Corporate Governance Report

Last Update: June 3, 2021

Japan Lifeline Co., Ltd.
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The corporate governance of Japan Lifeline Co., Ltd. (hereafter “Japan Lifeline” or “the Company”) is described below.

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

1. Basic Views

Japan Lifeline’s management philosophy is to contribute to society by providing the latest optimal medical devices for the sick. Based on this philosophy, the criteria used in the Company’s corporate activities are: "Is it appropriate for patients?", "Is it in compliance with laws and regulations?" and "Is it reasonable as a business?" Only by properly complying with these standards will the Company be able to fulfill its role as a public entity of society, and it will be able to continue to exist and grow as a company. As a result, the Company believes that it can be recognized as a valuable company by shareholders and other stakeholders. To this end, Japan Lifeline will enhance its compliance and risk management systems to ensure sound management and build a management system that can respond quickly and accurately to changes in the business environment.

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

[Supplementary Principle 4-1-3]
Japan Lifeline is striving to develop management abilities for executive directors and executive officers through appropriate training and other means. However, the Company is still in need of a further discussion on the formulation and operation of succession plans and the development of candidates for succession. Recognizing this as the Company’s medium-to long-term priority, Japan Lifeline will continue to hold further discussions at the Nomination and Remuneration Advisory Committee.

[Principle 5-2]

Japan Lifeline formulates a medium-term management plan and explain its management strategy and earnings plan to investors. Going forward, Japan Lifeline will accurately grasp its cost of capital and consider how to allocate management resources to improve profitability and capital efficiency in an easy-to-understand manner.

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

[Principle 1-4]

In respect to investment securities the purpose of which is other than pure investment, Japan Lifeline maintains its policy on shareholdings that contribute to the attainment of expertise to which the Company alone cannot easily have access and the smooth execution and development of the Company's business by building and strengthening relationships with business partners. For each individual issue of securities, the Board of Directors shall annually examine the appropriateness of shareholding by checking the merit on the context of the medium-to-long term business strategy of the Company based on the status of transactions with the companies of which securities the Company holds. After looking into each issue and if one is deemed inappropriate, the Company will sell such issue from time to time to reduce its holdings. With regards to the exercise of voting rights, Japan Lifeline will decide whether to vote after comprehensively considering the purpose of holding the voting rights mentioned above and the possibility of impairing the corporate value of such business partners.

[Principle 1-7]

Japan Lifeline conducts transactions with related parties, such as directors and major shareholders, upon the approval of the Board of Directors. Japan Lifeline also conducted a questionnaire on related-party transactions with all its directors and *Kansayaku (corporate auditors)* to confirm the existence of such transactions.

[Principle 2-6]

Since Japan Lifeline has introduced a defined contribution pension plan, it is not involved in the management of corporate pension as asset owners. However, it holds briefing sessions on asset management for newly registered employees.

[Principle 3-1]

(i) Management philosophy, strategy, and plan

Japan Lifeline's management philosophy and strategy are posted on the corporate website.

- Mission Statement https://www.jll.co.jp/the/index.html#bottom
- Message from the President https://www.jll.co.jp/investors/message.html

Japan Lifeline's management plan is described in materials for financial results briefings for institutional investors, and such materials are posted on the corporate website.

・ IR library https://www.jll.co.jp/investors/library.html

(ii) Basic Concept and Policy on Corporate Governance

Japan Lifeline's basic policies on corporate governance are described in this report and in the "Status of Corporate Governance" section of the Annual Securities Report (available only in Japanese).

(iii) Policies and Procedures for Determining Directors' Remuneration

Policies and procedures for determining directors' remuneration are stated in II-1. [Incentives] and [Director Remuneration] in this report.

(iv) Policies and Procedures for the Election and Dismissal of Senior Management and Nomination of Candidates for Directors and *Kansayaku*

The criteria for the election and dismissal of management executives and the appointment of candidates for directors are that the candidates possess excellent expertise and abundant experience, that they can make appropriate decisions on management in general, and that they have a high level of ethics. Japan Lifeline's policy for nominating candidates for directors is to consider the balance of members of the Board of Directors. The President and Representative Director proposed the nomination to the Board of Directors in accordance with the above-mentioned policy and the decision was made by a resolution of the Board of Directors.

In nominating candidates for *Kansayaku*, Japan Lifeline's policy is to comprehensively examine whether the candidates have excellent personality and insight, sufficient knowledge and experience required for auditing, and expertise in a particular area. In nominating candidates for *Kansayaku*, the President and Representative Director raised the proposal to the Board of Directors in accordance with the above policy after obtaining the prior consent of the *Kansayaku* Board, and the proposal was determined by a resolution of the Board of Directors.

(v) Explanation of Individual Elections and Dismissals When Selecting and Removing Management Executives and Nominating Candidates for Directors and *Kansayaku*

The reason for the election of directors and *Kansayaku* is stated in the reference document for the General Meeting of Shareholders at the time of the proposal for election. Please refer to the IR library on the corporate website for the reference documents.

[Supplementary Principle 4-1-1]

Japan Lifeline's Board of Directors supervises important decision-making and the execution of operations by directors as stipulated in laws and regulations, and other matters are delegated to management. Each director makes decisions on the execution of operations on an individual basis in accordance with the provisions of Divisions of Duties Regulations and Administrative Authority Regulations.

[Principle 4-9]

At present, Japan Lifeline determines the aptitude of an independent director based on the independence standards established by the Tokyo Stock Exchange. Going forward, Japan Lifeline will review these standards as necessary, based on its current situation.

[Supplementary Principle 4-11-1]

Japan Lifeline's Board of Directors is composed of a maximum of 15 members as set forth in the Articles of Incorporation, and the number of members who can engage in substantive discussions and swift decision-making considering the nature and size of the business. In addition to appointing internal directors who have expertise and experience in different areas of business, Japan Lifeline will ensure diversity by considering gender and international perspectives. In addition, outside directors and outside *Kansayaku* have knowledge and experience as managers or specialists in legal, accounting, tax, and other matters, and are appointed to supervise and advise the Board of Directors from an independent standpoint.

[Supplementary Principle 4-11-2]

When appointing outside directors and *Kansayaku*, Japan Lifeline confirms in advance whether they can devote enough time and effort for the Company, including attending the Company's board meeting. The concurrent positions of directors and *Kansayaku* are disclosed annually in the Business Report and in the Annual Securities Report.

[Supplementary Principle 4-11-3]

To further enhance the effectiveness of the Board of Directors, Japan Lifeline analyzes and evaluates the effectiveness of the entire Board of Directors every year and discloses an overview of the results. Evaluations for the fiscal year ended March 31, 2020 included questionnaires to all directors and *Kansayaku*, and analysis and evaluation of the effectiveness of the Board of Directors based on the opinions of external consultants. As a result, Japan Lifeline has confirmed that its board is properly managed and effective. Japan Lifeline will continue to make efforts to improve the effectiveness of the Board of Directors.

[Supplementary Principle 4-14-2]

In order to understand the roles and responsibilities of directors and *Kansayaku*, Japan Lifeline will attend external training sessions at the time of their appointment and conduct training for all directors and *Kansayaku* once a year. In addition, when each director or *Kansayaku* attends the training, the Japan Lifeline shall bear the cost thereof.

[Principle 5-1]

Japan Lifeline promotes constructive dialogue with shareholders based on the following policies.

(i) The Corporate Planning Office serves as the contact point for shareholders and investors, and the Director in charge of the Corporate Administration Headquarters acts as the responsible person to deal with shareholders and investors. Interviews are conducted to the extent reasonable in response to requests from shareholders and investors.

(ii) The Director in charge of the Corporate Administration Headquarters is responsible for coordinating and sharing information among the Corporate Planning Office, the Human Resources & General Affairs Department and the Finance & Accounting Division within the Corporate Administration Headquarters, as well as sharing information with other departments.

(iii) The Company will do activities for investors to deepen the knowledge of the Company. The activities cover financial briefing sessions for institutional investors twice a year, enhancing the quality of disclosure of financial results, and a briefing session for general shareholders after the General Meeting of Shareholders, although in 2020, the Company refrained from holding it as a part of preventive measures against the infection of COVID-19.

(iv) Opinions and concerns gained through dialogue with shareholders and investors are promptly reported to the President and the Board of Directors, and, depending on the content of the report, reports are also submitted to the Board of Directors in a meeting where senior management participates.

(v) Insider information shall be managed in accordance with the Regulations Governing the Management of Internal Information and shall not be disclosed to shareholders or investors in dialogue. In addition, in order to prevent the leakage of accounting information and ensure fairness, the period from the next day of the closing date to the date of disclosure is set as a silent period.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
MT Shokai	9,860,800	12.24

KS Shoji	8,609,100	10.69
Japan Trustee Services Bank, Ltd. (Trust Account)	5,521,000	6.86
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,739,400	4.64
Keisuke Suzuki	2,560,016	3.18
THE BANK OF NEW YORK 133972	1,414,500	1.76
JP MORGAN CHASE BANK 385151	1,220,272	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,186,400	1.47
Japan Lifeline Employee Shareholders Association	1,035,810	1.29
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,024,734	1.27

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

In addition to the above, there are 4,889,941 of Japan Lifeline's treasury shares, which do not include 113,320 of Japan Lifeline's shares remaining in the Directors' Remuneration BIP Trust and 162,000 of Japan Lifeline's shares remaining in the Japan Lifeline Employees Shareholders Association Exclusive Trust.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None

5. Other Special Circumstances which may have Material Impact on Corporate Governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15 directors
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	11 directors
Number of Outside Directors	2 outside directors
Number of Independent Directors	2 independent directors

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Fumihiro Sasaki	From another company											○
Yoshiaki Ikei	From another company								△			

* 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 Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the 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 Company besides compensation as a director/*Kansayaku*
g. Major shareholder of the 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 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 Company outside directors/*Kansayaku* are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Fumihiro Sasaki	Designated as Independent director	President and Chief Executive Officer, XYMAX WITH Corporation Chief Executive Officer, XYMAX VILLAGE Corporation	Mr. Sasaki has been appointed as an independent officer on the background of his wide range of insights and extensive experience in corporate management. Japan Lifeline believes that he will contribute to ensuring objectivity and fairness in its decision-making and business execution. Also, he holds a high degree of independence from the Company, therefore, there is no risk of a conflict of interest with the general shareholders.

Yoshiaki Ikei	Designated as Independent director	Representative Director, MA Partners, Inc.	Mr. Ikei has been appointed as an independent officer on the background of his wide range of insights and extensive experience in corporate management. Japan Lifeline believes that he will contribute to ensuring objectivity and fairness in its decision-making and business execution. Also, he holds a high degree of independence from the Company, therefore, there is no risk of a conflict of interest with the general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
Outside Experts	0	0
Others	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation

To ensure the fairness, transparency, and objectivity of procedures for nominating directors and *Kansayaku* and remuneration, a highly independent nomination and remuneration advisory committee was established in March 2019 as an advisory body to the Board of Directors. The Committee deliberates, submits reports, or makes decisions on the following matters upon consultation or delegation from the Board of Directors.

(1) The basic policy of the makeup of the Board of Directors

(2) The policy and criteria of the election and dismissal of directors and *Kansayaku*

(3) The matters proposed to the General Shareholders' Meeting regarding the election and directors and *Kansayaku*.

(4) The matters regarding the appointment and dismissal of the representative directors

(5) The matters regarding the appointment and dismissal of the executive directors

(6) The policy of the remuneration system of directors and *Kansayaku* and policy of the decision-making process for remuneration

(7) The determination of the remuneration of individual directors

(8) The matters regarding the development and implementation of succession plan

(9) Other matters deemed necessary by the Board of Directors

The Committee is composed of members including two independent outside directors, and is chaired by an independent outside director. Members are selected by the Board of Directors, and the current members are as follows:

Chairperson	Outside Director (independent)	Fumihiro Sasaki
Committee	Outside Director (independent)	Yoshiaki Ikei
Committee	President and Representative Director	Keisuke Suzuki
Committee	Executive Vice President and Representative Director	Atsuhiro Suzuki

[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* stipulated in Articles of Incorporation	5
Number of *Kansayaku*	3

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

Kansayaku receive statutory audit reports from the accounting auditors and exchange information with them from time to time to enhance the effectiveness of each audit. Both auditors conduct on-the-spot audits in cooperation with each other as necessary. In addition, the *Kansayaku* receive reports on important documents checked by the Internal Auditing Division as well as on matters of doubt in the internal audits from time to time. In addition, *Kansayaku* hold prior consultation on the audit plan with accounting auditors and, if necessary, conduct on-site inspections in cooperation with each other.

Appointment of Outside *Kansayaku*	Appointed
Number of Outside *Kansayaku*	2
Number of Independent *Kansayaku*	2

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Masahiko Nakamura	Lawyer										○			
Daizo Asari	Tax accountant													○

* 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 Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. *Kansayaku* of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *Kansayaku*
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *Kansayaku* himself/herself only)
k. Executive of a company, between which and the Company outside directors/*Kansayaku* are mutually appointed (the *Kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the *Kansayaku* himself/herself only)
m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Masahiko Nakamura	Designated as Independent *Kansayaku*	Mr. Masahiko Nakamura is a partner (attorney at law) of TMI Associates, which is Japan Lifeline's business partner. However, since the transaction amount is as small as less than 0.1% of consolidated net sales of the Company, Japan Lifeline has met its standards for the independence of outside directors and *Kansayaku*, and Japan Lifeline believes that this will not affect the judgment of shareholders and investors.	As *Kansayaku*, he has been appointed as an outside *Kansayaku* because he possesses the personality and insight and is expected to conduct audits from the standpoint of a legal expert. In addition, he is independent from Japan Lifeline and there is no risk of conflicts of interest with general shareholders, therefore, he has been designated as an independent officer.
Daizo Asari	Designated as Independent *Kansayaku*	Representative member of Seiwa Tax Co.	As *Kansayaku*, he has been appointed as an outside *Kansayaku* because he possesses the personality and insight and are expected to conduct audits from the standpoint of a tax specialist. In addition, he is independent from Japan Lifeline and there is no risk of conflicts of interest with general shareholders, therefore, he has been designated as an independent officer.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	4

Matters relating to Independent Directors/*Kansayaku*

None

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

As described in the details of disclosure policy for determining the amount of remuneration or the method of calculation of [Director Remuneration], below.

Recipients of Stock Options	

Supplementary Explanation

None

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation

The remuneration, etc. of directors and *kansayaku* is disclosed by posting a securities report describing the relevant matters on the corporate website. The remuneration, etc. for directors and *Kansayaku* for the year ended March 31, 2020 is as follows.

- 456 million yen for directors (excluding outside directors)
- 12 million yen for *Kansayaku* (excluding outside *Kansayaku*)
- 23 million yen for outside directors

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Japan Lifeline has established the Nomination and Remuneration Advisory Committee, chaired by an outside director, as an advisory body to the Board of Directors to ensure objectivity and transparency in the process of nominating, evaluating and determining remuneration for directors and auditors. The policy for determining the content of remuneration, etc. for each individual director was deliberated by the

Nomination and Remuneration Advisory Committee, and based on the report from the committee, the revision was resolved at the Board of Directors meeting held on February 26, 2021.

(i) Basic Policy on Remuneration for Directors and Corporate Auditors

The Company has established the following basic policies to ensure that its executive remuneration system functions properly in order to achieve sustainable growth and increase its corporate value.

A) Appropriate motivation to achieve performance targets

B) Competitive remuneration level that leads to the recruitment of talented human resources

C) Appropriate levels of remuneration that will lead to an increase in corporate value over the medium to long term

D) Objectiveness and transparency secured in the determining process of remuneration

(ii) Method of Determining the Remuneration Structure and Remuneration Amount

The Company's remuneration for directors consists of fixed remuneration, performance-linked bonuses as monetary remuneration linked to short-term performance, and performance-linked stock-based remuneration (Directors' Remuneration BIP Trust) as an incentive for medium- to long-term enhancement of corporate value. The amount of remuneration for directors and auditors was set at the 17th Ordinary General Meeting of Shareholders held on June 26, 1997, as follows: The amount of remuneration for directors and auditors shall not exceed 700 million yen per year and 50 million yen per year, respectively.

A) Fixed remuneration

Fixed remuneration is determined by the Nomination and Remuneration Advisory Committee, which is delegated by the Board of Directors, taking into account the position and responsibilities of each director, the degree of contribution to business performance, and other factors, as well as benchmarking the level of remuneration provided by external database services, in a comprehensive manner.

B) Performance-linked bonuses

Monetary remuneration is paid once a year within three months after the end of the fiscal year in an amount calculated according to the degree of achievement of consolidated net sales and consolidated operating profit (after deduction of bonuses for directors and corporate auditors when 100% of the consolidated performance forecast is achieved) of the consolidated performance forecast for one fiscal year disclosed at the beginning of each fiscal year. As performance indicators, the Company adopts a combination of consolidated net sales and consolidated operating profit, as these are clear indicators for evaluating the Company's performance. Mr. Keisuke Suzuki, President and CEO, and outside directors are not eligible for the payment.

C) Performance-linked stock remuneration (BIP trust)

Depending on the degree of achievement of performance targets and the position of the Director, the Company will deliver and provide the Director with shares of the Company and cash equivalent to the amount of the Company's shares to be converted into cash upon retirement. The system adopts a performance-linked structure in which the number of shares to be delivered and benefits to be paid and the amount of money to be paid increase or decrease depending on the degree of achievement of the performance targets, which are the consolidated net sales and consolidated operating profit of the consolidated performance forecast for the fiscal year disclosed at the beginning of each fiscal year. As performance indicators, the Company adopts a combination of consolidated net sales and consolidated operating income, as these are clear indicators for evaluating the Company's performance. Mr. Keisuke Suzuki, President and CEO, and outside directors are not subject to this system.

(iii) Policy on determination of remuneration ratio by type of director

The ratio of performance-linked remuneration to the total amount of remuneration is approximately 8 for fixed remuneration and 2 for performance-linked remuneration in the case of a standard level of performance achievement, as an average of the eligible directors. The ratio of non-monetary remuneration to total remuneration is, on average, 9 for monetary remuneration and 1 for non-monetary remuneration.

[Supporting System for Outside Directors and/or *Kansayaku*]

The Corporate Planning Office of Japan Lifeline supports outside directors and outside *Kansayaku* and provides them with the necessary information when necessary. In addition, information necessary for conducting audits and important information within Japan Lifeline are communicated to outside auditors from time to time through full-time *Kansayaku*.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Takeshi Masumoto	Chairman emeritus	Mr. Masumoto provides Japan Lifeline with advice based on experience	Part-time and remunerated	2017/06/28	Until the end of June 2021

		and knowledge and does not involve in management.			

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	1

Others

None

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

[Board of Directors]

The Japan Lifeline's Board of Directors consists of eleven directors, including two outside directors. The Board of Directors' meeting is held once a month on a regular basis and whenever necessary on an extraordinary basis to make decisions on important management matters and to supervise the execution of operations by directors. In addition, outside directors are appointed as independent directors, and they supervise and advise the Board of Directors from an independent standpoint in cooperation with other independent directors and auditors.

[Nomination and Remuneration Advisory Committee]

In order to ensure the fairness, transparency, and objectivity of procedures for nominating directors and *Kansayaku* and remuneration, Japan Lifeline has established a discretionary Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors. To this end, the committee discusses criteria for the election and dismissal of directors and *Kansayaku*, deliberates remuneration systems, and determines individual remuneration for directors. The Committee is composed of four members, including two independent outside directors, and is chaired by an independent outside director.

[*Kansayaku* Board]

Japan Lifeline is a company with *Kansayaku* Board. The *Kansayaku* Board consists of three persons, including two outside *Kansayaku* (one of whom is a full-time *Kansayaku*). Two outside *Kansayaku* are appointed as independent officers, and as lawyers and certified public tax accountants, they are capable of conducting audits from a professional perspective. Mr. Daizo Asari, one of the two outside *Kansayaku*, is a certified public tax accountant and has considerable knowledge of finance and accounting. Each *Kansayaku* attends meetings of the Board of Directors and important meetings as necessary. The *Kansayaku* Board also meets regularly with the President to exchange opinions on issues to be addressed by Japan Lifeline, the status of environmental arrangements for auditing by *Kansayaku*, and important auditing issues. Each *Kansayaku* receives reports from the Internal Auditing Division and the person in charge of internal control over financial reporting from time to time. In addition, Japan Lifeline holds prior consultation on the audit plan of the Internal Auditing Division and, if necessary, conduct on-site inspections in cooperation with each other.

[Internal auditing]

Japan Lifeline has established the Internal Auditing Division, which is under the direct control of the President, and consists of five members to monitor compliance with internal regulations. In addition, the Internal Auditing Division and the *Kansayaku* work together to ensure more effective and efficient auditing.

[Accounting Audits]

Audits by Japan Lifeline's accounting auditors for the year ended March 31, 2020 are as follows:

① Audit Corporation, named after the certified public accountant executing the services

Ernst & Young ShinNihon LLC

- Akinori Sato
- Hisafumi Nomoto

② Assistant accountants who executed auditing operation

- Certified public accountant: 19 People
- Other accounting staff: 17 People

③ Remuneration for Independent *Kansayaku*

- Remuneration based on audit and attestation services: 45 million yen
- Remuneration based on Non-Audit Services: None

[Initiatives to Strengthen the Functions of *Kansayaku*]

The descriptions in [*Kansayaku*] of "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management"

[Summary of Details of Liability Limitation Agreement]

Japan Lifeline has concluded a contract with all outside directors and outside *Kansayaku* to limit the liability set forth in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount specified by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

Japan Lifeline is a company with *Kansayaku* Board.

The Board of Directors appraises that the appointment of two outside directors, who are independent officers, provides supervision and advice to the Board of Directors from an independent standpoint, and fulfills its function by cooperating with outside *Kansayaku*, who are also independent officers.

In addition, outside *Kansayaku* supervise the Board of Directors from a wide range of perspectives by conducting audits together with full-time *Kansayaku* who are familiar with Japan Lifeline's business, based on

a wide range of insights and extensive experience in each specialized area.

Furthermore, as an advisory body to the Board of Directors, the Company has established the Nomination and Remuneration Advisory Committee, of which more than half of the members are independent outside directors, and in which an independent outside director presides. The committee is responsible for deliberating matters such as nomination of directors and *Kansayaku* and remuneration so that management can be supervised appropriately.

Based on the above, Japan Lifeline has determined that its corporate governance is correctly functioning and has chosen the current system.

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	The notice of convocation of the Ordinary General Meeting of Shareholders held in June 2020 was sent before the legal date (June 9). In addition, it was posted on the Japan Lifeline's corporate website on June 4.
Scheduling AGMs Avoiding the Peak Day	The Ordinary General Meeting of Shareholders held in June 2020 was held on June 25, a schedule that avoids the date of first concentration.
Allowing Electronic Exercise of Voting Rights	Japan Lifeline has introduced the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform	Japan Lifeline participates in the voting platform operated by ICJ.
Providing Convocation Notice in English	The full English text is available on the Tokyo Stock Exchange and the corporate website.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Japan Lifeline has set forth the basic policy for investor relations regarding information disclosure, methods for information disclosure, prospects for the future, and the silence period, which are posted on the corporate website.
Regular Investor Briefings for Analysts and Institutional Investors	The President and the director in charge attended the biannual financial results briefing session to explain the financial results, the outlook for the next term, and future business policies. The number of participants is around 70 each time.
Regular Investor Briefings for Overseas Investors	Japan Lifeline participates in overseas conferences and holds individual meetings.

Posting of IR Materials on Website	The Investor Relations Library is available on the Investor Information page (https://www.jll.co.jp/investors/library.html), the IR Library is posted on the following pages, as Japan Lifeline discloses materials and publishes news releases on a timely basis.
Establishment of Department and/or Manager in Charge of IR	IR Department: Corporate Planning Office Director in charge of IR: Senior Vice President, Corporate Administration Headquarters, Kenji Yamada

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In addition to the Code of ethics, which is the norm for the Company, Japan Lifeline established the Action Policy in January 2007, which sets forth guidelines for compliance with laws and regulations, information management, internal environments, personal behavior, and social responsibilities.
Environment preservation activities and CSR activities etc.	Japan Lifeline proactively addresses measures to preserve the environment and strengthen the governance of corporate organizations as well as the ordinary course of business, with the basic understanding that the Company's business itself to deliver valuable medical devices to patients, their families or clinical professionals is a social mission of the Company. By addressing the above, Japan Lifeline aims to improve the corporate value on the sustainable basis. About Japan Lifeline's specific activities, please see the sustainability-related pages of its website below. https://www.jll.co.jp/aboutus/sustainability.html
Development of Policies on Information Provision to Stakeholders	Basic policy on information disclosure is available on the corporate website https://www.jll.co.jp/investors/policy.html In addition, for the ESG policy, please refer to the sustainability-related pages from below. https://www.jll.co.jp/aboutus/esg.htm

IV. Matters Related to the Internal Control System

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

The establishment of an internal control system is essential to ensure that Japan Lifeline's concepts on corporate governance, which are put into practice at the business execution level. Only when the system that has been constructed works appropriately, will management in line with its management philosophy be realized.

Therefore, Japan Lifeline believes that it is more important to not only build an internal control system, but also to check whether it is being operated appropriately.

The Board of Directors established the Basic Policy for Developing an Internal Control System on May 22, 2006, and partially revised it on April 28, 2011, May 20, 2015, and May 24, 2019. Japan Lifeline maintains and operates an internal control system based on this basic policy.

[Basic Policy for Developing an Internal Control System]

1. Structure to ensure that the executive duties of directors and employees comply with legal requirements and the company's articles of incorporation
   (1) Directors and employees shall act in compliance with laws and regulations, social ethics, articles of incorporation, and other internal regulations in accordance with the Code of Ethics, Action Policy, and Compliance Guidelines.
   (2) The Chief Compliance Officer and the Compliance Committee will play a central role in establishing the internal compliance system in accordance with the Regulations of Compliance Promotion.
   (3) Distribute a compliance handbook to all directors and employees, conduct training, and ensure thorough awareness of compliance.
   (4) Establish a helpline at an external organization as a point of contact for reporting, notifying, and consulting on compliance issues.
   (5) With respect to anti-social forces, all relationships shall be cut off pursuant to the Regulations of the Elimination of Anti-Social Forces and Compliance Guidelines, and in the unlikely event that a relationship with an anti-social force is suspected, such anti-social force shall be promptly reported to the department in charge and resolutely responded to by cooperating with the police and other external organizations.
   (6) The Internal Audit Division shall audit the status of compliance with laws and regulations, the articles of incorporation, and the internal regulations in accordance with the Regulations for Internal Audits.
   (7) As an advisory body to the Board of Directors, a discretionary Nomination and Remuneration Advisory Committee, composed of independent outside directors and chaired by independent outside directors, will be established to ensure objectivity and transparency in the process of study and determining directors and *Kansayaku*' nominations and remunerations.

2. Structure and system to maintain and manage information relating to directors in the execution of their duties
   (1) Minutes of important meetings of the general meeting of shareholders and the board of directors, the form of request for managerial approvals and applications for which the directors are authorized, and other important documents (including electromagnetic records) pertaining to the execution of duties by the directors shall be stored and managed in accordance with the Regulations of Document Control.
   (2) Directors and corporate *Kansayaku* may access the above documents at all times.

3. Systems for managing risks of loss including the relevant internal regulations

(1) Based on the Regulations of Risk Management, a company-wide risk management system shall be established centered on the Chief Risk Management Officer and the Risk Management Committee.

(2) In the event that a serious risk arises and a company-wide response is required, a countermeasures office headed by the president shall be established, and a prompt response shall be implemented to minimize the loss.

4. System for ensuring efficient execution of Directors' duties

(1) The Board of Directors shall establish the Rules for Division of Duties and the Rules for Administrative Authority so that the execution of duties by directors can be carried out appropriately and efficiently.

(2) The Board of Directors shall formulate an annual budget, and each Director in charge shall report on the progress of the budget at the Board of Directors meeting to investigate issues and take necessary measures.

5. System to ensure the appropriateness of business operations within the corporate group consisting of the company and its subsidiaries

(1) System for reporting matters related to the execution of duties by directors and others of subsidiaries to the company.

I. Based on the Regulations of the Management of Affiliated Companies, Japan Lifeline receives reports on matters pertaining to the execution of duties by directors, etc., as well as documents such as financial statements and minutes.

II. Japan Lifeline has its directors or employees concurrently serve as directors or *Kansayaku* of subsidiaries and receive reports from such directors or employees on the status of the execution of their duties from time to time.

(2) Regulations and other systems relating to the management of the risk of loss of subsidiaries

I. Based on the Regulations of Risk Management, Japan Lifeline will build a risk management system for its subsidiaries centered on the Chief Risk Management Officer and the Risk Management Committee.

II. In the event of a serious risk occurring at a subsidiary, the president of the subsidiary shall take the necessary action promptly, and Japan Lifeline will also provide support as necessary to minimize the loss.

(3) System to ensure the efficient execution of duties by directors, etc. of subsidiaries

I. Japan Lifeline will support the development of systems to ensure that operations are performed appropriately, such as the establishment of rules for division of duties and the rules for administrative authority for subsidiaries, as well as the implementation of management control by a supervising division in accordance with the Regulations of the Management of Affiliated Companies.

(4) System to ensure that the execution of duties by directors, etc. and employees of subsidiaries complies with laws and regulations and the articles of incorporation

I. Japan Lifeline provides necessary advice, guidance and assistance to ensure that the compliance system at subsidiaries is established in accordance with the Regulations of the Management of Affiliated Companies.

II. Based on the Regulations for Internal Audits, the Internal Audit Division shall audit the status of compliance with laws and regulations, articles of incorporation, and internal rules of each subsidiary.

6. Matters concerning requests by *Kansayaku* to appoint support staff

Where an auditor requests an employee to assist in the performance of his or her duties, the *Kansayaku* shall assign such employee as deemed appropriate after due consultation with the auditor.

7. Independence from the directors of the staff described in the above item

(1) An employee who is ordered by a corporate auditor to assist in auditing operations shall not be instructed or ordered by a director in connection with said operations.

(2) Matters pertaining to personnel matters pertaining to employees who are ordered by the *Kansayaku* to assist in audit operations shall be consulted with the *Kansayaku* in advance.

8. Matters concerning the assurance of effectiveness of instructions to employees who shall assist the *Kansayaku* in their duties

(1) Employees who are ordered by the *Kansayaku* to assist in the audit operations shall execute the operations in accordance with the instructions and orders of the *Kansayaku*.

(2) The directors shall endeavor to improve the audit environment so that the operations of the employees who are ordered by the *Kansayaku* to assist in the audit operations can be carried out smoothly.

9. System for directors and employees of Japan Lifeline and its subsidiaries to report to *Kansayaku* and other system for reporting to *Kansayaku*

(1) Directors and employees of Japan Lifeline and its subsidiaries shall accurately and promptly report to *Kansayaku* the following matters:

- Fact which may cause significant damage to the company
- Conduct that violates laws and regulations or the articles of incorporation and conduct that may violate such laws and regulations
- Design and operation of internal controls in accordance with the Corporate Law and the Financial Instruments and Exchange Law
- Results of internal audits conducted by the Internal Audit Division
- Other matters for which a report is requested by the *Kansayaku*

(2) Directors and employees of Japan Lifeline and its subsidiaries shall promptly report any requests made by *Kansayaku* to the company.

10. System to ensure that persons who have made reports to *Kansayaku* shall not be subjected to unfavorable

treatment on the grounds that such persons have made such reports Directors, *Kansayaku*, and employees of Japan Lifeline and its subsidiaries who have made reports to *Kansayaku* shall not be treated unfavorably on the grounds that said reports were made.

11. Matters concerning the procedures for advance payment or reimbursement of expenses arising in connection with the execution of duties by the *Kansayaku* and other policies for the disposal of expenses or liabilities arising in connection with the execution of such duties

    In the event a corporate auditor requests advance payment of expenses incurred or reimbursement of expenses paid in connection with the execution of his/her duties, such expense shall be promptly reimbursed unless it is recognized that such expense is not necessary for the execution of duties by the corporate auditor.

12. Other systems to ensure effective audits by *Kansayaku*
    (1) The *Kansayaku* may participate in internal meetings as necessary.
    (2) The *Kansayaku* Board shall hold regular meetings to exchange opinions with the president.
    (3) The Internal Audit Division shall consult with the *Kansayaku* Board in advance in formulating the Audit Plan.

13. System to ensure the reliability of financial reporting
    (1) The design of the internal control system to ensure the reliability of financial reports and the evaluation of the status of operations shall be carried out in accordance with the Basic Policy on Internal Control over Financial Reporting, and a supervising division shall be designated and such supervising division shall take the initiative.
    (2) In the event that any deficiency is discovered in the internal control system or operations, a report shall be submitted to the management and the Board of Directors and the deficiency shall be promptly corrected.

2. Basic Views on Eliminating Anti-Social Forces

In addition to clarifying the Action Policy and the Compliance Guidelines to block any and all relationships with anti-social forces, Japan Lifeline has established Regulations Regarding the Elimination of Anti-Social Forces and manuals based on these policies and has implemented specific measures.

Furthermore, Action Policies are compiled into a handbook, which is distributed to all employees, posted on the intranet, and disseminated through training and other means.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

None

2. Other Matters Concerning to Corporate Governance System

[Information Disclosure Policy]

In order to provide shareholders and investors with timely, accurate and fair information, Japan Lifeline will promptly disclose important information in accordance with the Financial Instruments and Exchange Law, rules for timely disclosure stipulated by the Tokyo Stock Exchange, and internal rules (internal information management rules).

[Information Disclosure System]

(1) Events occurred

In the event of a material fact for Japan Lifeline, the head of the department in charge of the relevant fact shall promptly report it to the director in charge of information disclosure. Upon receipt of the report, the director in charge of information disclosure reviews the necessity of disclosure with the President and the director in charge of the relevant departments, and discloses the information promptly when disclosure is required.

(2) Determined fact

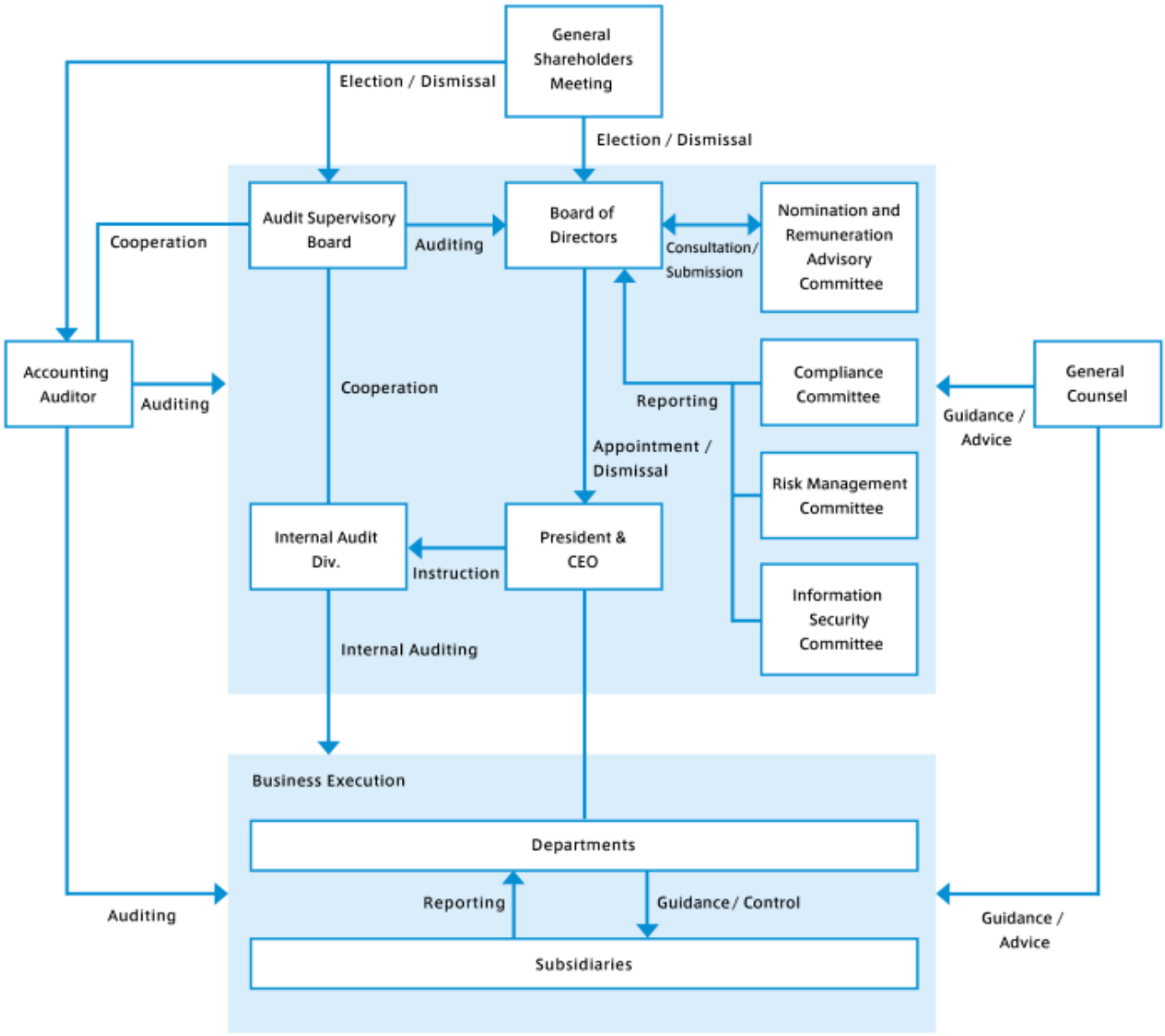
Important decisions are discussed and decided by the Board of Directors. The President, the director in charge of the relevant departments, and the director in charge of information disclosure examine whether or not to disclose the determined facts, and disclose them promptly if disclosure is necessary.

(3) Financial information

Financial closing information shall be prepared by the Finance and Accounting Division, and be submitted to the Board of Directors after being audited by the accounting auditor, and be disclosed promptly after approval.

(4) Others

Information other than those listed in (1) through (3) above is also examined by the information disclosure officer and is disclosed promptly if it is determined that the disclosure may affect the investment decisions of shareholders and investors.


General Shareholders Meeting
Election / Dismissal
Election / Dismissal
Audit Supervisory Board
Auditing
Board of Directors
Consultation/ Submission
Nomination and Remuneration Advisory Committee
Cooperation
Accounting Auditor
Auditing
Cooperation
Reporting
Compliance Committee
General Counsel
Guidance / Advice
Appointment / Dismissal
Risk Management Committee
Internal Audit Div.
Instruction
President & CEO
Information Security Committee
Internal Auditing
Business Execution
Departments
Reporting
Guidance / Control
Auditing
Subsidiaries
Guidance / Advice