

Corporate Governance Report

Last Update: November 1, 2022

Japan Lifeline Co., Ltd.

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<https://www.japanlifeline.com/>

The corporate governance of Japan Lifeline Co., Ltd. (hereafter “We”, “Japan Lifeline” or “the Company”) is described below. In the report, the Nomination and Remuneration Advisory Committee and the Audit and Supervisory Committee are abbreviated as “the NRA Committee” and “the AS Committee”, respectively.

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

1. Basic Views

Our management philosophy is to contribute to the realization of a healthy society through the latest and optimal medical device technologies. As a company that deals in medical equipment, this management philosophy expresses our desire to provide patients and medical professionals with superior medical devices and to enhance the corporate value by fulfilling our social role of realizing a healthy society. To meet the expectations and demands of the various stakeholders surrounding us, we believe that implementing initiatives for corporate sustainability will strengthen the foundation that enables sustainable growth over the medium-to long-term. In particular, we believe that securing effective functioning of corporate governance is key to the corporate sustainability. With efforts to strengthen our governance system, we will ensure the transparency and objectivity of 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]

[Principle 5-2]

We have formulated a medium-term management plan and have explained about the key measures to stably generate earnings more than the Company’s cost of capital, as well as our stance on the allocation of management resources. We will continue to contemplate on ways to provide brief and concise explanations in our disclosure materials for a better understanding of the Company.

[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, we maintain our policy on shareholdings that contribute to the attainment of expertise to which we cannot easily have access and the smooth execution and development of our businesses by building and strengthening relationships with business partners. For each individual shareholding case, the Investment Committee regularly monitors and deliberates on the evaluation and continuation of the investments or loans. The Board of Directors then annually verifies the appropriateness of these issues by confirming the merits of

holding them in terms of the Company's medium- to long-term business strategy, based on the status of transactions with the companies. If any shareholding is deemed inappropriate, we will sell such shares from time to time to reduce the holdings. With regards to the exercise of voting rights, we will decide whether to vote or not 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]

We do transactions with related parties, such as directors and major shareholders, upon the approval of the Board of Directors. We also did a questionnaire-survey on related-party transactions with all the directors to confirm the existence of such transactions.

[Principle 2-4 (1)]

We believe that it is important to reflect diverse values in the management to enhance corporate value over the medium-to long-term. When appointing people to management positions, we evaluate and make decisions based on their experience and abilities, regardless of gender, nationality, new graduates or mid-career hires.

The percentage of women in management positions in our group is 4.7%. We will continue to increase the percentage of women in our workforce by creating an environment in which women can work comfortably, and by promoting initiatives related to the promotion of women's activities, we aim to achieve a 15% ratio of women in management positions by 2030. Regarding the percentage of non-Japanese employees in management positions and the percentage of mid-career hires are 4.7% and 89.6% respectively. Many employees with different background and experiences play central roles in our group. Currently, we have not set a specific target number of non-Japanese employees or mid-career hires, but we will consider it in the future as necessary.

(Note: Figures are as of March 2022)

[Principle 2-6]

Since we have introduced a defined contribution pension plan, we are not involved in the management of corporate pension as asset owners. However, we set briefing sessions on asset management for newly registered employees.

[Principle 3-1]

(i) Management Philosophy, Strategy, and Plan

We have posted our management philosophy and strategy on the corporate website.

Mission Statement: <https://www.japanlifeline.com/the/#bottom>

Message from the President and CEO: <https://www.japanlifeline.com/investors/message.html>

We have described our management plan in materials for financial results briefing for institutional investors and posted such materials on the corporate website.

IR library: <https://www.japanlifeline.com/investors/library.html>

(ii) Basic Concept and Policy on Corporate Governance

We have described our basic policies on corporate governance 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

We have stated our policies and procedures for determining directors' remuneration in II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management, 1. Organizational Composition and Operation, [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

In nominating candidates for directors, the NAR Committee deliberates based on the following selection criteria, and the Board of Directors makes decisions after receiving a report from the NAR Committee. In nominating candidates for directors who are members of the AS Committee, the Board of Directors makes a resolution after obtaining a prior consent of the AS Committee. If we find any of the following criteria for dismissal applicable during the term of office, the NAR Committee shall deliberate on the matter and, upon receiving a report from the AS Committee, the Board of Directors shall decide to initiate the procedure for dismissal.

Appointment criteria

The candidate shall

- have excellent character and insight, as well as a high sense of ethics;
- Be able to make appropriate decisions regarding overall management;
- Be able to analyze and make decisions objectively from a company-wide perspective;
- Have excellent foresight, insight and leadership; and
- Have the knowledge, experience and expertise necessary for auditing (AS Committee members)

As for the succession plan for the CEO, the current President and CEO is discussing and deliberating with the members of the NAR Committee. In addition, the President and CEO takes the initiative in nurturing candidates for successors by providing them with opportunities to accumulate knowledge and experience through personnel changes and assigning them issues of high managerial importance. The NAR Committee confirms such processes. In addition, the Nomination and Remuneration Committee confirms the development status of the successor candidates by conducting a multifaceted evaluation on the annual basis.

Dismissal Criteria

Any candidate is subject to dismissal if

- He/she does material unlawful acts (against laws or the Articles of Incorporation) ;
- He/she becomes to deviate from the selection criteria significantly; or
- Other reasons than the above two arise that make it difficult for him/her to perform duties properly.

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

We have stated the reason for the election of directors 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 3-1 (3)]

(i) Initiatives to Promote Sustainability at the Company

Our management philosophy is "to contribute to the realization of a healthy society through the latest and optimal medical device technologies". We would like to work to solve social/healthcare issues through our business. Based on the idea that it is essential to meet the expectations and demands of our various stakeholders, we promote sustainability-related initiatives to achieve a sustainable goal over the medium and long term. We disclose our sustainability policy, promotion system, and initiatives in the sustainability section of our website.

Sustainability-related page: <https://www.japanlifeline.com/sustainability/>

(ii) Investment in Human Capital and Intellectual Property

We believe that human capital is key to our management, and thus identified it as one of the corporate materialities as follows:

- We create a workplace where employees can work with peace of mind; and
- We develop human resources and provide opportunities for them to play an active role.

In addition, in the mid-term management plan, we have set the further expansion of in-house products as a priority issue, and we are working to strengthen our intellectual property based on our business strategy, as well as to promote DX or digital transformation through the renewal of our core operational system.

Human Resources: https://www.japanlifeline.com/sustainability/human_resources.html

Products and Services: <https://www.japanlifeline.com/sustainability/product.html>

(iii) The impact of climate change-related risks and opportunities on the company's business activities, earnings, etc.

We view the reduction of our environmental burden as one of the key issues of ours. We believe that climate change is one of the most important risks or opportunities that have a lot to do with our business continuity and its sustainable growth. On our website, we disclose our climate change initiatives in line with the framework of the TCFD (Task Force on Climate-related Financial Disclosures).

Disclosure Based on TCFD Recommendations:

<https://www.japanlifeline.com/sustainability/environment.html#en02>

[Supplementary Principle 4-1 (1)]

The Company's Board of Directors supervises important decision-making and 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 individual business operations in accordance with the provisions of Divisions of Duties Regulations and Administrative Authority Regulations.

[Principle 4-9]

In appointing outside directors, we have established its own criteria stated as below for determining the independence of outside directors, in addition to the criteria for independence stipulated by the Tokyo Stock Exchange. We make decisions on the appointment of independent outside directors by confirming that they can perform their duties as outside directors from an independent standpoint in light of these standards.

Criteria for Determining the Independence of Outside Directors

We judge outside directors are independent with no risk of conflicts of interest with general shareholders only if they do not fall under any of the following items.

1. Persons who have been executive directors, executive officers, or other employees, etc. (hereinafter referred to as "Business Executors") of the Company or its subsidiaries (hereinafter referred to as "the JLL Group") at present or in the past 10 years
2. Persons or any company's Business Executors who have the JLL Group as a major business partner with the amount of transactions with the JLL Group in the most recent fiscal year more than two percent or more of such persons' or Business Executors' consolidated net sales
3. Major business partners of the JLL Group or their Business Executors with the amount of transactions with such business partners in the most recent fiscal year more than two percent or more of the JLL Group's consolidated net sales
4. Major lenders or their Business Executors to the JLL Group with the amount of the JLL Group's borrowings from such lenders exceeding two percent of the JLL's consolidated gross asset
5. Consultants, accounting experts, or legal experts who receive a large amount of money* or other property from the JLL Group other than compensation for their services as directors (if the person receiving such property is a corporation, etc., the person belonging to such corporation, etc.) (Note: the amount is judged as large if the amount of money or other assets exceeds, on average, 10 million yen per year for an individual, or two percent of the consolidated net sales of a corporation, etc. for the past three fiscal years)
6. A person or Business Executors of a corporation who hold 10 percent or more of the total voting rights of the Company

7. Business Executors of companies that have directors (whether full-time or part-time) from the JLL Group
8. Persons or any organization's Business Executors that have received donations or grants from the JLL Group more than 10 million yen per year in the most recent fiscal year.
9. The accounting auditor of the JLL Group or a person belonging to an auditing firm that is the accounting auditor of the JLL Group
10. Those who have fallen under any of 2 to 9 in the last one year
11. Close relative (spouse or relative within the second degree) of a person who falls under any of 1 through 9 (limited to a person in an important position such as directors other than outside directors, executive officers, or officers with equivalent authority)

[Supplementary Principle 4-10 (1)]

The Company's Board of Directors currently consists of 15 directors (including four AS Committee members), six of whom are outside directors. We have established a voluntary NAR Committee as an advisory body to the Board of Directors. To ensure objectivity and transparency in procedures related to the nomination and remuneration of Directors and AS Committee members, the highly independent Committee deliberates on the criteria for the election and dismissal of Directors and AS Committee members, the compensation system, and other matters. For the purpose of further increasing the independence of the AS Committee, in April 2022, we have appointed one new member who is an independent outside director, and the AS Committee now consists of five members, including three independent outside directors. One of the independent outside directors presides in the chair of the AS Committee.

[Supplementary Principle 4-11 (1)]

The Company's Board of Directors is composed of a maximum of 15 members (excluding those who are AS Committee Members) and 5 directors who are members of the AS Committee 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. We will also ensure the diversity of its members, including gender, age, and internationality. As for appointment of internal directors, we select candidates who have expertise and experience in different areas of business. As for outside directors (including those who are AS Committee members), we select candidates who have knowledge and experience as managers or specialists in legal, accounting, tax, and other matters, and are capable of auditing and supervising from an independent standpoint and thus advising the Board of Directors. We have disclosed a skills matrix listing the main knowledge, experience, and abilities possessed by each director in the reference materials for the General Meeting of Shareholders.

The 42nd General Shareholders' Meeting reference material

<https://pdf.irpocket.com/C7575/JZk2/IDR5/CM9K.pdf>

[Supplementary Principle 4-11 (2)]

When appointing outside directors, we confirm in advance whether they can devote enough time and effort for the Company, including attendance at the Board of Directors' meetings. We disclose each director's concurrent positions in the annual business report and the annual securities report.

[Supplementary Principle 4-11 (3)]

To further enhance the effectiveness of the Board of Directors, we analyze and evaluate the effectiveness of the entire Board of Directors every year and disclose an overview of the results.

Evaluation for the fiscal year ended March 31, 2022 included questionnaires to all directors, and analysis and evaluation of the effectiveness of the Board of Directors based on the opinions of external consultants. As a result, we have confirmed that the board is properly managed and effective. We will continue to make efforts to improve the effectiveness of the Board of Directors.

A summary of the analysis and evaluation results for the fiscal year ending March 31, 2022 is as follows.

Major items of the self-evaluation questionnaire

1. Composition and operation of the Board of Directors
2. Management strategy and business strategy
3. Corporate ethics and risk management
4. Evaluation on business performance and evaluation on each member's performance and their Remuneration
5. Dialogue with shareholders, etc.

Outline of the analysis and evaluation results

We have confirmed that the Board of Directors as a whole is appropriately fulfilling its roles and functions in all evaluation items after discussions on the analysis of the self-evaluation questionnaire at the Board of Directors meeting. Regarding each evaluation item, the evaluation on the composition and operation of the Board of Directors improved, and the evaluation of the responsibilities of independent outside directors was particularly high. In the discussion, there was an opinion that it was probably due to the successful transition to a company with an audit and supervisory committee. In addition, the Company also confirmed that its sustainability efforts, which were identified as an issue in last year's effectiveness evaluation, have made significant improvement in the assessment. Meanwhile, the members shared that there are issues to be addressed to further improve the effectiveness of the Board of Directors, such as further enhancement of executive training and establishment of a system to promote constructive dialogue with shareholders. We will continue to improve the foundation for medium- and long-term growth by conducting regular analysis and evaluation of the Board of Directors and taking measures to improve its effectiveness.

[Supplementary Principle 4-14 (2)]

Directors must attend external training sessions at the time of their appointment to better understand the roles and responsibilities as directors. We will conduct trainings for all directors once a year. In addition, when each director attends the training, the Company shall bear the cost.

[Principle 5-1]

We promote constructive dialogue with shareholders based on the following policies.

- (i) The Corporate Planning Division serves as the contact point for shareholders and investors, and the director in charge of IR meets with shareholders or investors. If shareholders or investors request a meeting with a person other than the director in charge of IR, we will accommodate their request to the extent possible.
- (ii) Under the direction of the director in charge of IR, the Corporate Planning Division takes the central role in taking investor related initiatives, cooperating with the General Affairs Division and the Finance & Accounting Division from time to time.
- (iii) We hold conference calls or online financial briefing sessions on the quarterly basis for institutional investors for them to deepen the understanding of the Company. Our recent updates include video materials and Q&A session transcripts on the website.
- (iv) We report any opinions or concerns gained through dialogue with shareholders or investors to the President and the Board of Directors. Depending on the content of the report, we also report to important internal conferences where senior management members participate.
- (v) We shall manage any insider information in accordance with the Regulations Governing the Management of Internal Information and shall not disclose it to shareholders or investors in dialogue. In addition, to prevent any leakage of accounting information and ensure fairness for investors, we define a silent period starting from the next day of the closing date to the date of disclosure, during which we shall not speak of latest financials or important information or whatsoever.

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
MT Shokai	9,860,800	12.64
KS Shoji	8,609,100	11.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,144,300	10.44
Custody Bank of Japan, Ltd. (Trust Account)	6,911,200	8.86
Keisuke Suzuki	2,560,016	3.28
Japan Lifeline Employee Shareholders Association Exclusive Trust	1,110,164	1.42
JP MORGAN CHASE BANK 385781	947,464	1.21
THE BANK OF NEW YORK 133972	928,700	1.19
STATE STREET BANK WEST CLIENT - TREATY 505234	854,100	1.09
The ChibaBank, Ltd.	800,000	1.03

Controlling Shareholder (except for Parent Company)	
Parent Company	

Supplementary Explanation

Besides the above, there are 4,889,961 of the Company's treasury shares as of September 30, 2022. 109,600 of shares remaining in the Directors' Remuneration BIP Trust are not included in the number of treasury shares.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
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

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

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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 Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President and CEO
Number of Directors	15
Appointment of Outside Directors	Appointed
Number of Outside Directors	6
Number of Independent Directors	6

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Fumihiko Sasaki	From another company									○			
Yoshiaki Ikei	From another company									△			
Yusuke Naiki	From another company				△	△	△						
Masahiko Nakamura	Laywer									○			
Daizo Asari	Tax Accountant												
Yutaka Karigome	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 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
- 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 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	Membership of Audit and Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Fumihiko Sasaki	No	Yes	Mr. Fumihiko Sasaki is a Senior Managing Executive Officer of XYMAX Corporation, and although the Company has a business relationship with XYMAX, the amount of transactions with XYMAX in the most recent fiscal year was less than 2% of the consolidated net sales of both companies, and the criteria for determining the independence of an outside director as defined by the Company are met.	Mr. Sasaki has a wealth of experience and broad insight as a corporate manager, and we believe that he will contribute to ensuring objectivity and transparency in the Company's decision-making and supervision of business execution, and we have therefore appointed him as an outside director. In addition, the Company has designated him as an independent director because he meets the criteria for determining the independence of outside directors set forth by the Company, and therefore the Company has determined that he has sufficient independence without any risk of a conflict of interest with general shareholders.

Yoshiaki Ikei	No	Yes	<p>Mr. Yoshiaki Ikei is a representative director of MA Partners and the Company had a business relationship with MA Partners in the fiscal year ended March 31, 2017, but since the transaction amount was less than 2% of consolidated net sales of both companies and more than one year has already passed, the Company has determined that there is no risk of influencing his independence as an outside director since he meets the criteria for determining independence set by the Company.</p>	<p>Mr. Ikei has been involved in the M&A industry for many years, and also has a wealth of experience and broad insight as a corporate manager. He has been appointed as an outside director because we believe that he will contribute to ensuring objectivity and transparency in the Company's decision-making and supervision of business execution. In addition, the Company has designated him as an independent director because he meets the criteria for determining the independence of outside directors set forth by the Company, and therefore the Company has determined that he has sufficient independence without any risk of a conflict of interest with general shareholders.</p>
Yusuke Naiki	No	Yes	<p>Mr. Yusuke Naiki was the Chairperson of Boston Scientific Japan K.K. until June 2020. The Company has a business relationship with the company and he is a major business partner of both parties, but more than one year has passed since his retirement. In addition, he had a business consignment contract with the Company until June 2021, but the annual transaction amount was less than 10 million yen. Based on the above, the Company believes that there is no risk of influencing his independence, as he meets the Company's</p>	<p>Mr. Yusuke Naiki has been involved in the medical device industry for many years and has extensive experience and knowledge in the medical device business and corporate management, including serving as a manager in the same industry. We have elected him as an outside director because we believe that his extensive experience and broad insight in the medical device business and corporate management will help ensure objectivity and transparency in our decision-making and supervision of business execution. In addition, the Company has designated</p>

			criteria for determining the independence of an outside director.	him as an independent director because he meets the criteria for determining the independence of outside directors set forth by the Company, and therefore the Company has determined that he has sufficient independence without any risk of a conflict of interest with general shareholders.
Masahiko Nakamura	Yes	Yes	Mr. Masahiko Nakamura is a partner (attorney at law) at TMI Associates, and the Company has an advisory contract with the firm. The annual transaction amount with the firm is less than 2% of the firm's consolidated net sales, which meets the Company's criteria for determining the independence of an outside director.	Masahiko Nakamura is appointed as an outside director because of his expertise and extensive experience as an attorney-at-law, which he believes will contribute to ensuring objectivity and transparency in the Company's decision-making and supervision of business execution. In addition, the Company has designated him as an independent director because he meets the criteria for determining the independence of outside directors set forth by the Company, and therefore the Company has determined that he has sufficient independence without any risk of a conflict of interest with general shareholders.
Daizo Asari	Yes	Yes		Mr. Daizo Asari is appointed as an outside director because of his expertise and extensive experience as a certified tax accountant, which he believes will contribute to ensuring objectivity and transparency in the Company's decision-making and supervision of business execution. In addition, the Company has designated him as an

				independent director because he meets the criteria for determining the independence of outside directors set forth by the Company, and therefore the Company has determined that he has sufficient independence without any risk of a conflict of interest with general shareholders.
Yutaka Karigome	Yes	Yes	Mr. Yutaka Karigome had an advisory contract with the Company until June 2021, but the annual transaction amount was less than 10 million yen, which meets the Company's criteria for determining the independence of an outside director, and therefore, the Company believes that there is no risk of influencing his independence.	Mr. Yutaka Karigome is appointed as an outside director because of his expertise as a certified tax accountant as well as his extensive experience as a National Tax Tribunal official, which we believe will contribute to ensuring objectivity and transparency in the Company's decision-making and supervision of business execution. In addition, the Company has designated him as an independent director because he meets the criteria for determining the independence of outside directors set forth by the Company, and therefore the Company has determined that he has sufficient independence without any risk of a conflict of interest with general shareholders.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

According to the “Basic View on Internal Control System” in “IV Matters Related to the Internal Control System 1. Basic Views on Internal Control System” of this report, the Company has appointed employees to assist the AS Committee in its duties in accordance with “6. Matters Related to Employees to Assist Duties of AS Committee Members in the Event that the Committee Have Requested such Employees”. In addition, in the “7. Matters Related to the Independence from Directors of Employees Described in the Preceding Item”, the matters concerning the independence of the employees from the executive directors are stipulated.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

The AS Committee receives audit reports on statutory audits from the accounting auditor and exchanges information as necessary to enhance the effectiveness of their respective audits, and when necessary, both parties work together to conduct actual inspections. The AS Committee also receives reports from time to time on important documents checked by the Internal Audit Division, which is an internal audit organization, as well as on matters in which doubts arise during internal audits. The AS Committee also discusses the audit plan of the Internal Audit Division in advance and collaborates with the division to conduct actual inspections as necessary.

[Voluntary Establishment of Nomination/Remuneration 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 Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee’s Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

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

[Independent Directors]

Number of Independent Directors	6
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Matters relating to Independent Directors

We designate all outside directors who meet the qualifications for independent directors as independent directors.

When appointing outside directors, we make judgements based on the Company's criteria for determining the independence of outside directors as well as the criteria for independence set forth by the Tokyo Stock Exchange. Such that we reasonably assume that they can perform their duties as outside directors from an independent standpoint.

With regards to outside directors who are not members of the AS Committee, we selected them based on the belief that appointing individuals with a wide range of insight and extensive experience in corporate management will ensure objectivity and transparency in the Company's decision-making and supervision of business execution.

With regards to outside directors who are members of the AS Committee, we selected them, believing that they can strengthen the corporate governance of the Company by conducting audits based on their broad insight and abundant experience in their respective areas of expertise as lawyers or tax accountants.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

Please refer to "Director Remuneration" below.

Recipients of Stock Options	
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

We disclose remuneration, etc., of directors and corporate auditors in the annual securities report on our website. The remuneration, etc. of directors and corporate auditors for the fiscal year ended March 31, 2022 is as follows.

- Directors (excluding outside directors) 413 million yen (fixed remuneration: 381 million yen, performance-linked bonus: 14 million yen, stock-based remuneration: 16 million yen) Number of eligible directors: nine
- Directors who are AS Committee members (excluding outside directors) 10 million yen (fixed remuneration: 10 million yen) Number of eligible directors: one

- Corporate Auditors (excluding outside auditors) 3 million yen (fixed remuneration: 3 million yen)
Number of eligible directors: one
- Outside directors 44 million yen (fixed remuneration: 44 million yen) Number of eligible directors: six

Note:

1. The Company transitioned from a company with Board of Corporate Auditors to a company with Audit and Supervisory Committee on June 25, 2021.
2. Performance-linked bonuses represent the amount of provision of reserve for bonuses to directors for the current fiscal year.
3. For performance-linked stock compensation (Directors' Remuneration BIP Trust), a provision for allowance for stock compensation of 16 million yen is recorded based on the number of points granted or expected to be granted in the current fiscal year.
4. In addition to the total amount of compensation, etc. above, the Company paid two million yen of retirement benefits to one retiring director in accordance with the resolution of the 37th Ordinary General Meeting of Shareholders held on June 28, 2017. This amount includes two million yen of provision for directors' retirement benefits disclosed in the business report for the past fiscal year.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

We have established the NAR 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 and evaluating directors and determining their remuneration. The NAR Committee deliberates on the policy for determining the details of individual remuneration, etc. of directors, and the Board of Directors makes decisions based on the report from the NAR Committee.

1. Basic Policy on Remuneration for Directors

We have established the following basic policy to ensure that the remuneration system for directors functions properly to achieve sustainable growth and enhance corporate value of the Company.

(A) Provide appropriate incentives for achieving performance targets

(B) Provide a competitive remuneration level that will lead to the recruitment of excellent human resources

(C) The amount of remuneration should lead to the enhancement of corporate value over the medium and long term.

(D) The process of determining remuneration should be highly objective and transparent.

2. Remuneration structure and method of determining the amount of remuneration

The remuneration for Directors consists of fixed remuneration, performance-linked bonus as monetary remuneration linked to short-term performance, and performance-linked stock-based remuneration (Directors' Remuneration BIP Trust).

(A) Fixed remuneration

The amount will be paid monthly as a fixed monthly monetary remuneration. Fixed remuneration for directors (excluding those who are AS Committee members) is determined by the NAR Committee, which is delegated by the Board of Directors, taking into consideration their position, responsibilities, and contribution to the Company's performance, as well as the remuneration level of an external database service as a benchmark, and considering all factors. For Directors who are AS Committee members, remuneration is determined through consultation among the Directors who are AS Committee members.

(B) Performance-linked bonus

An amount calculated in accordance with the degree of achievement of consolidated net sales and consolidated operating income (after deduction of bonuses to directors 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 is paid annually within three months after the end of the fiscal year as monetary remuneration. 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. Keisuke Suzuki, President and CEO and outside directors and directors who are members of the AS Committee are not eligible for the payment.

(C) Performance-linked stock compensation (Directors' Remuneration BIP Trust)

Depending on the degree of achievement of performance targets and the position of the director, shares of the Company and cash equivalent to the cash value of the Company's shares will be delivered and paid to the directors upon their retirement. Under this system, the consolidated net sales and consolidated operating income of the consolidated earnings forecast for the fiscal year disclosed at the beginning of each fiscal year are set as the performance targets, and a performance-linked mechanism is adopted whereby the number of shares to be delivered and benefits to be paid and the amount of money to be paid increase or decrease in accordance with the degree of achievement. 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. Keisuke Suzuki, President and CEO, as well as outside directors and directors who are members of the AS Committee, are not subject to this system.

3. Policy for determining the ratio of remuneration by type of director

The ratio of performance-linked remuneration to the total amount of remuneration is approximately 80% for fixed remuneration and 20% 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, 90% for monetary remuneration and 10% for non-monetary remuneration.

[Supporting System for Outside Directors]

The Corporate Planning Division provides support to outside directors (including directors who are members of the AS Committee) and conveys necessary information to them. In addition, the outside directors who are members of the AS Committee receive information necessary for conducting audits and important internal information through the full-time members of the AS Committee.

[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	Honorary Chairperson	The purpose of the appointment is to seek advice based on his experience and knowledge, and not	Part-time, no remuneration	June 28, 2017	June 30, 2023

		to be involved in management.			
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Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	1
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Others

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

[Board of Directors]

The Company's Articles of Incorporation stipulate that the Company shall have no more than 15 directors (excluding those who are members of the AS Committee) and no more than five directors who are members of the AS Committee. Currently, the Company has 11 directors (excluding those who are members of the AS Committee) and four directors who are members of the AS Committee. Six of the directors are outside directors, all of whom are appointed as independent directors. The Board of Directors holds regular meetings once a month and extraordinary meetings as necessary to make decisions on important management matters and supervise the execution of duties by directors. In addition, the independent outside directors supervise and provide advice to the Board of Directors from an objective standpoint in cooperation with each other.

[Audit and Supervisory Committee]

The AS Committee of the Company consists of four members, including three independent outside directors, one of whom is a full-time AS Committee member. The AS Committee holds regular meetings once a month and extraordinary meetings whenever necessary. Although the three outside directors do not have experience as corporate managers, they are lawyers or certified tax accountants and will audit and supervise the Company from their respective professional perspectives. In addition, one employee of the Internal Audit Division concurrently serves as an assistant to the duties of the AS Committee.

[Nomination and Remuneration Advisory Committee]

We have established a voluntary NAR Committee as an advisory body to the Board of Directors. To ensure objectivity and transparency in procedures related to the nomination and remuneration of directors, this highly independent committee deliberates on the criteria for the nomination and dismissal of directors and the remuneration system, and determines the individual remuneration of directors (excluding those who are members of the AS Committee). The NAR Committee consists of five members, including three independent outside directors, and is chaired by an independent outside director.

Committee Chairperson Outside Director (Independent) Fumihiro Sasaki

Committee Member Outside Director (Independent) Yoshiaki Ikei

Committee Member Outside Director (Independent) Daizo Asari

Committee Member President and CEO Keisuke Suzuki

Committee Member Executive Senior Vice President and COO Atsuhiko Suzuki

[Internal Audit Division]

We have established the Internal Audit Division, a six-member organization under the direct control of the President, as its internal audit department to monitor compliance with laws and regulations, the Articles of Incorporation, and internal rules and regulations. The Internal Audit Division and the AS Committee work together to ensure that audits are conducted in a more effective and efficient manner.

[Compliance Committee]

The Board of Directors appoints the Chief Compliance Officer (CCO) as the person in charge of compliance issues, and the Compliance Committee, chaired by the CCO, is an advisory body to the CCO. Executive Senior Vice President and COO, Executive Director in charge of Human Resources Division, Executive Managers, Senior Manager of Business Administration Department, General Manager of Arrhythmia Sales Department, General Manager of Legal Affairs Division and the head of the Audit Office are permanent members of the Compliance Committee, and other members are convened on a regular quarterly basis and on an as-needed basis to accurately identify, manage, and address compliance issues. The CCO reports on compliance issues to the Board of Directors on a regular quarterly basis and on an as-needed basis.

Committee Chairperson (Chief Compliance Officer) Senior Vice President Kenji Yamada

Committee Member Executive Senior Vice President and COO Atsuhiko Suzuki

Committee Member Senior Vice President Kazuhiko Nogami

Committee Member Vice President Toru Takamiya

Committee Member Vice President Tadashi Idei

Committee Member Vice President Yumiko Hoshiba

Committee Member Vice President Tatsuya Murase

(note) Besides the above, Senior Manager of Business Administration Department, General Manager of Arrhythmia Sales Department, General Manager of Legal Affairs Division and the head of the Internal Audit Division are appointed as a member of the Committee. A director who is a member of the AS Committee attends meetings as an observer.

[Risk Management Committee]

The Board of Directors appoints the Chief Risk Management Officer (CRO) as the person responsible for risk management, and the Risk Management Committee, chaired by the CRO, is composed of members appointed by the CRO. The committee meets regularly to promote company-wide risk management and to share information necessary for risk management. In addition, CRO reports to the Board of Directors as appropriate.

Committee Chairperson (Chief Risk Management Officer) Vice President Yumiko Hoshiba

(note) Besides the above, 10 other members, including the related-department managers, are appointed as committee members. A director who is a member of the AS Committee attends meetings as an observer.

[Sustainability Committee]

We have established the Sustainability Committee to coordinate and promote company-wide measures related to sustainability. The Sustainability Committee is chaired by the President and CEO and comprises executive directors. In principle, the committee meets quarterly to direct, coordinate, and confirm the progress of specific measures promoted by subcommittees. In addition, the committee chairperson reports to the Board of Directors as appropriate.

Committee Chairperson President and CEO Keisuke Suzuki

Committee Member Executive Senior Vice President and COO Atsuhiko Suzuki

Committee Member Senior Vice President Kenji Yamada

Committee Member Senior Vice President Kazuhiko Nogami

Committee Member Vice President Toru Takamiya

Committee Member Vice President Tadashi Idei

Committee Member Vice President Yumiko Hoshiba

Committee Member Vice President Tatsuya Murase

Besides the above, Senior Manager of Business Administration Department is appointed as committee members.

[Information Security Committee]

The Board of Directors appoints the Chief Information Security Officer (CISO) as the person in charge of maintaining information security management. The Information Security Committee, chaired by the CISO, consists of two directors and the information security managers of each responsible department, and meets regularly. The committee closely works with the internal CSIRT (Computer Security Incident Response Team), which takes countermeasures upon an information security incident, and the SOC (Security Operation Center), an external specialized organization, to secure and monitor company-wide information security.

Committee Chairperson (Chief Information Security Officer) Vice President Yumiko Hoshiba

Committee Member Senior Vice President Kenji Yamada

(note) Besides the above, 10 persons responsible for information security in each department are appointed as committee members. A director who is a member of the AS Committee attends meetings as an observer.

[New Development Committee]

We have established the New Development Committee to deliberate on the development of new in-house products and the introduction of new third-party products. The New Development Committee is chaired by the President and CEO and comprises seven directors and other members appointed by the Chairperson. The committee meets once a month in principle to comprehensively evaluate the feasibility, profitability, and potential of new projects and to deliberate on whether or not to implement them. The committee also monitors ongoing projects on a regular basis and deliberates on the continuation or discontinuation of such projects.

(note) Besides the above, Senior Manager of R&D Department, Business Administration Department and EP Department, General Manager of Regulatory Affairs Division and two persons responsible for new development in each department are appointed as committee members.

Committee Chairperson President and CEO Keisuke Suzuki

Committee Member Executive Senior Vice President and COO Atsuhiko Suzuki

Committee Member Senior Vice President Kenji Yamada

Committee Member Senior Vice President Kazuhiko Nogami

Committee Member Vice President Toru Takamiya

Committee Member Vice President Tadashi Idei

Committee Member Vice President Tatsuya Murase

(note) Besides the above, six persons responsible for new development in each department are appointed as committee members.

[Investment Committee]

We have established the Investment Committee to comprehensively evaluate the appropriateness and risk of investments in and loans to business partners and other parties. The Investment Committee, chaired by the President and CEO and consisting of six directors including one independent outside director, meets each time an investment or loan proposal arises and comprehensively evaluates the necessity, appropriateness, and risk of the proposal, and deliberates whether or not to make the investment or loan. The Board of Directors shall approve or disapprove the investment or loan proposal. The Board of Directors also conducts periodic monitoring of investments and loans that have been approved by the Board of Directors, and deliberates on the evaluation and continuation of investments or loans.

Committee Chairperson President and CEO Keisuke Suzuki

Committee Member Executive Senior Vice President and COO Atsuhiko Suzuki

Committee Member Senior Vice President Kenji Yamada

Committee Member Senior Vice President Kazuhiko Nogami

Committee Member Vice President Toru Takamiya

Committee Member Outside Director (Independent) Yoshiaki Ikei

(note) Besides the above, directors who are members of the AS Committee attend the committee meetings

[Status of Audits by Audit and Supervisory Committee Members]

The Company shifted to a company with an Audit and Supervisory Committee by resolution of the 41st Ordinary General Meeting of Shareholders held on June 25, 2021. The AS Committee consists of one director who is a full-time AS Committee member familiar with the Company's business and three outside directors who are AS Committee members with high independence from the Company. Therefore, the Company maintains a system that enables effective audits to be conducted.

Each member of the AS Committee attends meetings of the Board of Directors and other important meetings as necessary. The Committee also meets regularly with the President and CEO to exchange opinions on issues to be addressed by the Company, the state of the environment for audits by the AS Committee, and important auditing issues, and to maintain close communication.

The AS Committee receives reports from the Internal Audit Division as needed and discusses the Division's audit plan in advance and collaborates with the Division to conduct actual inspections as necessary.

In this fiscal year, we held three Board of Corporate Auditors' meetings, and 12 AS Committee meetings, where all of the Corporate Auditors or AS Committee members made full attendance.

The main items of discussion at the Board of Corporate Auditors or the AS Committee meetings are the formulation of auditing policies and plans, the appropriateness of audit fees for the accounting auditor, the method of evaluation and selection of the accounting auditor, and the confirmation of the operation status of the internal control system.

The activities of the full-time Corporate Auditors or directors who are full-time AS Committee members include attendance at important meetings, inspection of important approval documents, understanding of the status of internal audits through exchange of opinions with the Internal Audit Division, visits to sales offices and plants, and attendance at on-site inventory inspections.

[Status of Internal Audits]

In accordance with the Internal Audit Regulations, the Internal Audit Division, an organization directly under the control of the President and CEO and consisting of six members, conducts internal audits of the status of compliance with laws and regulations, efficiency of business activities, and development and operation of internal controls at the Company and its subsidiaries on a regular basis from a standpoint independent of other business operations, and reports to the President and CEO.

In addition, the results of internal audits and the status of corrective actions are reported to the AS Committee for exchange of opinions and to the Board of Directors.

[The status of Audits by the Accounting Auditor]

The status of audits by the Accounting Auditor for the fiscal year ended March 31, 2022 is as follows.

i Name of auditing firm

Ernst & Young ShinNihon LLC

ii Period of continuous auditing

Since 1996

iii Name of the certified public accountant who performed the audit

Designated and Engagement Partner, Certified Public Accountant Toshifumi Nomoto

Designated and Engagement Partner, Certified Public Accountant Nobuhiko Kasai

iv Composition of assistants for audit work

Certified Public Accountant: 12 persons

Other accounting personnel: 17 persons

v. Details of Audit Remuneration

Remuneration for audit certification services: 44 million yen

Remuneration for non-audit services: None
 (note) The amount of additional remuneration of 1 million yen is included in the above remuneration amount for the current fiscal year.

[Initiatives to Strengthen the Functions of Corporate Auditors]
 Please refer to II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management [AS Committee]

[Outline of the Contents of the Liability Limitation Agreement]
 Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company and each of the outside directors have entered into an agreement that limits the liability stipulated in Article 423, Paragraph 1 of the Companies Act to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act if the outside director performs his or her duties in good faith and without gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

The Company shifted to a company with an Audit and Supervisory Committee by resolution of the 41st Ordinary General Meeting of Shareholders held on June 25, 2021, for the purpose of strengthening the auditing and supervisory functions for business execution, further enhancing the corporate governance system, and increasing the transparency and objectivity of management.

By appointing six outside directors (three of whom are members of the AS Committee) to the Board of Directors, the Company has established a system that enables the Board of Directors to receive proposals and advice from an objective and multifaceted perspective, thereby ensuring appropriate supervision of business execution.

In addition, we ensure the effectiveness of auditing and supervision by the Board of Directors by having outside directors, who are members of the AS Committee, leveraging their broad insight and abundant experience in their respective areas of expertise, and closely working with directors who are full-time members of the AS Committee and very familiar with the Company's business operations and business status. The Internal Audit Division closely communicates with these officers and provides necessary assistance.

Furthermore, we have established a voluntary NAR Committee as an advisory body to the Board of Directors, with more than half of its members consisting of independent outside directors and chaired by an independent outside director. We have established a system to enhance the transparency and objectivity of procedures related to nomination and remuneration and to ensure appropriate management supervision.

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 2022 was sent before the legal date (June 10). In addition, it was posted on the Company's corporate website on June 7.

Scheduling AGMs Avoiding the Peak Day	The Ordinary General Meeting of Shareholders held in June 2022 was held on June 28, a schedule that avoids the date of first concentration.
Allowing Electronic Exercise of Voting Rights	The Company has introduced the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform	The Company 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	Availability of explanation by the President and CEO
Preparation and Publication of Disclosure Policy	We have set forth the basic policy for investor relations regarding information disclosure, methods for information disclosure, prospects for the future, and the silence period. We post these kinds of information on the corporate website.	
Regular Investor Briefings for Analysts and Institutional Investors	We hold conference calls or financial results briefings on the quarterly basis. The President and CEO, the Senior Executive Vice President and COO, and the director in charge attend briefing sessions to explain the financial results, the outlook for the next term, and future business plan. The number of participants is around 30 each time.	No
Regular Investor Briefings for Overseas Investors	We do not hold regular meetings for overseas investors, but disclose transcripts of conference calls or financial results meetings, including Q&A sessions, both in Japanese and English, following quarterly and full-year financial results. We hold individual one-on-one meetings upon request.	No
Posting of IR Materials on Website	We post financial briefing materials as well as timely disclosure materials and news releases on the "IR Library" section on the Investor Relations page. https://www.japanlifeline.com/investors/library.html	
Establishment of Department and/or Manager in Charge of IR	IR Department: Corporate Planning Division 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 serves as the norm for the Company, we have established an Action Policy in January 2007, which provides guidelines for compliance with laws and regulations, information

	management, internal environment, individual behavior, and responsibility to society.
Implementation of Environmental Activities, CSR Activities etc.	To meet the expectations and demands of our various stakeholders, we are strengthening our sustainability initiatives. The Sustainability Committee is playing a central role, responsible for identifying materiality (important issues) and setting medium- and long-term targets. For more information on the specific initiatives, please refer to the "Sustainability" page of the website. https://www.japanlifeline.com/sustainability/
Development of Policies on Information Provision to Stakeholders	We have established a basic policy on information disclosure and post it on the website. https://www.japanlifeline.com/investors/policy_2.html
Other	

IV. Matters Related to the Internal Control System

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

We strongly believe that the establishment of an internal control system is essential to ensure our ideas on corporate governance, as mentioned at the beginning of this report, are put into practice at the business execution level without fail. We can maintain appropriate management in line with the Company's management philosophy only when the established system functions. Therefore, we believe that it is more important to not only establish the internal control system but also to check whether the system is being properly operated.

On May 22, 2006, the Board of Directors established the "Basic Policy for the Establishment of Internal Control Systems," which was partially revised on April 28, 2011, May 20, 2015, May 24, 2019, and June 25, 2021. The Company is developing and operating an internal control system based on this basic policy.

Basic Policy for the Establishment of Internal Control Systems

1. System to Ensure that Directors and Employees Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation
 - i. Directors and employees shall act in compliance with laws and regulations, social ethics, the Articles of Incorporation, and other internal regulations, with their standards comprising the Code of Ethics, Action Policy, and the Compliance Guidelines.
 - ii. The Company shall engage in the creation of internal compliance systems, centered on the Chief Compliance Officer and Compliance Committee, in accordance with the Compliance Promotion Regulations.
 - iii. The Company shall distribute handbooks related to compliance to all directors and employees, in addition to conducting training, to ensure thorough awareness of compliance.
 - iv. A helpline shall be established at an external institution to provide a contact point where compliance issues can be easily reported and discussed.
 - v. All relations with antisocial forces shall be blocked in accordance with the Compliance Guidelines and the Regulations Regarding the Elimination of Antisocial Forces, and in the event that there is a fear of relations with antisocial forces, it shall be promptly reported to the responsible department, and the Company shall respond with a resolute stance, while collaborating with the police and other external institutions.
 - vi. The Internal Audit Division shall conduct audits regarding the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations, in accordance with the Internal Audit Regulations.

- vii. As an advisory body to the Board of Directors, the Company shall establish a voluntary NAR Committee, more than half of whose members are independent outside directors and chaired by an independent outside director, to ensure objectivity and transparency in the evaluation and decision-making process regarding the nomination and remuneration of directors.
- 2. System for Storage and Management of Information Related to the Execution of Duties of the Directors
 - i. The Company stores and manages minutes of the General Meeting of Shareholders, the Board of Directors, and other important meetings, approval documents and applications where directors are approvers, and other important documents pertaining to the execution of duties by directors (including electronic records), in accordance with the Document Management Regulations.
 - ii. Directors may view the above documents at any time.
- 3. Regulations or Any Other Systems for Management of Risk of Loss
 - i. In accordance with the Risk Management Regulations, the Company shall endeavor to create a company-wide risk management system, centered on the Chief Risk Management Officer and the Risk Management Committee.
 - ii. In the event that a significant risk is discovered and a company-wide response is required, a division for responding shall be established with the President as Executive Manager, and the loss shall be minimized through a prompt response.
- 4. System to Ensure that the Execution of Duties of Directors is Efficient
 - i. The Board of Directors shall establish Regulations on the Assignment of Business Operations and Regulations on Administrative Authority in order to ensure that directors' duties are executed in an appropriate and efficient manner.
 - ii. The Board of Directors formulates annual budgets, in addition to receiving reports on the status of progress thereof from each responsible director, considering any issues, and implementing countermeasures as necessary.
- 5. System to Ensure Proper Business Execution within the Corporate Group Comprising the Company and Subsidiaries
 - i. Systems related to reports to the Company on matters pertaining to the execution of duties by directors, etc. of subsidiaries
 - A) In accordance with the Affiliate Management Regulations, the Company shall receive reports on matters pertaining to the execution of duties by directors of subsidiaries, in addition to financial reports, minutes of meetings, and other documents.
 - B) The Company's directors (excluding those who are AS Committee Members) or employees also serve concurrently as directors or corporate auditors of subsidiaries, and the Company receives reports as appropriate on the status of the execution of duties at these subsidiaries from these directors, etc.
 - ii. Regulations or any other systems for management of risk of loss at subsidiaries
 - A) In accordance with the Risk Management Regulations, the Company shall endeavor to create a system for managing risk at subsidiaries, centered on the Chief Risk Management Officer and the Risk Management Committee.
 - B) In the event that a significant risk is discovered at a subsidiary, a prompt response shall be implemented, centered on the President of the subsidiary and the loss shall be minimized through the assistance of the Company, as necessary.
 - iii. System to ensure efficiency of execution of duties by directors, etc. of subsidiaries
 - A) The responsible department of the Company manages business in accordance with the Affiliate Management Regulations, and also supports the creation of systems for appropriate business execution, including establishing Regulations on the Assignment of Business Operations and Regulations on Administrative Authority at subsidiaries.
 - iv. System to ensure that directors, etc. and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation
 - A) The Company provides advice, guidance, and assistance as necessary, to ensure that compliance systems are created at subsidiaries, in accordance with the Affiliate Management Regulations.

- B) The Internal Audit Division conducts audits regarding the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations at subsidiaries, in accordance with the Internal Audit Regulations.
6. Matters Related to Employees to Assist Duties of the AS Committee Members in the Event that the Committee Have Requested such Employees
In the event that the AS Committee members request the assignment of employees to assist them with their duties, the Company shall assign appropriately qualified persons, after consultation with the AS Committee.
 7. Matters Related to the Independence from Directors of Employees Described in the Preceding Item
 - i. Employees ordered by the AS Committee to assist them in their audit operations shall not be instructed by directors (excluding those who are AS Committee members) regarding these operations.
 - ii. Advance consultations with the AS Committee shall be held with regard to matters pertaining to personnel decisions concerning employees ordered by the AS Committee to assist them in their audit operations.
 8. Matters Related to Ensuring the Effectiveness of Instructions to Employees to Assist the Duties of the AS Committee
 - i. Employees ordered by the AS Committee to assist them in their audit operations shall execute operations based on the instructions from the AS Committee.
 - ii. Directors (excluding those who are the AS Committee members) shall endeavor to create an environment for audits to ensure that the operations of employees ordered by the AS Committee to assist them in their audit operations are conducted in a smooth manner.
 9. Systems for Directors and Employees of the Company and Subsidiaries to Make Reports to the AS Committee and Other Systems Related to Reports to the AS Committee Members
 - i. Directors and employees of the Company and subsidiaries shall provide accurate and prompt reports to the AS Committee on the following matters:
 - A) Matters that may cause significant corporate damage
 - B) Actions that violate laws and regulations or the Articles of Incorporation, or actions whereby there is a risk thereof
 - C) The status of the development and implementation of internal controls based on the Companies Act and the Financial Instruments and Exchange Act
 - D) Results of internal audits conducted by the Internal Audit Division
 - E) Any other matters about which the AS Committee requests reports
 - ii. Directors and employees of the Company and subsidiaries shall promptly provide reports on matters about which the AS Committee requests reports.
 10. Systems to Ensure that Persons Making a Report to AS Committee are not Treated Unfavorably on the Basis of Such Reporting
The Company shall not treat directors, the AS Committee members, or employees of the Company or any subsidiaries who make a report to the AS Committee unfavorably on the basis of such reporting.
 11. Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of Expenses Incurred in Connection with the Execution of Duties by the Company's AS Committee Members and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members
If any AS Committee member requests the advance payment of expenses arising in regard to the execution of their duties or reimbursement, etc., the Company shall promptly respond to these requests, excluding cases when it is recognized that these expenses, etc. are not necessary for the execution of the AS Committee member's duties.
 12. Other Systems to Ensure Effectiveness of Audits by AS Committee
 - i. AS Committee members may participate in internal meetings as necessary.
 - ii. The AS Committee shall hold regular meetings to exchange views with the President and CEO.
 - iii. The Internal Audit Division shall engage in advance consultations with the AS Committee when formulating audit plans.
 13. System to Ensure Reliability of Financial Reporting

- i. The Company shall develop internal control systems to ensure the reliability of financial reporting and evaluate the status of their implementation based on the “Basic Policy on Internal Controls Related to Financial Reporting,” and shall determine a responsible department, which shall lead these initiatives.
- ii. If any deficiency is discovered in internal control systems or their implementation, it shall be reported to managers and the Board of Directors, and prompt efforts shall be made to rectify these deficiencies.

2. Basic Views on Eliminating Anti-Social Forces

In addition to clarifying in the Action Policy and Compliance Guidelines that the Company will not have any relationship with antisocial forces, the Company has established regulations and manuals regarding the elimination of antisocial forces based on these policies, and is taking concrete measures to eliminate antisocial forces.

In addition, the Company has compiled the Action Policy, etc. into a handbook, distributed it to all employees, posted it on the intranet, and held training sessions to ensure that all employees are fully aware of it.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	

2. Other Matters Concerning to Corporate Governance System

[Information Disclosure Policy]
 To provide shareholders and investors with timely, accurate and fair information, we 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 Regulations).

[Information Disclosure System]
 (1) Events occurred
 If a material event or fact occurs for the Company, 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 CEO and the director in charge of the relevant departments, and discloses the information promptly when disclosure is required.

(2) Determined fact
 We discuss and determine important matters at the Board of Directors meetings. The President and CEO, 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

The Finance and Accounting Division shall prepare financial closing information and submit to the Board of Directors after going through auditing processes by the accounting auditor, and disclose financial information promptly after approval.

(4) Others

The information disclosure officer shall examine information other than those listed in (1) through (3) above and disclose it promptly if it may affect the investment decisions of shareholders and investors.

