accordance with the applicable Ordinance of the Ministry of Justice.</u></p>	<p>< Deletion ></p>
<p>< Newly established ></p>	<p><u>(Electronic provision measures, etc.)</u> Article 14. The Company shall, at the time of <u>convening a general meeting of shareholders, take measures to provide electronically the information that is the content of the reference documents, etc. for the general meeting of shareholders.</u> (2) <u>The Company may not include all or part of the matters for which electronic provision measures are taken, which are provided for in the Ordinance of the Ministry of Justice, in the document to be delivered to shareholders who</u></p>

< Newly established >

have made a written request by the Record Date for Voting Rights.

(Supplementary Provisions)

1. The deletion of Article 14 (Internet Disclosure and the Deemed Provision of Reference Documents for General Meetings of Shareholders, etc.) of the current Articles of Incorporation and the establishment of Article 14 (Measures for Electronic Provision, etc.) of the proposed amendment shall become effective as of the date of enforcement of the amended provisions prescribed in the proviso of Article 1 of the Supplementary Provisions of the Law to Amend the Companies Act (Law No. 70 of 2049) (the "Enforcement Date").
2. Notwithstanding the provisions of the preceding paragraph, Article 14 of the present Articles of Incorporation shall remain in force with respect to shareholders' meetings whose date is within six months from the effective date.
3. These Supplementary Provisions shall be deleted after six (6) months have elapsed from the effective date or after three (3) months have elapsed from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.

Proposal 3: Appointment of Six (6) Directors (excluding Directors who are Audit Committee Members)

As the terms of office of all directors (excluding directors who are members of the Audit Committee) will expire at the conclusion of this General Meeting of Shareholders, the Company proposes the appointment of six (6) Directors (excluding directors who are members of the Audit Committee). The Audit Committee has stated that there are no particular matters to be pointed out in connection with this proposal.

The nominees for directors (excluding directors who are Audit Committee Members) are as follows.

Candidate No.	Name (Date of birth)	Brief Personal History, Positions, Responsibilities and Important Concurrent Positions	Number of our shares held
1	Ryusuke Utsumi (October 8, 1965)	Mar. 2008 Chubu Association for Management Information Technology Aichi Venture House Incubation Manager Jun. 2009 Manager, Industrial Support Department, Chubu Aerospace Technology Center Jun. 2012 Joined SUNCORPORATION Oct. 2018 General Manager, Internal Control Office Apr. 2019 General Manager, Internal Audit Office Apr. 2020 Director of the SUNCORPORATION Apr. 2020 Director, Cellebrite DI Ltd. Apr. 2020 Director, E-Dream Corporation (to present) Jul. 2020 Director, SUNTAC Corporation Feb.2021 Chairman, Cellebrite DI Ltd. Jun. 2021 Representative Director of SUNCORPORATION (to present) Aug. 2021 Director, Cellebrite DI Ltd. (to present)	900 shares
Reasons for the appointment as a candidate Since assuming the position of Director of SUNCORPORATION in April 2020, he has been promoting the review of sales methods and rationalization of management for the restructuring of management and further growth of each business by utilizing his experience in a wide range of fields and his extensive knowledge and personal connections as a corporate manager. He has demonstrated a high degree of drive and leadership in the management of each subsidiary and in various measures to strengthen the Company's management base.			
2	Yoshimi Kimura (April 3, 1948)	Oct. 1972 Pete Mauik Mitchell Accounting Firm (now KPMG) Sep. 1978 George Takahashi Accounting Office Feb. 1980 Mackin Industries Sep. 1984 President and Consultant, System Pro USA Oct. 1989 Showa Ota & Co. (now Ernst & Young ShinNihon LLC) Nov. 1994 General Manager, Internal Audit Office, Goodman Co. Sep. 1997 Managing Director and General Manager of Administration Division of the same company Managing Director, General Manager of Overseas Business Management Division and General Manager of Administration Division Sep. 2004 Sep. 2006 Chairman, Avantech Vascular, Inc. Dec. 2006 Light Lab Imaging, Inc. Controller Sep. 2008 Full-time Auditor of Goodman Corporation Sep. 2014 Auditor, Greens Inc. Mar. 2016 Director and Audit Committee Member of the same company Jul. 2018 Consultant for SUNCORPORATION Jun. 2019 President and Representative Director of	3,100 shares

Candidate No.	Name (Date of birth)	Brief Personal History, Positions, Responsibilities and Important Concurrent Positions	Number of our shares held
		Jun. 2021 SUNCORPORATION Senior Managing Director and Representative Director of SUNCORPORATION (to present)	
<p>Reasons for the appointment as a candidate</p> <p>He has abundant experience in overseeing corporate management and administration at several domestic and overseas companies over many years, as well as sufficient knowledge and experience to carry out management restructuring, including investing in and growing startup companies, launching new businesses, and improving operations, and was appointed as a director in June 2019. Since then, he has promoted the rationalization of the Company's management and is expected to further strengthen the functions of the Board of Directors.</p>			

Candidate No.	Name (Date of birth)	Brief Personal History, Positions, Responsibilities and Important Concurrent Positions	Number of our shares held
3	Yonatan Domnitz (April 21, 1981)	Aug. 2006 Forensic Accountant, RGL Forensics Accountants and Consultants, London Aug. 2009 From ICAEW (Institute of Chartered Accountants in England and Wales) Accredited by the Association of Chartered Certified Accountants (ACA) Jan. 2010 forensic accountant, C. Lewis & Company LLP (London and Hong Kong) Aug. 2012 Director and Strategic Analyst (to present), Oasis Management Company Ltd. Apr. 2020 Director of SUNCORPORATION (to present) Apr. 2020 Director, Cellebrite DI Ltd. (to present) Jul. 2020 Director, Bacsoft, Ltd.	0 shares
Reasons for the appointment as a candidate He has engaged in financial analyses and various risk investigations for many years and has the specialized knowledge of advanced financial fields and the ability to supervise our group's finance and accounting departments. He is expected to contribute to the enhancement of SUNCORPORATION's corporate value and medium to long term development by improving profitability, improving operations, strengthening competitiveness, and implementing corporate governance reforms.			
4	Yakov Zlich (October 4, 1966)	Sep. 1994 Clerkship, Hamburger, Evron Law Firm (Israel) Jan. 1996 Lawyer, Sadot Law Firm (Israel) (Member of the Israeli Bar Association since November 1995) Jul. 1999 Tokyo correspondent, Maariv Daily Newspaper (Israel) Nov. 2002 Business Development Manager, Japan Israel Investment Corporation, Ltd. Jul. 2004 Business Development Consultant, Zlich Consulting, Inc. (to present) Jun. 2007 OEM Sales Manager, Mentor Graphics Japan K.K. (acquired Valor Computerized Systems Japan) Jun. 2012 Director of Business Development, Screenovate Technologies Ltd. (Israel) Nov. 2015 Representative Director and Country Manager Incredibuild Japan K.K. Apr. 2020 Outside Director of SUNCORPORATION Jul. 2020 Director of SUNCORPORATION (to present) Jul. 2020 Director, Bacsoft, Ltd. (to present)	300 shares
Reasons for the appointment as a candidate He has many years of extensive experience in business development in both Japan and Israel, and his outstanding expertise as a lawyer is expected to strengthen the functions of the Board of Directors.			

Candidate No.	Name (Date of birth)	Brief Personal History, Positions, Responsibilities and Important Concurrent Positions	Number of our shares held
5	Akira Iwata (November 30, 1950)	Apr. 1985 Associate Professor, Department of Computer Science and Engineering, Nagoya Institute of Technology Apr. 1993 Professor, Department of Electrical and Computer Engineering, Nagoya Institute of Technology Apr. 1997 Chairman, Department of Electrical and Computer Engineering, Nagoya Institute of Technology Nov. 2002 Vice President, Nagoya Institute of Technology Jan. 2004 Professor, Graduate School of Engineering, Nagoya Institute of Technology Apr. 2004 Professor, Graduate School of Engineering, Nagoya Institute of Technology General Manager, Intellectual Property Management Division, Techno Innovation Center (concurrent position) Apr. 2016 Professor Emeritus, Nagoya Institute of Technology (current position) Apr. 2016 Representative Director, Encephalon Corporation (to present) a startup company and a national university corporation from Nagoya Institute of Technology, Apr. 2020 Outside Director of SUNCORPORATION (to present)	100 shares
Reasons for the nomination as a candidate and the expected roles He has advanced technical expertise in the fields of artificial intelligence (AI), neural networks, deep learning, and information security, as well as extensive consulting experience in the planning, development, and manufacturing of IoT sensor systems. He is expected to contribute to the growth and development of SUNCORPORATION's group, and is therefore nominated as a candidate for Outside Director again.			
6	Yaniv Vardi (August 31, 1973)	May. 1989 Israeli Air Force Intelligence Squadron Sep. 1996 Air Force Weapons Procurement Manager in New York, Israel Ministry of Defense Aug. 1999 Director, Systems Integration, DM Incorporated Jul. 2001 Co-founder and Managing Director, Sparta Systems Europe Senior Global Project Manager Apr. 2004 Vice President of Operations of the same company Jun. 2008 Managing Director of the same company Nov. 2012 Chief Executive Officer, Panoramic Power, Inc. Oct. 2015 Managing Director in International Business Centrica Business Solutions, Inc. Apr. 2020 Outside Director of SUNCORPORATION (to present) Aug. 2020 Director and Chief Executive Officer of Claroty (to present)	0 shares
Reasons for the nomination as a candidate and the expected roles He has been involved in the formulation of strategies for various global businesses for many years, and has a wealth of experience and accomplishments in achieving global growth and success. He is expected to contribute to the growth and development of SUNCORPORATION's group, and is therefore nominated as a candidate for Outside Director.			

(Notes) There are no special interests between the director candidates and SUNCORPORATION.

- 1.
2. Mr. Akira Iwata and Mr. Yaniv Vardi are currently outside directors of the Company who are not members of the Audit Committee, and will have been in office for two years and three months at the conclusion of this General Meeting of Shareholders.
3. The Company has appointed Mr. Akira Iwata as an independent director as stipulated by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange to that effect.
4. The Company's Articles of Incorporation stipulate that the Company may enter into agreements with outside directors to limit their liability for damages to the Company to a certain extent so that the Company can attract competent human resources as outside directors. If this proposal is approved and Mr. Akira Iwata and Mr. Yaniv Vardi are elected, the Company plans to continue the liability limitation agreement with them. The maximum amount of liability under such contracts shall be the minimum liability limit stipulated by laws and regulations.
5. The Company has concluded a directors' and officers' liability insurance policy (management risk protection insurance policy) with an insurance company as stipulated in Article 430-3 of the Companies Act and plans to renew the policy in July 2022. The insurance policy covers the costs of disputes and damages incurred by the insured due to corporate lawsuits, third-party lawsuits, shareholder derivative actions, etc. Other details are as described in the Business Report (see page 20). If the candidates are reappointed, they will be included as an insured under the policy.
6. The "Number of shares held" shows the number of shares as of March 31, 2022.

Proposal 4: Appointment of Three (3) Directors as Audit Committee Members

As the terms of office of all Directors who are Audit & Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders, we request the appointment of three (3) new Directors who are Audit & Supervisory Committee Members.

The Company has obtained the prior consent of the Audit Committee with respect to this proposal.

The nominees for the position of director as a member of the Audit Committee are as follows.

candidate No.	Name (Date of birth)	Brief Personal History, Positions, Responsibilities and Important Concurrent Positions	Number of our shares held
1	Yasushi Muto (May 5, 1963)	<p>Nov. 1992 Joined SUNCORPORATION</p> <p>Mar. 2010 General Manager, Product Management Dept.</p> <p>Oct. 2013 Executive Officer, General Manager of Product Management Dept.</p> <p>Jul. 2016 General Manager, Internal Control Office</p> <p>Oct. 2018 General Manager, Internal Audit Office</p> <p>Apr. 2019 General Manager, Product Management Dept.</p> <p>Apr. 2020 Corporate Auditor, E-Dream Corporation (to present)</p> <p>Jun. 2020 Director of SUNCORPORATION (Member of the Audit Committee) (to present)</p>	400 shares
<p>Reasons for the appointment as a candidate for director</p> <p>He has engaged in manufacturing and purchasing departments and internal control operations for many years and has abundant experience and achievements, and is expected to strengthen the functions of the Board of Directors.</p>			
2	(New appointment) Tomonori Shinkai (October 22, 1968)	<p>Oct. 1994 Joined Cosmos & Co.</p> <p>Apr. 1998 Registered as a Certified Public Accountant</p> <p>Nov. 2003 Employee, Cosmos & Co.</p> <p>Jun. 2007 Representative Partner, Cosmos & Co.</p> <p>Jul. 2019 Supervisory Representative Partner, Cosmos & Co. (to present)</p> <p>Jun. 2020 Appointed Auditor, Pacific Industrial Co.Ltd (to present)</p>	0 shares
<p>Reasons for the nomination as a candidate for the outside director and expected roles</p> <p>He is nominated as a candidate for outside director of the board of directors because he has a wealth of expertise and experience as a certified public accountant and is expected to strengthen the functions of the board of directors. Although he has never been involved in the management of an organization in the past except as a corporate auditor, we believe that he will be able to appropriately perform his duties as an outside director and a member of the Audit and Supervisory Committee for the reasons stated above.</p>			
3	(New appointment) Takashi Matsui (November 1, 1976)	<p>Dec. 2008 Registered as a lawyer</p> <p>Dec. 2008 Joined Kawakami & Hara Law Office (now Olympia Law Office)</p> <p>Jan. 2012 Established Matsui Law Office</p> <p>Apr. 2013 Steering Committee Member of Nagoya Branch, Japan Intellectual Property Arbitration Center (present post)</p> <p>Sep. 2015 Part-time Lecturer (Copyright Law), Nanzan University Law School</p> <p>Jan. 2019 Lecturer at the Japan Patent Attorneys Association for Specific Infringement Litigation</p>	0 shares

Candidate No.	Name (Date of birth)	Brief Personal History, Positions, Responsibilities and Important Concurrent Positions	Number of our shares held
		Representation (current position) Nov. 2019 Selection Committee Member, Okazaki City Regional Electricity Retail Business Partner Dec. 2020 Outside Director and Audit Committee Member of Goodspeed Corporation (to present) Apr. 2022 Member, Nagoya City Administrative Complaint Review Board (to present)	
Reasons for the nomination as a candidate and the expected roles He is nominated as a candidate for outside director of the board of directors because he has extensive expertise and experience as a lawyer and is expected to strengthen the functions of the board of directors. Although he has not been involved in the management of the Company in any way other than being an Outside Director or Audit & Supervisory Board Member in the past, we believe that he will be able to appropriately perform his duties as an Outside Director and an Audit & Supervisory Board Member for the reasons stated above.			

- (Notes) There are no special interests between SUNCORPORATION and each candidate for director
1. who is a member of the Audit Committee.
 2. Mr. Tomoyuki Shinkai and Mr. Takashi Matsui are candidates for outside directors. Upon the election of both candidates, the Company will appoint them as independent directors as stipulated by the Tokyo Stock Exchange, and will notify the Exchange of such designation.
 3. Mr. Tomoyuki Shinkai and Mr. Takashi Matsui, the candidates for Outside Directors as members of the Audit Committee, have never been an executive or an officer of the Company or its subsidiaries.
 4. Mr. Tomoyuki Shinkai and Mr. Takashi Matsui, the candidates for Outside Directors as members of the Audit Committee, are not parent companies, etc. (limited to natural persons) of the Company, nor have they been parent companies, etc. (limited to natural persons) of the Company in the past five years.
 5. Mr. Tomoyuki Shinkai and Mr. Takashi Matsui, the candidates for outside directors who are Audit & Supervisory Board Members, are not, and have not been in the past five years, officers or directors of any business entity in a special relationship with the Company.
 6. Mr. Tomoyuki Shinkai and Mr. Takashi Matsui, the candidates for outside directors who are members of the Audit Committee, do not plan to receive, and have not received in the past two years, any large amount of money or other assets from the Company or any entity in a special relationship with the Company.
 7. Mr. Tomoyuki Shinkai and Mr. Takashi Matsui, the candidates for outside directors who are members of the Audit Committee, are not spouses, relatives within the third degree of kinship, or other similar person of a parent company, etc. of the Company (limited to natural persons), a business executor or officer of the Company or a business entity in a special relationship with the Company.
 8. Neither Mr. Tomoyuki Shinkai nor Mr. Takashi Matsui, the candidates for Outside Directors as members of the Audit and Supervisory Board, has been an executive officer immediately prior to any merger, absorption-type company split, incorporation-type company split, or transfer of business in the past two years in which the Company has succeeded to their rights and obligations.
 9. If Mr. Yasushi Mutoh, a candidate for Director as a member of the Audit and Supervisory Committee, is elected, the Company will continue to enter into an agreement with him to limit his liability for compensation under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability based on such agreement shall be the amount stipulated in Article 425, Paragraph 1 of the Companies Act.
 10. Upon the election of Mr. Tomoyuki Shinkai and Mr. Takashi Matsui, the candidates for Outside Directors as members of the Audit and Supervisory Board, the Company will enter into an agreement with them to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability based on such agreement shall be the amount stipulated in Article 425, Paragraph 1 of the Companies Act.
 11. The Company has concluded a directors' and officers' liability insurance policy (management risk protection insurance policy) with an insurance company as stipulated in Article 430-3 of the Companies Act and plans to renew the policy in July 2022. The insurance policy covers the costs of disputes and damages incurred by the insured due to corporate lawsuits, third-party lawsuits, shareholders' derivative actions, etc. Other details are as described in the Business Report (see page 20). If the candidates are appointed, they will be included as insured under the policy.
 12. The "Number of shares held" shows the number of shares as of March 31, 2022.

Proposal 5: Appointment of the Accounting Auditor

The term of office of the accounting auditor KPMG AZSA & Co. will expire at the time of this General Meeting of Shareholders, and therefore, based on the decision of the Audit Committee, we request your approval for the appointment of Frontier Audit Corporation as the new accounting auditor.

The Audit Committee nominated Frontier Audit Corporation as a candidate for the position of accounting auditor because, although the current accounting auditor has sufficient systems in place to ensure that accounting audits are conducted appropriately and properly, it has been in office since July 2007, which is a long period of continuous auditing. The Company judged that Frontier Audit Corporation was suited for the position after comprehensively taking account of the length of time the current accounting auditor has been in office (July 2007), the audit response commensurate with the scale of the Company's business, and the appropriateness of audit costs. The name, address of principal office, and history of the candidate for accounting auditor are as follows.

Name	Frontier Audit Corporation
Address of the head office	Frontier Building, 25-3, Nishi-Gotanda 2-chome, Shinagawa-ku, Tokyo
Establishment	In February 2007 as Frontier Audit Corporation
Outline	Capital contribution: 10 million yen Composition: 7 employees 24 Certified Public Accountants (including part-time) 6 other staff members Total 37 Companies involved: 10

Proposal No. 6: Revision of the remuneration for directors (excluding the directors who are members of the Audit and Supervisory Committee) in connection with the introduction of a post-delivery type stock compensation system

According to the resolution passed at the Company's 45th Ordinary General Meeting of Shareholders held on Jun 23, 2016, the maximum amount of remuneration for the directors of the Company (excluding directors who are members of the Audit and Supervisory Committee) is 200 million yen per year. In addition, the 43rd Ordinary General Meeting of Shareholders held on June 25, 2014 approved a resolution that stock acquisition rights be allocated to directors as stock compensation-type stock options, separate from monetary compensation, in an amount not exceeding 50 million yen per year and a maximum number of 50,000 shares per year.

For the purpose of achieving sustainable growth in the Company's corporate value and promoting further value sharing with shareholders, the Company proposes to review the remuneration system for directors (excluding directors who are members of the Audit and Supervisory Committee and including outside directors; hereinafter referred to as the "relevant directors") and abolish the stock option scheme as stock-based compensation and introduce a post-delivery type stock compensation system as follows (the "Plan").

The Board of Directors has determined that the ratio of the total number of shares to be delivered under this proposal to the total number of shares issued by the Company is expected to average 2.3% or less for a single fiscal year and is therefore appropriate for the above purposes.

In calculating the number of shares to be delivered, the expected role and other factors shall be taken into consideration based on the amount of base salary, including outside directors.

If Proposal 3 is approved as proposed, the number of directors (excluding directors who are members of the Audit and Supervisory Committee) will be six (6) (including two (2) outside directors).

1. The Outline of the System

This is a stock compensation plan under which, after a certain period of time has elapsed after the grant of rights, shares of the Company's common stock are delivered in a predetermined number or in a predetermined manner, subject to the satisfaction of certain conditions, and consists of Restricted Stock Units ("RSUs") with no performance conditions attached and Performance Share Units ("PSUs") with performance conditions attached. The plan consists of Restricted Stock Units ("RSUs"), which are not subject to performance conditions, and Performance Share Units ("PSUs"), which are subject to performance conditions.

(1) RSU

All directors of the Company will be granted the number of shares of common stock of the Company in the base number of shares determined on the date of grant of the rights after the expiration of the relevant period, on condition that they continue to be directors of the Company or hold certain positions determined by a resolution of the Board of Directors of the Company from the date of grant of the rights until the expiration of the vesting period, and on other conditions.

The vesting period is one year from the grant date for one-third of the RSUs granted, two years from the grant date for one-third, and three years from the grant date for one-third of the RSUs granted.

(2) PSU

For the relevant directors who engage in business execution, on condition that they continuously hold directorships or certain other positions determined by the resolution of the Board of Directors of the Company during the relevant period of the company's medium-term management plan (three consecutive years), the rights to the Company's ordinary shares will be granted. The number of shares will be determined in accordance with the degree of achievement of the performance targets set in the relevant medium-term management plan. Coefficients will also be determined according to the performances. The shares will be delivered after all the performances are confirmed.

2. Method of the delivery of shares

Regarding the delivery of the shares, the Company's shares shall be allotted in a number calculated based on the number of units granted by the company in advance by providing monetary compensation credits equivalent to the amount of such shares and then delivering all of such monetary compensation credits by way of contribution in kind. However, the Company may substitute all or part of the delivery of the Company's shares with the payment of money equivalent to the value of the shares.

The amount to be paid in for the company's shares will be determined by the Board of Directors of the company based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day preceding the date of the meeting of the Board of Directors concerning the issuance or disposal of such shares (or, if no such shares are traded on the same day, the closing price of the immediately preceding trading day) to the extent that such amount is not favorable to the directors who subscribe for such company's shares. The Board of Directors of the Company shall determine the amount of the subscription price.

3. Calculation method of the number of shares to be delivered and the amount of monetary compensation claims

(1) RSU

The Company will calculate the number of units to be granted to each relevant director based on the following formula and deliver shares at a rate of 1 share per 1 unit (to be adjusted reasonably in the event that the Company conducts a stock split, reverse stock split, etc. after granting units).

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

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

(2) PSU

The Company will calculate the number of units to be granted to each relevant director based on the same formula as in (1) above, multiply it by the degree of achievement of business performance (*3), and then grant one share per unit (to be adjusted reasonably if the Company conducts a stock split or reverse stock split, etc. after granting units).

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

*2 The share price at the time of grant shall be an objective and reasonable price such as the average closing price of the Company's common stock on the Tokyo Stock Exchange during the one-month period prior to the day before the date of the annual general meeting of shareholders in the year of the grant.

*3 The achievement level of the performance targets will vary from 0% to 150% depending on the degree of achievement of performance targets determined by the resolution of the Board of Directors.

4. Total amount of the base amount and the maximum total number of shares

The total base amount of RSUs to be granted to relevant directors in each fiscal year shall be 120 million yen or less, and the total number of shares of common stock of the Company to be issued or disposed of by relevant directors for each RSU granted in each fiscal year shall be 150,000 shares or less.

The total base amount for PSUs shall not exceed 630 million yen for the period covered by the Medium-term Management Plan (three fiscal years), and the total number of shares of common stock of the Company to be issued or disposed of for the relevant director shall not exceed 1,200,000 shares for the relevant period.

5. Grant requirements

Under the Plan, shares of common stock of the Company will be delivered, etc. to each relevant

director upon completion of the applicable period and fulfillment of the following requirements. Delivery of shares of common stock of the Company shall be made by way of share issuance or disposition of treasury stock by the Company, and the actual recipients of the shares among the relevant directors and the subscription requirements for such share issuance or disposition of treasury stock shall be determined at the meeting of the Board of Directors of the Company to be held after the elapse of the applicable period.

(i) During the applicable period, the relevant director must have continuously served as a director of the Company or in a certain position determined by a resolution of the Board of Directors of the Company.

(ii) Certain acts of misconduct as determined by the Company's Board of Directors have not occurred.

(iii) Other requirements that the Company's Board of Directors consider necessary in order to fulfill the purpose of the Plan.

6. Clawback

If it is found that the relevant director falls under (ii) or (iii) of 5 above after the delivery of shares of common stock of the Company under the Plan, by a resolution of the Board of Directors, the Company can demand the return of the shares of common stock of the Company already delivered (including cash if paid in lieu of such shares).