

The status of the Company's corporate governance is as follows.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Group's basic policy for corporate management is that all officers and employees should set "the right thing to do as a human being" based on high ethical standards as a criterion for business execution and practice it.

Based on this, we recognize that it is an important mission of management to contribute to society through business activities and to pursue profit fairly, and to build firm trust from stakeholders such as shareholders, customers and employees, business partners, partner companies, the environment, and local communities by continuously increasing corporate value over the long term..

Based on this recognition, the Company is working to strengthen its corporate governance with the below basic policies:

- (1) improving transparency and ensuring fairness,
- (2) swift decision-making and business execution,
- (3) thorough accountability,
- (4) timely and appropriate information disclosure, and
- (5) enhancement of compliance awareness.

At the 23rd Annual General Meeting of Shareholders Meeting held on June 21, 2022, the Company obtained approval for the necessary Company's Articles of Incorporation change and made the transition from a company with Audit & Supervisory Board to a company with Audit & Supervisory Committee. By adopting this corporate governance system, Audit & Supervisory Committee Members, who is in charge of audit and supervision of execution of duties of directors, will become a member of the Board of Directors, thereby strengthening the supervisory function of the Board of Directors and further enhancing corporate governance. In addition, by enabling Board of Directors to broadly delegate decisions on business execution to directors, we aim to speed up decision-making on business execution. At the same time, we aim to achieve sustainable growth and increase corporate value over the medium to long term by focusing on important management decisions such as management plans by Board of Directors.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

[Supplementary Principle 4-1 (iii) Successor Plan]

Although the Group has not established a specific successor plan for the Representative Director, the Company aims to foster successors by giving authority and responsibility to the General Managers and accumulating experience in a climate of friendly competition.

[Supplementary Principle 4-3 (ii) and Supplementary Principle 4-3 (iii) Roles and Responsibilities of Board of Directors (3)]

Given that the appointment and dismissal of the Representative Director is the most important strategic decision making, the Board of Directors appoints a person who has excellent personality and insight, is well-respected, and has a wealth of experience after giving due consideration to the objectivity, timeliness, and transparency of the appointment procedures, and sufficient discussions within the Board of Directors.

[Supplementary Principle 4-10 (i) Voluntary Nomination and Compensation Committee]

As a voluntary advisory body of Board of Directors, in order to improve the objectivity and transparency of the procedures concerning the appointment and dismissal of officers and the officers' remuneration, the Company has established a voluntary Nomination and Compensation Committee consisting of two or more members of Chairman-Representative Director, President-Representative Director and Outside Directors. For details, please refer to "II 1. Organizational Composition and Operation [Voluntary Committee]" of this report. From now on, we will consider making Outside Directors the majority of the members of the committee.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4 Cross-shareholdings]

As a basic policy, the Group does not hold cross-shareholdings unless the significance of such holdings is fully recognized.

The case where the significance of holding is fully recognized is the case where it is judged to contribute to the maintenance and improvement of the Company's corporate value.

In the event that the Group holds cross-shareholdings, the Group shall exercise its voting rights after comprehensively judging the pros and cons of such shareholdings, taking into consideration whether the issuing company has established an appropriate governance system and makes appropriate decisions that will lead to an increase in corporate value over the medium to long term, and from the perspective of improving the Company's corporate value.

If the Group judges that it cannot approve the proposal, the Group may consider the necessity of selling.

[Principle 1-7 Related Party Transactions]

In order to protect the interests of shareholders, the Group endeavors to prevent officers and employees of the Group from engaging in transactions that are contrary to the interests of the Group and its shareholders.

The directors of the Company shall not pursue their own interests or the interests of third parties against the interests of the Company, and even if they do not intend to do so, the supervisors shall not conduct conflict of interest transactions or competitive transactions without the approval of the Board of Directors. With regard to transactions between related parties, the relevant officers shall be excluded from the quorum of the resolution as specially interested parties, and the resolution shall be adopted in the Board of Directors. The Company shall verify after the fact that such transactions have been carried out properly and report this to the Board of Directors.

The Company also conducts quarterly investigations of all officers, including those of the Company and its subsidiaries, to confirm whether there is any transaction between related parties.

【Supplementary Principle 2-4 (i) Ensuring Diversity in the Company, including the Promotion of Active Participation of Women】

The Group assigns employees to managerial positions based on performance and aptitude, regardless of gender, nationality, or mid-career recruitment. The Company has set a target of raising the ratio of female managers to 12% or more by April 2025. As of the end of March 2023, 8.8% of the Company's managers (section managers and above) were women. For other indices related to diversity, please refer to “ESG data (Social)” at the page of 36 in our sustainability report 2023 (https://www.sunfrit.co.jp/en/pdf/sustainability_report_2023i_en.pdf) on the Company's website.

In addition, “Human Resource Development Policy” and “Internal Environment Development Policy” is at the page of 24 in our sustainability report (https://www.sunfrit.co.jp/en/pdf/sustainability_report_2023i_en.pdf) on the Company's website.

[Principle 2-6 Function as an asset owner of corporate pension]

The Company does not have a corporate pension system. When considering the adoption of a corporate pension system, the Company will make personnel and management efforts so that the corporate pension can function as an asset owner, considering that the management of the reserve fund of the corporate pension will affect the stable asset formation of employees and the financial condition of the Company.

[Principle 3-1 Enhancement of Information Disclosure]

<Company objectives (Credo, mission, etc.) and management plans>

The Group's Company policy, Credo, mission and management plans are available on the Company's website.

- Credo, mission and such https://www.sunfrit.co.jp/en/company/concept_comp.html
- Medium-term management plan https://www.sunfrit.co.jp/en/ir_info/ir_prospects/
- Sustainability <https://www.sunfrit.co.jp/en/sustainability/>

<Basic views and basic policy on Corporate Governance>

Please refer to “I 1. Basic Views” of this report for the Group's basic views on corporate governance.

<Policies and procedures in determining the remuneration of directors who are not Audit & Supervisory Committee members>

With respect to remuneration of directors, who are not Audit & Supervisory Committee members, the remuneration amount and stock remuneration, which consist of a performance-linked portion and a fixed portion based on rank, are determined for internal director. With respect to outside director, the appropriate fixed remuneration amount is determined from the viewpoint of ensuring independence, based on the Board of Directors' resolution, within the framework approved by the General Meeting of Shareholders. This decision was made by the Board of Directors after consultation to the Nomination and Compensation Committee with two or more members from Chairman-Representative Director, President-Representative Director and Outside Directors.

<Policies and Procedures for Nominating Candidates for Directors>

In selecting a director, the Group assumes that the following requirements are met, in addition to satisfying the requirements stipulated in laws and regulations and the Articles of Incorporation, not being applicable to reasons for disqualification stipulated in the Regulations for Officers, and not having been involved with anti-social forces at present and in the past

- (1) Has empathy with the Company Policy, Management Principle, and Corporate Philosophy of the Group, and has the intention to contribute to the progress and development of society through the Group's business management
- (2) Has excellent personality, knowledge, and insight, and has a high law-abiding spirit and ethics
- (3) Has objective judgment capabilities, insight, and foresight

In addition to the preceding paragraph, the Company requires the following qualifications in selecting outside directors.

- (1) Has a high level of insight, a wealth of practical experience, or experience of playing a leading role in any field such as corporate management, internal control, legal compliance, finance/accounting, finance, legal profession, administration, crisis management, and education
- (2) Has the ability to understand the Group as a whole, the ability to understand essential issues and risks, and is expected to contribute to frank, active, and constructive deliberations in the Board of Directors, etc.
- (3) Has no direct interests with the Representative Director and directors, and is independent from the Company's general shareholders without the risk of causing conflicts of interest with general shareholders

In addition, the Company has established the following requirements according to each position and role:

- (1) Outside directors shall be able to provide advice and support for the sustainable growth of the Company and objective management supervision and judgment from a practical viewpoint based on a wealth of experience in corporate management and specialized fields
- (2) Full-time directors shall be familiar with the Group's industry trends and related regulations and the Group's business model, and shall have abundant practical experience in their respective specialized fields
Also, they are appointed with the aim of further enhancing the neutrality and independency of the audit system from a company-wide perspective
- (3) Outside directors, who is an Audit & Supervisory Committee Member, are able to express their opinions on audits objectively from a neutral standpoint
- (4) As a full-time Audit & Supervisory Committee Member, the Director is well-versed in the organization, business, and business processes of the Company, appropriately collects information from within the Company, and is capable of conducting highly effective audits

The Board of Directors deliberates on proposals to be submitted to the annual general meeting of shareholders in light of the above requirements, and appoints the appropriate persons as candidates for directors.

In addition, the Board of Directors will deliberate on proposals to be submitted to the annual general meeting of shareholders in light of the above requirements, and if individual directors no longer meet the requirements or are likely to fail to meet the requirements, they will not be selected as candidates for reappointment as directors at the end of their terms of office.

<Explanation of Individual Election and Nominations>

The reasons for the election of candidates for director are disclosed in the annual general meeting of shareholders convocation notice.

【Supplementary Principle 3-1 (iii) Initiatives for Sustainability】

The Group established the "Sustainability Committee" as an advisory body to the President Representative Director with the aim of contributing to the realization of a sustainable society and increasing corporate value over the medium to long term, through stronger promotion of activities that contribute to the resolution of social issues based on the Management Principle and Corporate Philosophy. The Sustainability Committee meets four times a year on a regular basis and as needed. In order to promote our sustainability activities, we disclose the information based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, which we support. Please refer to

“Sustainability” <https://www.sunfirt.co.jp/en/sustainability/> on the Company's website for information on the status of our sustainability activities.

[Supplementary Principle 4-1 (i) Scope of delegation to management]

In order to further strengthen the supervisory function of the Board of Directors and to speed up management decision-making, in June 2022 we made the transition to a Company with Audit & Supervisory Board Committee. With the exception of matters specified by laws and regulations as matters to be determined exclusively by Board of Directors and important matters specified by the Board of Directors Regulations, Board of Directors delegates important business execution decisions to directors, thereby focusing on making important business basic policy decisions and supervising business execution.

[Principle 4-9 Independence Standards for an Independent Outside Director]

The Group has judged that the Independence Standards established by the Companies Act and the Tokyo Stock Exchange are appropriate as the Group's standards, and has selected candidates for independent outside directors based on these standards.

[Supplementary Principle 4-11 (i) Preconditions for ensuring the effectiveness of the Board of Directors and Audit & Supervisory Committee]

When nominating candidates for directors and Audit & Supervisory Committee members, the Company selects a wide range of candidates from both inside and outside the Company and elects candidates with excellent personality, insight and high management ability for the Board of Directors. In particular, independent outside directors are nominated from persons who have abundant experience and knowledge in various fields and who are capable of fulfilling their roles and responsibilities from a professional and objective viewpoint, such as providing advice to enhance corporate value over the medium to long term and supervising management. The selection criteria for executive directors are that they are familiar with the Group's industry trends and related regulations, the Group's business model, and have a wealth of practical experience in their respective specialized fields.

Director's expertise and experience (skill matrix) are disclosed on the Company's website.

https://www.sunfirt.co.jp/en/sustainability/esg_governance.html

For policies and procedures regarding the election of directors, please refer to the above (Principle 3-1: Enhancement of Information Disclosure).

[Supplementary Principle 4-11 (ii) Concurrent Positions of Directors]

The status of concurrent positions of officers is disclosed in the notice of the Annual General Meeting of Shareholders.

[Supplementary Principle 4-11 (iii) Board of Directors Effectiveness Evaluation]

The Company analyzes and evaluates the effectiveness of the Board of Directors in order to improve the functions of the Board of Directors. To be more specific, we conduct surveys targeting directors and Audit & Supervisory Committee Members on general matters related to the Board of Directors, including the composition and operation methods of the Board of Directors, the status of deliberations, and the status of support systems for directors and Audit & Supervisory Committee Members. The results of these analyses are then evaluated by the Board of Directors. In order to obtain frank opinions from the survey subjects, we conduct an anonymous questionnaire survey and entrust the collection, tabulation and analysis of the survey results to an external organization.

As a result of this year's survey, we have determined that the effectiveness of the Board of Directors has been largely secured. In response to the survey results, issues from a medium- to long-term perspective were raised, such as “setting KPIs that enable the Company to achieve sustainable growth” and “a system to periodically review the entire Group's business portfolio in consideration of securing sustainable profitability and the cost of capital.” Going forward, the Company will strive to improve corporate governance through the resolution of issues identified in this evaluation, and further promote management aimed at sustainable enhancement of corporate value.

[Supplementary Principle 4-14 (ii) Director training policies]

Although the Company has not established the “Policy for Training for Directors” in a clear form, the Company has stated as a part of Management Principle to “Contribute to the prosperity of mankind and society with a spirit of symbiosis.” For this reason, the Company provides ample training opportunities for officers and employees to acquire the knowledge necessary to fulfill their roles and responsibilities, and bears the expenses for them.

The Company also holds seminars and participates in external seminars at the request of each officer.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

The Group has the Corporate Planning Division as the department in charge of IR.

For shareholders and investors, the Company holds financial results briefings once every quarter, and also holds small meetings, etc.

Moreover, the Company has established the following policy regarding constructive dialogue with shareholders so that such dialogue will contribute to the sustainable growth of the Company and the improvement of corporate value over the medium to long term.

- (1) We will disclose information to all stakeholders, including shareholders and investors, in a fair and timely manner, and place importance on direct communication by the Representative Director.
- (2) The Corporate Planning Division will serve as the IR contact point and promote organic coordination with related departments.
- (3) Provide a wide range of means of dialogue, including financial results briefings, briefings for individual investors, field tours, and small meetings.
- (4) The Corporate Planning Division will report the status of the dialogue to the Representative Director and, if necessary, to the Board of Directors.
- (5) The Company shall establish rules for the prevention of insider trading and make them known to all employees.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price]

On December 20, 2023 we disclosed “Action to Implement Management that is Conscious of Cost of Capital and Stock Price”. See the outline of the disclosure as below.

https://www.sunfrt.co.jp/en/pdf/20231220_en.pdf

Specific IR activities are disclosed in the IR presentation published for each quarter. Please refer to it at the link below.

https://www.sunfrt.co.jp/en/ir_info/

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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[Status of Major Shareholders]

Name/Company Name	Number of Shares Owned	Percentage (%)
HOUON Co.,Ltd	17,957,500	36.89
The Master Trust Bank of Japan, Ltd. (Accounted in trust)	4,272,100	8.78
Tomoaki Horiguchi	3,026,796	6.22
Custody Bank of Japan, Ltd. (Accounted in trust)	1,600,400	3.29
SKAWAGOE Co., Ltd.	1,566,400	3.22
THE BANK OF NEW YORK MELLON 140044	726,268	1.49
MSIP CLIENT SECURITIES	552,900	1.14
STATE STREET BANK AND TRUST COMPANY 505223	436,187	0.90
Keiko Horiguchi	416,500	0.86
Sun Frontier Employee Stock Ownership Plan	404,100	0.83
Controlling Shareholder (except for Parent Company)	---	
Parent Company	None	

Supplementary Explanation

The status of major shareholders is as of September 30, 2023. In addition to the above, the Company holds 73,752 treasury shares.

* Categories for “Relationship with the Company”

* “○” when the director presently falls or has recently fallen under the category;

“△” when the director fell under the category in the past

* “●” when a close relative of the director presently falls or has recently fallen under the category;

“▲” when a close relative of the director fell under the category in the past

a. Executive of the listed company or its subsidiaries

b. Non-executive director or executive director of a parent company of the listed company

c. Executive of a fellow subsidiary company of the listed company

d. A party whose major client or supplier is the listed company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the listed company besides compensation as a director/Audit & Supervisory Board member

g. Major shareholder of the listed company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the listed company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the listed company outside directors/Audit & Supervisory Board member are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the listed company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kazutaka Okubo		○	Mr. Kazutaka Okubo serves as President Representative Director of SS DNAFORM, which is a business partner of the Company. However, the net sales of the transaction is insignificant at less than 0.1% in terms of both the Company's consolidated net sales and the net sales of SS DNAFORM in the most recent fiscal year, and the Company has determined that there is no risk of affecting his independence.	He has extensive knowledge and experience in a wide range of fields, including corporate compliance and corporate social responsibility, in addition to being familiar with governance and finance from his audit experience at a major audit corporation. The Company expects him to provide management supervision and advice based on his extensive knowledge and experience, and he has actively provided advice and recommendations to the Board of Directors. The Company requests his re-election as Outside Director with the expectation that he will supervise the management of the Company toward the sustainable improvement of the corporate value of the Company. In addition, there are no attributes that would raise questions about his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated him as an independent officer.

Keiichi Asai		○	---	<p>After joining Mitsubishi Corporation, he gained experience in oil business divisions such as oil sales, supply and demand, and refining. He worked in the United States and India, and in almost every instance was involved in international business in the energy sector. Since assuming the posts of Vice President Director of Lithium Energy Japan Co., Ltd. in 2013 and President Representative Director of KH Neochem Co.,Ltd. in 2014, he has been involved in general corporate management and has extensive knowledge and experience.</p> <p>The Company has judged that he can be expected to supervise the management of the Company and perform his duties appropriately based on his abundant knowledge and experience and requests that he be re-elected as Outside Director. In addition, there are no attributes that would raise questions about his independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated him as an independent officer.</p>
Hidetaka Tanaka	○	○	---	<p>He is qualified as a Certified Public Accountant of the United States and has a wealth of experience as a corporate manager and has business experience overseas. He has a wide range of knowledge including a thorough knowledge of the financial industry and the field of sustainability. Based on his wealth of experience and knowledge, etc., the Company elected him as an Outside Director so that he can audit and supervise the Company from an objective standpoint with regard to the overall management of the Company, including the promotion of sustainability. Based on his attributes and relationship with the Company, the Company has determined that there is no risk of conflict of interest with general shareholders and designated him as an independent officer as stipulated by the Tokyo Stock Exchange.</p>

Tsuneko Murata	○	○	---	She has experience as a manager of the legal division of the Panasonic Group and as a board member and auditor of the Japan Pension Service, as well as a career in Outside Officer at a listed company. She has a wealth of knowledge related to legal affairs, management and audit. In addition, she has a wide range of knowledge in promoting the active participation of women. Based on this insight, the Company expects that she will make active proposals for strengthening corporate governance, deliberating important management matters in the Board of Directors, monitoring management, and promoting sustainability, and proposes her election as an Outside Director. In addition, there are no attributes that would raise questions about her independence from the Company. Therefore, the Company has judged that there is no risk of conflict of interest with general shareholders and has nominated her as an independent officer.
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Audit & Supervisory Committee

Composition of Members and Attributes of Chairperson					
	All Committee Members	Full-time Member	Inside Director	Outside Directors	Chairperson
Audit & Supervisory Committee	3 people	1 person	1 person	2 people	Inside Director
Whether there is a director or an employee who is to assist the duties of the Audit & Supervisory Committee	Present				
Matters related to the independency of the director and employees from the director in which the execution of business is carried out					

In the event that the Audit & Supervisory Committee requests the assignment of employees to assist with their duties, employees shall be assigned to the Audit & Supervisory Committee. The Audit & Supervisory Committee's assistant shall be appointed from among persons with sufficient knowledge of accounting or law, etc., and shall perform his/her duties in accordance with the instructions of the Audit & Supervisory Committee.

Coordination Situation of Audit & Supervisory Committee, Accounting Auditor and Internal Audit Divisions

Based on the Internal audit Plan, the Internal Audit Office conducts Internal audit regarding the operational status of business activities, the effectiveness and accuracy of business execution, the status of compliance, etc., and regularly reports the audit results to the President-Representative Director and the Audit & Supervisory Committee, and also to the Board of Directors as necessary. In addition, the Internal Audit Office explains the purpose of internal controls and evaluation of controls, and provides specific advice and recommendations for business improvement and appropriate management.

Internal Audit Office, Audit & Supervisory Committee and Accounting Auditor closely coordinate with each other, and Audit & Supervisory Committee and Accounting Auditor have a system in which the Internal audit situation can be grasped in a timely manner, and coordination is established between the Audit & Supervisory Committee audit and accounting audit by exchanging information also.

[Voluntary Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson								
	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	4 people	0 people	2 people	2 people	0 people	0 people	Inside Director
Committee Corresponding to Remuneration Committee	Nomination and Compensation Committee	4 people	0 people	2 people	2 people	0 people	0 people	Inside Director

Supplementary Explanation

In order to improve the objectivity and transparency of procedures related to the appointment and dismissal of directors as well as remuneration, the Company has established a voluntary Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more outside directors in order to ensure the objectivity and transparency of the procedures for determining remuneration for directors as voluntary advisory body of the Board of Directors. The Nomination and Compensation Committee considers and deliberates on standards, processes, basic policy of evaluation, etc. concerning officers' appointment and dismissal and officers' remuneration, and the Board of Directors makes officers' appointment and dismissal and officers' remuneration decisions with maximum respect for the deliberation contents.

[Independent Directors]

Number of Independent Directors	4 people
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Matters relating to Independent Directors

All outside directors who satisfy the qualifications of independent directors are designated as independent directors.

[Incentives]

Incentive Policies for Directors	Performance-linked remuneration system, stock options, others
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Supplementary Explanation

The Group grants executive officer awards to each director for the purpose of enhancing motivation and morale to improve business performance by linking the improvement of the Group's business performance with the profit of the Group's directors.

In addition, as part of the review of the officers' remuneration system, directors (excluding outside directors), who are not Audit & Supervisory Committee members, was approved at the 23rd Annual General Meeting of Shareholders Meeting held on June 21, 2022 to introduce a new restricted stock remuneration system in place of the existing stock remuneration stock option system, in order to share the benefits and risks of stock price fluctuations with shareholders and to increase their willingness to contribute to higher stock prices and higher corporate value.

• The total amount of cash remuneration claims to be provided as remuneration, etc. regarding Restricted Stock shall not exceed 36 million yen per year.

• The total number of shares with restriction on transfer to be allotted shall not exceed 50,000 shares per year.

For details, please refer to the news release “Notice Concerning Introduction of Restricted Stock remuneration System” dated May 13, 2022.

It is available on our website at News Release (https://www.sunfrt.co.jp/en/pdf/20220513_7_en.pdf)

Recipients of Stock Options

Inside Directors

Supplementary Explanation

Directors of the Company (excluding outside directors) are eligible.

As described above, with the approval at the 23rd Annual General Meeting of Shareholders meeting held on June 21, 2022, the Company has introduced a restricted stock remuneration plan in place of the stock remuneration type stock option plan.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration

No Individual Disclosure

Supplementary Explanation

The remuneration for Directors of Sun Frontier Fudousan Co., Ltd. in fiscal 2022 (from April 1, 2022 to March 31, 2023) was as follows.

• Six Directors other than Audit & Supervisory Committee Members (excluding Outside Directors):

Total amount of remuneration, etc.: 243 million yen (including basic remuneration: 158 million yen, performance-linked remuneration: 65 million yen, remuneration of restricted stock: 20 million yen)

• One Audit & Supervisory Committee Member Director (excluding Outside Directors)

Total amount of remuneration: 9 million yen (including basic remuneration: 9 million yen)

• One Audit & Supervisory Board Member (excluding outside auditors)

Total amount of remuneration: 2 million yen (including basic remuneration: 2 million yen)

• Six Outside Officers

Total amount of remuneration: 25 million yen (including basic remuneration: 25 million yen)

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Matters Related to Policies for Determining Details of remuneration, etc. of Director

The Company has established policies for determining the content of remuneration of Directors, who are not Audit & Supervisory Committee Member, as follows.

- (1) Fixed remuneration shall be an amount considered to be at an appropriate level in comparison with the performance of other companies in the real estate industry in Japan, etc., in consideration of the content of duties and the Company's situation, etc.
- (2) Performance-linked remuneration shall be determined from the perspective of reflecting the results of the improvement in performance by taking into consideration the status of achievement against the consolidated performance ordinary profit (loss) based on the consolidated performance forecast during the relevant fiscal year.
- (3) Directors (excluding outside directors) who are not Audit & Supervisory Committee Member shall be granted share acquisition rights as share-based compensation stock options to share the benefits and risks of stock price fluctuations with shareholders and to enhance the incentive effect of Directors to improve corporate performance and the management awareness of shareholders.
- (4) With regard to the ratio of individual remuneration, etc. for Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors) if the target indicator for the performance-linked remuneration is 100% achieved, fixed remuneration will be 60%, performance-linked remuneration will be 30%, and share-based compensation will be 10%. With regard to Outside Directors, only fixed remuneration and performance-linked remuneration will be provided, but the above target will be referred to. (Revised on May 12, 2023. Prior to revision: fixed remuneration 65%, performance-linked remuneration 30%, restricted shares remuneration system 5%).

- (5) Matters concerning delegation pertaining to determination of contents of remuneration, etc. for individual Directors who are not Audit & Supervisory Committee Members

The amount of fixed remuneration and performance-linked remuneration for each individual or the determination of the methods for calculating such amounts shall be determined by resolution at the Board of Directors and entrusted to the Chairman-Representative Director.

In order to improve the objectivity and transparency of the procedures for determining remuneration of Directors, the Company has established a Nomination and Compensation Committee consisting of the Chairman-Representative Director and President-Representative Director as well as 2 or more Outside Directors as a voluntary advisory body. The Nomination and Compensation Committee considers and deliberates on the amount of remuneration for Directors, the calculation method, the composition of remuneration, the ratio, and the setting of indicators, and the Chairman-Representative Director makes decisions with maximum respect for the deliberation contents.

- (6) Status of the above decision policy for the fiscal year under review

The target for performance (consolidated ordinary profit (loss)), which is an indicator of performance-linked compensation for the fiscal year under review, was 12,800 million yen, while the actual performance was 14,722 million yen. With regard to the amount of fixed remuneration and performance-linked remuneration for each individual or the determination of the methods for calculating such amounts, the Board of Directors involves the Nomination and Compensation Committee and entrusts the Chairman-Representative Director, who are able to evaluate each Director's business. The Board of Directors received a report from the Nomination and Compensation Committee, and determined that the content of individual compensation for Directors for the fiscal year under review, including the procedure and content of the decision by the Chairman-Representative Director is consistent with the above decision policy.

2. Matters concerning the remuneration of directors concerning the resolution of the General Meeting of Shareholders Regarding the total amount of remuneration, etc. in directors other than Audit & Supervisory Committee members, it was approved at the 23rd Annual General Meeting of Shareholders held on June 21, 2022 that the following amount shall be the upper limit. In addition, as a separate framework from (1), the Company has obtained approval to provide the stock remuneration described in (2), excluding outside directors.

- (1) Up to 360 million yen per year (including up to 36 million yen per year for outside directors)

- (2) The total amount of cash remuneration claims to be provided as remuneration stock (remuneration for Restricted Shares, etc.) shall not exceed 36 million yen per year.

The maximum number of Restricted Shares to be allotted in each fiscal year shall be 50,000 shares. At the end of the Annual General Meeting of Shareholders, the number of directors who are not Audit & Supervisory Committee members was 8, and 6 excluding outside directors.

Regarding the total amount of remuneration of directors, who are Audit & Supervisory Committee members, was approved at the 23rd Annual General Meeting of Shareholders held on June 21, 2022 that the total amount should not exceed 36 million yen per year. At the end of this Annual General Meeting of Shareholders, the number of directors, who are Audit & Supervisory Committee members, was 3.

3. Matters concerning the determination of the content of remuneration, etc., for each individual directors who are not Audit & Supervisory Committee member

With regard to the amount of remuneration, etc. of the Company's directors or the method of calculation, the Company has established a voluntary Nomination and Compensation Committee consisting of two or more members from Chairman-Representative Director, President-Representative Director and Outside Director in order to achieve remuneration determination and improve the objectivity and transparency of the procedure. The Chairman-Representative Director has the authority to make a draft of the calculation method of the amount of remuneration, etc., of the Company's directors and the basic policy. In the Nomination and Compensation Committee, based on the draft, the composition of remuneration, etc., of directors, its ratio, and the calculation method for setting indicators, etc., are discussed. The Board of Directors has the authority to decide policies related to the determination of the amount of remuneration, etc. of the Company's directors or the calculation method thereof. However, the Board of Directors will decide the amount of remuneration, etc. of the Company's directors or the calculation method thereof by giving maximum consideration to the content of deliberations by the Nomination and Compensation Committee..

[Supporting System for Outside Directors]

Although we do not have full-time employees related to Outside Directors, Corporate Planning Division provides support as necessary.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

We are a company with Audit & Supervisory Committee. We have a Board of Directors consisting of 11 directors (including 4 outside directors) and an Audit & Supervisory Committee consisting of 3 directors who are Audit & Supervisory Committee members (including 2 outside directors).

With regard to the appointment/dismissal of director and remuneration, etc., the Company has established the Nomination and Compensation Committee, which consists of Chairman-Representative Director, President-Representative Director and two independent outside directors, and has ensured the objectivity and transparency of the procedures by conducting consultation in the said committee.

With regard to accounting audits, the Company has entered into an audit agreement with BDO Sanyu and the Company conducts accounting audits throughout the fiscal year without focusing on year-end audits. The Company has established a system that enables appropriate handling of accounting issues, and has enhanced the effectiveness of audits through close cooperation with the Audit & Supervisory Committee members of the Company and the Internal Audit Office.

The current auditing organization is as follows.

- BDO Sanyu
Hitoshi Torii, Designated Partner and Engagement Partner
Tomoharu Takahashi, Designated Partner and Engagement Partner
- Assistant for Accounting Audit Services
Six CPAs and three other members

3. Reasons for Adoption of Current Corporate Governance System

To further enhance its corporate governance and increase its corporate value, the Company shifted to a corporate governance system with an Audit & Supervisory Committee in June 2022. The Company will further enhance its corporate governance and increase its corporate value by shifting to a corporate governance system with Audit & Supervisory Committee. Furthermore, by inviting more than one outside director and establishing a voluntary Nomination and Compensation Committee, we aim to strengthen the Board of Directors' supervisory functions and realize fair and transparent management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary explanations
Early Notification of General Shareholder Meeting	In order for shareholders to fully consider and deepen their understanding of the proposals, we have sent them by three weeks prior to the annual general meeting of shareholders.
Exercise of Voting Rights by Electromagnetic Means	You can exercise your voting rights via the Internet.
Participation in the Electronic Voting Platform and other initiatives to improve the environment for institutional investors to exercise their voting rights	The Company participates in the Electronic Voting Platform.
Providing Convocation Notice in English (short form)	We have translated and prepared an English version.
Other	The Notice of the General Meeting of Shareholders (including English translation) is posted on the Company's website.

2. IR Activities

	Supplementary Explanations	Direct explanation from the Representative Director
Regular Investor Briefings for Individual Investors	The Company holds briefings for individual investors at least once a year to increase the number of shareholders who can support the Company over the long term.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	At least once every quarter, we hold company briefings for analysts and institutional investors.	Yes
Posting of IR Materials on Website	The IR materials used in the above-mentioned company briefing sessions are posted on the Company's website, and the scenes of the briefing sessions on the day can be viewed in an on-demand format.	
Establishment of Department and/or Manager in Charge of IR	The Company's IR Division is as follows. <ul style="list-style-type: none"> ▪ Division in charge: Corporate Planning Division ▪ Tel: 03-5521-1551 	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanations
Implementation of Environmental Activities, CSR Activities etc.	<p>With the Company's designated Credo "altruism," and its mission "protect all employees, pursue the material and intellectual happiness, with the heart of coexistence we contribute to the prosperity of society and humankind" we are working to resolve environmental and social issues as our business grows.</p> <p>In line with our vision "Our vision is to become the most appreciated visionary company that fully utilizes limited resources and continues the challenges to create new values" we will focus even more on businesses that contribute to the resolution of environmental issues.</p> <p>Please refer to https://www.sunfirt.co.jp/en/sustainability/ for more information on our sustainability activities.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

In accordance with the Ordinance for Enforcement of Companies Act of Japan and Companies Act of Japan, the Company resolution "Internal Control System Construction basic policy" in Board of Directors as described below, and has established and is operating its system.

(1) Systems to Ensure That Directors and Employees Execute Their Duties in Compliance with Laws and Regulations and the Articles of Incorporation

The Company recognizes that it is its corporate social responsibility to ensure that all directors and employees, based on a fair and high sense of ethics, always realize the spirit of legal compliance and execute business operations. The Company is working to strengthen its internal management system, raise awareness of compliance, and establish a management system that will continue to be trusted by society in the future.

To be more specific, we have established the Internal Audit Office, which is under direct control of President-Representative Director, to conduct regular internal audits of all departments and group companies without exception. In the internal audit, the Company ascertains the status and structure of business operations, and fairly investigates and verifies whether all business operations are conducted properly in accordance with laws and regulations, the Articles of Incorporation, and internal rules, as well as whether corporate systems, organizations, and rules are appropriate and proper, and reports the audit results to the President-Representative Director and the Audit & Supervisory Committee regularly, as well as reporting to Board of Directors as necessary. In addition, the Company has established a "Corporate Ethics Help Line" for the prevention and early detection of misconduct due to violations of laws and regulations and misconduct, improvement of the mobility of the self-purification process, control of reputational risk, and assurance of social trust. The Company has also established a thorough whistleblowing system that protects whistle-blowers. Furthermore, in order to improve compliance awareness, the Legal Affairs Department has been established and various types of training and education are conducted. The Company and its group companies have no involvement with anti-social forces and respond firmly to unreasonable demands.

(2) Systems for the Preservation and Management of Information Concerning the Execution of Duties by Directors

The Company properly records information concerning the execution of duties by directors, such as records concerning the decision-making at important meetings, including the Board of Directors meetings, and documents approved by each director based on the "Regulations on Authority of Duties." The Company also retains such

information for a specified period of time based on laws and regulations and the “Document Handling Regulations,” etc., and maintains a condition in which directors can inspect it as necessary. In addition, the General Manager of the Management Division is responsible for supervising the preservation and management of information.

(3) Regulations on Risk Management and Other Systems for Risk Management

In order to cope with all risks that threaten the improvement of corporate value and sustainable development, a risk management manual, etc. shall be prepared, and in the event of an unexpected situation, a response headquarters (including the formation of a team of outside experts such as corporate lawyers) headed by the President-Representative Director shall be established.

(4) Systems to Ensure Efficient Execution of Duties by Directors

The Board of Directors formulates medium-term management policies and single-year management plans as indicators to establish and implement the corporate vision of the Company as a whole. In order to realize these management policies and management plans, the Board of Directors clarifies the executive authority of directors and the duties in charge, thereby enhancing the efficiency of execution of duties.

In addition, with regard to matters for which decisions on business execution have been delegated to President-Representative Director and other directors who are in charge of business execution, the Company makes necessary decisions based on the “Organization Rules” or the “Management Rules for Affiliated Companies” including group companies.

The Company will revise these rules as appropriate in light of revisions and abolition of laws and regulations and for the purpose of improving the efficiency of the execution of duties.

(5) Systems to Ensure the Appropriateness of Business Operations in our Company as well as Corporate Group Consisting of Group Companies

In order to ensure the appropriate execution of business operations by group companies, the Corporate Planning Division shall have jurisdiction over the management of group companies in accordance with the “Regulations for Management of Affiliated Companies. While respecting the autonomy of group companies, the Corporate Planning Division shall receive periodic reports on the status of business operations, including matters related to the execution of director duties of Group companies, and shall require prior consultation or approval with the Company with regard to important matters concerning the management of group companies. The management plans of the group companies are also formulated under the management of the Company, and the Company provides timely and appropriate advice and guidance during the business period to improve the efficiency of the operations of the group companies. In addition, the Company and group companies have established the Risk Management Committee, which is chaired by the President-Representative Director, and a person responsible for risk management is assigned to each department. Any management or business risks that may arise are reported to the Risk Management Committee, where risk information is analyzed and countermeasures are considered to prevent or minimize damage to the Company and its group companies. The Company has established a system under which violations of laws and regulations or illegal acts that occur or are likely to occur at group companies are reported to internal reporting offices or outside directors who are Audit & Supervisory Committee members as stipulated in the “Corporate Ethics Helpline Regulations, and is working to detect and resolve such violations at an early stage. The Internal Audit Office of the Company conducts internal audits of all group companies in order to ensure the effectiveness and appropriateness of systems, organizations, and rules for the overall operations of the group companies, and reports the results to the Company's President-Representative Director and designated organizations such as the Audit & Supervisory Committee. The Company's President-Representative Director prepares and reports its financial statements in accordance with fair and appropriate accounting standards in order to enhance the reliability of its financial reporting and enhance its corporate value.

(6) Matters concerning Employees who assist the Audit & Supervisory Committee in their Duties

If the Audit & Supervisory Committee request an employee to assist the Audit & Supervisory Committee in their duties, the Company appoints employees as the Audit & Supervisory Committee's assistant. The Audit & Supervisory Committee's assistant is appointed from persons who have sufficient knowledge of accounting or law, etc., and perform their duties in accordance with the instructions of the Audit & Supervisory Committee.

(7) Independence of Employees from Directors

In order to ensure the independence of the Audit & Supervisory Committee's assistant as set forth in the preceding paragraph, the Company has decided to report personnel changes and personnel of the said employee to the Audit & Supervisory Committee in advance and obtain their consent.

(8) Matters concerning Assurance of Effectiveness of Instructions to the Employee who is designated to be the Audit & Supervisory Committee's assistant in (6)

The Audit & Supervisory Committee's assistants in (6) are ensured the opportunity to attend important meetings of the Board of Directors and other meetings accompanying the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee's assistant accompany the Audit & Supervisory Committee to regularly exchange opinions with the President-Representative Director and the Accounting Auditor. With regard to instructions from the Audit & Supervisory Committee, directors and employees cooperate in the development of an audit environment so that the Audit & Supervisory Committee's assistant's work is carried out smoothly.

(9) System for Reporting to the Company's Audit & Supervisory Committee by Directors and Employees of the Company and Group Companies and System for Reporting to other Audit & Supervisory Committees

All directors (excluding directors who are Audit & Supervisory Committee members) and General Managers of Departments of the Company shall report on the status of execution of the duties of which he/she is in charge in meetings attended by Board of Directors and other Audit & Supervisory Committee members and shall be allowed to attend any meetings within the Company if requested by the Audit & Supervisory Committee.

Directors (excluding directors who are Audit & Supervisory Committee members) and employees of the Company as well as directors, auditors, and employees of group companies (hereinafter referred to as “directors and employees of the Company and its group companies”) immediately report to the Audit & Supervisory Committee as soon as they discover any matter that may or may have a material impact on the Company's credit, business performance, etc., or any material violation of the Corporate Vision, Corporate Behavior Rules, etc.

Directors and employees of the Company and its group companies may report to the Internal Reporting Office of the Company as set forth in the “Corporate Ethics Corporate Ethics Help Line” at any time, and in addition, they can report voluntarily to the Company’s Audit & Supervisory Committee member.

The Compliance Division of the Company encourages the directors and employees to familiarize themselves with the contact points for reporting and actively report through educational and training opportunities. The “Rules Concerning the Corporate Ethics Help Line” clearly stipulate directors and employees of the Company and its group companies will not be subjected to disadvantageous treatment in personnel evaluation and will not be subject to adverse dispositions such as disciplinary action by reporting to the Whistleblower Hotline. In addition, the Company makes it known to the public that they will not be subject to adverse dispositions on the grounds that they have reported to the Audit & Supervisory Committee.

- (10)Matters concerning the Policy for the Disposition of Expenses or Liabilities Incurred in the Execution of Duties by Audit & Supervisory Committee Members (limited to those related to the execution of Audit & Supervisory Committee duties)

When Audit & Supervisory Committee members request advance payment of expenses incurred in the execution of their duties, reimbursement of expenses paid, etc., or performance of liabilities incurred, the Company promptly responds thereto, except in cases where it can be proven that such expenses, etc. have not arisen in the execution of duties by Audit & Supervisory Committee members or the execution of Audit & Supervisory Committee duties.

- (11)Others, System to Ensure Effective Audits by the Audit & Supervisory Committee

President-Representative Director holds regular meetings with Audit & Supervisory Committee members for mutual communication.

In addition, in accordance with the “Regulations for Internal Audit” and the “Internal Audit Implementation Guidelines,” the Internal Audit Office will closely communicate and coordinate with the Audit & Supervisory Committee and the outside auditors in order for them to efficiently and effectively conduct audits.

2. Basic Views on Eliminating Anti-Social Forces

- (1) Establishment of Response Control Department and Person in Charge of Prevention of Unreasonable Demands

The Company has established a Person in Charge of Control and Person in Charge of Response as a system against anti-social forces. The Company has established a system that enables it to respond in an organized manner by contacting and consulting with the General Manager and the Response Manager without taking any personal response in the event of an unjust act or request.

- (2) Cooperation with External Specialized Agencies

The Company has established a system against anti-social forces in cooperation with competent police stations and external experts such as corporate lawyers. In addition, the Company is a member of the Special Violence Prevention Association under the Metropolitan Police Department (Tokubouren) and actively participates in activities to eliminate organized crime groups.

- (3) Status of Aggregation and Management of Information on Anti-Social Forces

The Compliance Division gathers and manages information on anti-social forces in order to prevent damage from anti-social forces by judging the attributes of business partners.

- (4) Preparation of Response Manuals

The Company has prepared the Anti-Social Forces Response Manual, which sets standards of conduct for anti-social forces. All officers and employees of the group view the manual on the Company's LAN.

- (5) Status of Implementation of Training Activities

In the training by the Compliance Department, the Company strives to ensure that officers and employees are thoroughly educated and informed.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation

2. Other Matters Concerning the Corporate Governance System

Overview of Timely Disclosure System

The status of the Company's internal system for timely disclosure of corporate information is as follows.

1. Basic Stance on Timely Disclosure

From the perspective of corporate social responsibility and medium- to long-term enhancement of corporate value, the Company is committed to fulfilling its responsibilities to all stakeholders including shareholders and investors. We will disclose information in a timely, accurate and fair manner. In addition, Companies Act of Japan, the Financial Instruments and Exchange Act, various laws and regulations as well as the rules set by the stock exchanges (hereinafter referred to as “laws and regulations.”) In addition to promptly disclosing information that falls under the “Securities Listing Regulations”, we will also actively disclose socially useful information about the Group.

2. Status of Internal System for Timely Disclosure

The Company has established a system under which important corporate information, including information related to subsidiaries, is centrally managed under the Corporate Planning Division, which is in charge of timely disclosure of information.

Corporate Planning Division makes the determination as to whether or not the information falls under the category of timely disclosure information in accordance with the TSE's Securities Listing Regulations, and with the approval of the President-Representative Director (or in the absence of Representative Director, officers and employees who have notified the TSE and other Tokyo Stock Exchanges as the person responsible for handling information of the Company), decides on the content, timing and method of the disclosure.

Based on this decision, information disclosure is, in principle, carried out by the Representative Director or a person delegated by the Representative Director, and managed by the Corporate Planning Division.

Information is made public by registering with TDnet and, if necessary, by holding press conferences and posting materials.

All information registered in TDnet is also posted on the Company's website.

In addition, the Company discloses information in accordance with various laws and regulations as well as internal rules such as the rules for preventing insider trading.

The system for collecting important corporate information for the Corporate Planning Division is as follows.

Corporate Planning Division is aware of all proposals to be proposed and reported to the Board of Directors and the Executive Officer Committee.

(1) Decision made

At the Company, important matters that fall under a decision made are decided by the Board of Directors.

Accordingly, Corporate Planning Division is fully aware of the decisions made.

(2) Occurrence of Material Facts

When officers and employees of the Company learn that a Material Fact has occurred or is likely to occur, they are obliged to promptly notify the Corporate Planning Division of the details thereof.

(3) Financial Results

With regard to financial information, the accounting department prepares the Financial Statements, etc., and at the same time receives audit by the Accounting Auditor. Financial results, including analysis of major items, are submitted to the Board of Directors.

Moreover, audit by the Accounting Auditor is implemented during the fiscal year to reduce the impact at the end of the fiscal year.

As a result, the Company strives to disclose information accurately and promptly.

(4) Information on subsidiaries

Officers and employees of the Company in charge of subsidiaries and officers and employees of subsidiaries are required to contact Corporate Planning Division when they learn that a Material Fact has occurred or may have occurred to subsidiaries.

