

Corporate Governance Report

March 29, 2021
MEDLEY, INC.
Kohei Takiguchi
President and Chief Executive Officer
Yuta Tamaru
Director and Head of Corporate Division
TEL: +813-6372-1265
URL: <https://www.medley.jp/en/ir/>

The corporate governance of MEDLEY, INC. is described below.

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

1. Basic Views

With its mission of “Creating the future of medical and healthcare”, MEDLEY, INC. (the “Company” or “We”) and its affiliates (collectively, the “Group”) develop and provide various Internet services in the medical healthcare field.

The Group recognizes that strengthening and enhancing corporate governance is an important management issue in order to improve corporate value over the medium to long term. In order to improve fairness and transparency of management decision making as the basis of corporate governance, the Group considers it indispensable to enhance the supervisory function for the execution of business by directors and to establish a prompt and appropriate information disclosure system, and we are currently working on to build an internal system for this purpose.

As part of these efforts, the Group reviews its organizational structure in a timely manner in line with business expansion and aims to ensure efficient management and clarify the responsibilities of every part of its organization. In the future, while developing sincere corporate activities that harmonize corporate profits with social responsibility, we will strive to enhance corporate governance with the aim of realizing management that contributes to the profits of shareholders and all the other stakeholders and improving corporate value.

【Reasons for Non-compliance with the Principles of the Corporate Governance Code】

We have implemented all the basic principles of the Corporate Governance Code.

【Disclosure based on the principles of the Corporate Governance Code】

【Principle 1.4 : Strategic Shareholdings】

The Group has no strategic shareholdings. If, in the future, it is considered that the creation and strengthening of long-term stable relationships with other companies will contribute to the medium- to long-term growth in the corporate value of the Group, and that the holding of strategic shareholdings is necessary and appropriate, such strategic shareholdings will be considered and their appropriateness will be determined by the Board of Directors.

【Principle 1.7 : Related Party Transactions】

Regarding related party transactions, careful consideration is given to whether said transactions

harm the soundness of the Group's management, whether said transactions are valid, and whether said transactions are appropriate relative to other outside transactions. These transactions are then carried out after making reasonable judgements in accordance with the provisions of Related Party Transaction Regulations and Delegation Rules on Administrative Authorities. Details regarding related party transactions are disclosed appropriately in securities reports and other documents in accordance with the provisions of applicable laws and regulations.

【Principle 2.6 : Roles of Corporate Pension Funds as Asset Owners】

The Group has not established a corporate pension system.

【Principle 3.1 : Full Disclosure】

(i) Business principles, business strategies and business plan

Based on its mission of "Creating the future of medical and healthcare", the Group develops and provides various Internet services in the medical healthcare field. We aim to leverage Internet technologies to promote digital transformation in the medical and healthcare field, in order to provide medical care that are reasonable to both doctors and other medical care providers, and patients.

The Group focuses on maximization of long-term free cash flow and believes it is in a growth phase for net sales and gross profit from sales, which it views as its main sources for long-term free cash flow. The Group has established a medium-term milestone target of ¥23.0 billion in net sales in fiscal year 2025 and aims to reach this goal earlier by making aggressive investments. Specifically, we analyze net sales using the formula: Number of customer facilities × Average Revenue Per User (ARPU; average sales per the Group's customer facility). We therefore strive to maximize customer numbers and continuously improve ARPU. In order to achieve this, in addition to making continuous efforts to acquire new customers, we aggressively invest in increasing the service usage rate of the Group's customers and strengthening our product lineup.

(ii) Basic views and guidelines on corporate governance based on the principles of the Corporate Governance Code

Basic views and guidelines on corporate governance are included in the section of this report titled "I. 1. Basic Views".

(iii) Policies and procedures in determining the compensation for the senior management and directors

Policies and procedures in determining the compensation for directors of the Company are included in the section of this report titled "II. 1. 【Director Remuneration】".

(iv) Policies and procedures in election and dismissal of senior management and nomination of candidates for directors and corporate auditors by the Board of Directors

Depending on the scale of the Group's operations and with consideration given to work history, candidates able to increase the corporate value of the Group by following proper corporate governance are appointed and nominated regardless of whether they are from inside or outside the Company.

(v) Explanations with respect to the individual appointments and nominations based on the above (iv) by the Board of Directors when selecting and dismissing senior management and nominating candidates for directors and corporate auditors

The Group notifies the General Meeting of Shareholders (in reference materials) of details of the reasons for appointment and nomination of all individual candidates.

【Supplementary Principle 4.1.1 : Summary of the scope of authority delegated to the management】

In addition to relevant laws and the articles of incorporation, the Group delegates to management matters stipulated in "Regulations for the Board of Directors". Regarding other matters, "Delegation Rules on Administrative Authority" and the "Table of Administrative Authority" clearly stipulate the

scope of authority delegated to the decision-making bodies and persons such as the Board of Directors, representative directors, managing directors, etc.

【Principle 4.9 : Independence standards and qualifications of External Independent Directors】

The Group has established independence standards for external independent directors as included in the section of this report titled “II. 1. 【External Directors’ Relationship with the Company】” .

【Supplementary Principle 4.11.1 : Views on the appropriate balance of knowledge, experiences, competencies, diversity, and appropriate size of the Board of Directors as a whole】

Depending on the scale of the Group’s operations and with consideration given to work history, candidates able to increase the corporate value of the Group by following proper corporate governance are appointed and nominated regardless of whether they are from inside or outside the Group. In addition, as a means to achieving an appropriate balance for the Board of Directors, four External Directors are appointed to supervise and provide advice regarding the management of the Group.

【Supplementary Principle 4.11.2 : Concurrent positions held by the Group’s directors and auditors in other listed companies】

The Group reports the status of material concurrent positions of its directors and auditors every year in its Annual Securities Report and in supplementary documents attached to the Notice of Convocation of the General Meeting of Shareholders. For each concurrently held position, the Group confirms that the person holding these positions has adequate time and ability to properly fulfill the relevant roles and responsibilities.

【Supplementary Principle 4.11.3 : Summary of analysis and evaluation of the effectiveness of the Board of Directors】

The Company has evaluated the effectiveness of its Board of Directors based on the Corporate Governance Code.

Method of evaluation

In November 2020, the Company conducted a survey of all (8) of its directors and all (4) of its auditors including questions regarding the composition, status of meeting management, agenda setting, and whether the Company’s Board of Directors is effective as a deliberative body. All questions were evaluated based on a 5-rank system and respondents were also given space to respond freely. The responses were collected by the administrative office of the Company and the results of the survey were reported to the Board of Directors. Based on the results of the questionnaire (respondents’ names provided) discussions were held on the ideal and current state of the Board of Directors.

Survey questions

Main questions on the effectiveness evaluation survey were as follows:

- Questions regarding the composition and meeting management system of the Board of Directors
- Questions regarding the agenda setting of the Board of Directors
- Questions regarding the medium- and long-term plan and strategy
- Questions regarding nomination and compensation
- Questions regarding the corporate governance system

Summary of evaluation results and issues for future action

As a result of discussions based on the results of the effectiveness evaluation survey, the Board of Directors of the Company determined that the Board of Directors is, in general, appropriately effective. However, the following three important focus areas were identified and action has been taken to ensure improvement in these areas.

- Consideration regarding the establishment of an executive compensation system and a voluntary compensation advisory committee (including the introduction of performance-linked compensation)
- Establishment and usage of selection standards for Independent External Directors

- Establishment and clarification of selection criteria and processes (including the introduction of procedures and systems for performance evaluation and the establishment of an advisory committee on nominations) for the selection of members of the management team (Executive Directors and Executive Officers, etc.)

Action plan

We will continue to take action to further improve the effectiveness of the Board of Directors based on the results of the aforementioned evaluation of the effectiveness of the Board of the Directors and the various opinions expressed by individual directors.

【Supplementary Principle 4.14.2 : Training policy for Directors and Auditors】

To enable External Directors to fully perform their functions, opportunities are provided by the Group to each External Director according to their situation so that they can acquire necessary knowledge about the Group's businesses, finances, and organizational structure, etc.

In addition, to enable directors and auditors to fulfill their roles and responsibilities, they are encouraged to participate in external seminars and study groups at the Company's expense and the Company provides opportunities to acquire necessary knowledge continuously.

【Principle 5.1 : Policy on constructive dialogue with shareholders】

In order to sustainably increase corporate value over the medium- to long-term, the Company strives to provide highly transparent disclosure to shareholders and investors and create a long-term relationship based on constructive dialog.

A department under the control of the Company's CFO is charged with handling IR activities based on the aforementioned philosophy and the Company's Disclosure Policy. In cooperation with related departments, the Company is working to strengthen its information disclosure system for shareholders and investors. It is our policy to continuously disclose information on the Company in a fair and appropriate manner to all our stakeholders.

Disclosure Policy: <https://www.medley.jp/ir/disclosure-policy/>

2. Capital Structure

Foreign Shareholding Ratio	30% or higher
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【Status of Major Shareholders】

Name or name	Number of shares held	(%)
Kohei Takiguchi	5,962,600	19.30
Goichiro Toyoda	3,455,800	11.18
CREDIT SUISSE (LUXEMBOURG) S.A. / CUSTOMER ASSETS, FUNDS UCITS	2,200,000	7.12
NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,151,550	3.72

Japan Trustee Services Bank,Ltd. (Trust Account)	1,055,800	3.41
RBC IST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	859,900	2.78
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	813,532	2.63
MSIP CLIENT SECURITIES	766,583	2.48
BBH FOR UMB BANK, NATIONAL ASSOCIATION–OBERWEIS INT OPP INSTITUTION FD	685,400	2.21
THE BANK OF NEW YORK, NON–TREATY JASDEC ACCOUNT	671,000	2.17

Controlling Shareholder (except for Parent Company)	—
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Parent Company	N/A
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Supplementary Explanation

1. Information on status of major shareholders is as of December 31, 2020.
2. The Company does not own any treasury stock.
3. In the statement of large-volume holdings filed by Polar Capital LLP on June 24, 2020, it is stated that Polar Capital LLP owns 1,130,000 shares (total shareholding ratio of 4%) as of June 17, 2020; however, as the Company cannot confirm the actual number of shares held as of the end of fiscal year 2020, Polar Capital LLP is not included in the above Major Shareholders.
4. In the statement of large-volume holdings filed by Mizuho Securities Co., Ltd. and one joint holder on September 24, 2020, it is stated that said entities own 1,331,000 shares (total shareholding ratio of 4.41%) as of September 15, 2020; however, as the Company cannot confirm the actual number of shares held as of the end of that fiscal year, said entities are not included in the above Major Shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Mothers
Fiscal Year-End	Ending on December 31 st
Type of Business	Information & Communications

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	100 ~ 500
Sales (consolidated) as of the End of the Previous Fiscal Year	Less than JPY 10 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 that Could 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 board
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【Directors】

Maximum Number of Directors Stipulated in the Articles of Incorporation	12
Term of Office of Directors stipulated in the Articles of Incorporation	two-years
Chairperson of the Board	President
Number of Directors	11
Appointment of External Directors	Appointed
Number of External Directors	4
Number of External Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hidetoshi Takano	From other companies								○			
Noboru Kotani	From other companies											
Daisuke Iwase	From other companies											
Kenichi Hoshi	From other companies											

* 1 Categories for relationship with the Company

- 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 brother 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 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 / audit and supervisory board member
- g. Major shareholder of the Company (or an executive of 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 the Company and which external directors/audit and supervisory board members 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

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hidetoshi Takano	○	The Company has a contractual relationship for recruiting outsource service with Kabushiki Kaisha Key Players and Kabushiki Kaisha Agent Seven, at which Mr. Takano serves as representative director. The abovementioned transactions are routine transactions and not ongoing. Based on these facts and in consideration of the scale of these transactions, the Company has determined that there is no risk of influencing the judgment of shareholders and investors. There were no transactions between the Company and the abovementioned companies in FY2020.	<p>Since being appointed External Director of the Company in 2009, Mr. Takano has used his experience and insight in the fields of recruitment and human resources to assist the Company in decision making, providing consultation especially in the Recruitment Platform Business and regarding organizational systems. He also serves as a member of the Company's voluntary advisory committee for director compensation and has been appointed External Director to further strengthen the management system of the Group.</p> <p>As Mr. Takano does not fall under any of the items indicated in the Listing Management Guidelines and satisfies the independence criteria established by the Company, the Company has determined that he does not pose a risk of conflict of interest with general shareholders and has submitted notification to the Tokyo Stock Exchange that he has been appointed Independent Director.</p>
Noboru Kotani	○	Not applicable	Since being appointed External Director at Medley in 2018, Mr. Kotani has used his management experience in the field of consulting and experience serving as External Director at listed corporations to assist the Company in decision making, providing

			<p>consultation especially in the areas of strengthening governance and management strategy. He also serves as a member of the Company's voluntary advisory committee for director compensation and has been appointed External Director to further strengthen the management system of the Group.</p> <p>As Mr. Kotani does not fall under any of the items indicated in the Listing Management Guidelines and satisfies the independence criteria established by the Company, the Company has determined that he does not pose a risk of conflict of interest with general shareholders and has submitted notification to the Tokyo Stock Exchange that he has been appointed Independent Director.</p>
Daisuke Iwase	○	Not applicable	<p>The Company expects Mr. Iwase to use his management experience and insight gained working with Japanese and global companies to assist the Company in the areas of management strategy and management system as well as assisting with decision making and he has therefore been appointed External Director.</p> <p>As Mr. Iwase does not fall under any of the items indicated in the Listing Management Guidelines and satisfies the independence criteria established by the Company, the Company has determined that he does not pose a risk of conflict of interest with general shareholders and has submitted notification to the</p>

			Tokyo Stock Exchange that he has been appointed Independent Director.
Kenichi Hoshi	○	Not applicable	<p>The Company expects Mr. Hoshi to use his experience and insight gained working with global companies to assist the Company in the areas of organizational management and business strategy as well as assisting with decision making and he has therefore been appointed External Director.</p> <p>As Mr. Hoshi does not fall under any of the items indicated in the Listing Management Guidelines and satisfies the independence criteria established by the Company, the Company has determined that he does not pose a risk of conflict of interest with general shareholders and has submitted notification to the Tokyo Stock Exchange that he has been appointed Independent Director.</p>

【Voluntary Establishment of Committee(s)】

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Yes
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Voluntary advisory committee establishment status, composition, and attributes of chairperson

Voluntary committee corresponding to Nomination Committee

Name of committee			-			
All committee members (No.of persons)	Full-time members (No.of persons)	Internal Directors (No.of persons)	External Directors (No.of persons)	Internal experts (No.of persons)	Others (No.of persons)	Chairperson (Chair)
-	-	-	-	-	-	-

Voluntary committee corresponding to Remuneration Committee

Name of committee			–			
All committee members (No.of persons)	Full-time members (No.of persons)	Internal Directors (No.of persons)	External Directors (No.of persons)	Internal experts (No.of persons)	Others (No.of persons)	Chairperson (Chair)
3	0	1	2	0	0	External Director

Supplementary Explanation

The Company stipulates that prior to the Board of Directors meeting at which the remuneration of Directors is to be decided, the amount of individual remuneration of Directors shall be consulted by the Remuneration Advisory Committee as described in the outline below.

(Outline of the Remuneration Advisory Committee)

1. The committee shall consist of independent outside directors and directors appointed by a resolution of the Board of Directors in accordance with the rules of the Remuneration Advisory Committee.
2. The Committee shall consist of at least three (3) members, a majority of whom shall be Independent Outside Directors.
3. The Chairperson of the Committee shall be appointed by a resolution of the Board of Directors from among the Independent Outside Directors.
4. The Remuneration Advisory Committee shall deliberate and provide advice and recommendations to the Board of Directors with respect to the establishment of policies concerning decisions on the content of individual remuneration, etc. of Directors, the content of individual remuneration amounts, etc., and other necessary basic policies, rules and procedures, etc.

【Audit and Supervisory Board】

Establishment of Audit and Supervisory Board	Established
Maximum Number of Audit and Supervisory Board Members Stipulated under the Articles of Incorporation	4
Number of Audit and Supervisory Board Members	3

Cooperation among Audit and Supervisory Board Members, Independent Auditors and Internal Audit Departments

Audit system of the Company is based on three basic audits: audits by corporate auditors, internal audits, and accounting audits by accounting auditors. We cooperate with each other for the purpose of improving the overall quality. Specifically, the Audit and Supervisory Board receives reports on the status of internal audits from the Internal Audit Office, and exchanges opinions with the accounting auditor on the status of implementation of accounting audits, thereby improving the effectiveness and efficiency of audits, thereby we strive to improve the quality of overall oversight and monitoring. In addition, the Audit & Supervisory Board, accounting auditors and internal auditors hold regular quarterly meetings to improve audit effectiveness and efficiency.

Appointment of External Audit and Supervisory Board Member(s)	Appointed
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Number of External Audit and Supervisory Board Members	2
Number of Independent Audit and Supervisory Board Members	2

External Audit and Supervisory Board Member'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
Keiichi Kato	From other companies													
Masahide Kamachi	Certified Public Accountant													

* 1 Categories for relationship with the Company

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or or Accounting advisor of the Company or its subsidiaries
- c. Executive or non-executive of a parent company of the Company
- d. Audit and supervisory board member of the parent company of the Company
- e. Executive of a brother 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 director / audit and supervisory board member
- i. Major shareholder of the Company (or an executive of 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 audit and supervisory board member himself/herself only)
- k. Executive of a company, between the Company and which external directors/audit and supervisory board members are mutually appointed (the audit and supervisory board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- m. Others

External Audit and Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Keiichi Kato	○	Not applicable	<p>Mr. Kato has a wealth of knowledge based on business experience and has been appointed as an External Auditor with the expectation that he will leverage this knowledge to supervise management of the Company.</p> <p>As Mr. Kato does not fall under any of the items indicated in the Listing Management Guidelines and</p>

			satisfies the independence criteria established by the Company, the Company has determined that he does not pose a risk of conflict of interest with general shareholders and has submitted notification to the Tokyo Stock Exchange that he has been appointed Independent Director.
Masahide Kamachi	○	Not applicable	<p>Mr. Kamachi has a wealth of experience as a specialist and has been appointed as an External Auditor with the expectation that he will leverage this knowledge to supervise management of the Company.</p> <p>As Mr. Kamachi does not fall under any of the items indicated in the Listing Management Guidelines and satisfies the independence criteria established by the Company, the Company has determined that he does not pose a risk of conflict of interest with general shareholders and has submitted notification to the Tokyo Stock Exchange that he has been appointed Independent Director.</p>

【Independent Directors】

Number of Independent Directors	6
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Other Matters Relating to Independent Directors

The Company has established the following criteria for determining the independence of External Directors. The Company deems that an External Director has independence when it is confirmed that none of the items below apply to the External Director and it is deemed that there is no conflict of interest between holders of common shares in the Company and the External Director.

(Herein, “operating officer” is defined as executive directors, directors who execute the business of a corporation, and employees, etc.)

1. Operating officers of the Company

Operating officers of the Company or its subsidiaries (hereinafter the Group)

2. Major trading partners

(1) Major trading partners of the Group or operating officers thereof

- Major trading partners of the Group are herein defined as persons whose payments to the Group accounted for sales in excess of 2% of the Group's annual consolidated net sales in the most recently ended fiscal year.
 - (2) Partners or operating officers thereof for whom the Group is a major trading partner
 - Persons for whom the Group is a major trading partner are herein defined as persons for whom payments from the Group account for an excess of 2% of said persons' annual consolidated net sales in the most recently ended fiscal year. For persons not reporting consolidated results, annual non-consolidated net sales shall be used as the basis instead of annual consolidated net sales.
 - (3) Major lenders to the Group or operating officers thereof
 - Major lenders to the Group are defined herein as persons extending loans to the Group in excess of 2% of the Group's consolidated total assets as of the end of the most recently ended fiscal year.
3. External providers of specialized services
- Consultants, experts in accounting such as certified public accountants and certified tax accountants, and experts in law such as lawyers receiving large sums of money or other assets from the Group other than executive compensation (in cases wherein an organization such as a corporation or partnership receives said assets, persons belonging to the relevant organization)
- "Large sums of money or other assets" are herein defined as follows. In cases wherein the provider of specialized services is an individual, when the total value of assets received from the Group excluding executive compensation exceeds 10 million yen in the most recently ended fiscal year. In cases wherein the provider of specialized services is an organization such as a corporation or partnership, when the total value of assets received from the Group surpasses the greater of 2% of said organization's annual consolidated net sales in the most recently ended fiscal year or 10 million yen.
4. Holders of voting rights
- (1) Direct or indirect holders, or operating officers thereof, of 10% or more of the voting rights of the Company
 - (2) Organizations, or operating officers thereof, of which the Company is a direct or indirect holder of 10% or more of the voting rights
5. Donation or grant recipients
- Persons or organizations such as a corporations or partnerships, or operating officers thereof, that receive large donations or grants from the Group.
- "Large donations or grants" are herein defined as donations or grants valued at 10 million yen or more within the period of one year.
6. Persons with corresponding histories
- (1) Persons who have been applicable to 1. above within the past ten years
 - (2) Persons who have been applicable 2. or 5. above within the past three years
 - (3) Spouses or relatives in second degree of an important person applicable to 1. or 5. above
- "Important person" is herein defined as employees conducting important operations such as executive directors, executive officers, corporate officers, and division managers.

【Incentives】

Incentive Policies for Directors	Stock Option Plans, etc.
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Supplementary Explanation on applicable items

The Group implements stock option plans, with the aim of increasing motivation and morale for the improvement of business performance, by aligning the Group's mid to long term growth and corporate value improvement with the remunerations that the stock options holders receive. At the 12th Annual General Meeting of Shareholders held on March 26, 2021, in order to provide

incentives to continuously increase the Company's corporate value over the medium- to long-term and more closely align the interests of Directors of the Company (excluding External Directors, hereinafter Eligible Directors) with those of the Company's shareholders, the implementation of a Transfer-restricted Stock Compensation System was approved for Eligible Directors.

Recipients of Stock Options	Internal directors / employees / audit and supervisory board members
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Supplementary Explanation

By granting stock options to the members (from the above-mentioned recipients) who are expected or anticipated to play important roles for the Group's business performance, we incentivise such members to improve our business performance in the future. In addition, we use stock option grants as leverage to recruit more and more superior members into the Group, and as such we grant some of the stock options at the time of recruitment.

【Director Remuneration】

Disclosure of Individual Directors' Remuneration	No disclosure of individual director's remuneration
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Supplementary Explanation

There is no individual disclosure of remuneration because there is no person with a total of over JPY 100 million in remuneration. Compensation for directors and audit and supervisory board members is disclosed in the total amount for each of the categories in the Company's securities report.

Policy on Determining Remuneration Amounts and Calculation Methods	As below
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

a. Policy and method for determining remuneration

The Board of Directors of the Company has authority to render decisions regarding the basic plan for director compensation. At the Company's Board of Directors meeting held on February 26, 2021, a Basic Plan for Director Compensation (hereinafter, "the Plan") was adopted.

(i) The basic plan regarding remuneration of the Company's Directors is that the remuneration of individual directors shall be determined at an appropriate level based on the responsibilities of each position under a remuneration system (hereinafter, "the System") that provides appropriate incentives to increase the Company's corporate value over the medium- to long-term and align the interests of Directors of the Company with those of the Company's shareholders.

(ii) The policy for determining the remuneration of Internal (Executive) Directors is as follows.

1. Basic policy

The System provides appropriate incentives to further the Company's mission of "Creating the future of medical healthcare" and increasing corporate value over the medium- to long-term.

2. Balance

In order to avoid a system that encourages the taking on of excessive risk, the Company endeavors to strike an appropriate balance between base salary and performance-based compensation.

However, in order to place emphasis on achievement of growth, compared with other companies in the same field, a higher ratio of performance-based compensation to base salary has been adopted.

3. Total remuneration

In order to secure excellent human resources, the System provides top-level remuneration in comparison with companies of similar scale (in terms of sales, market capitalization, number of employees, etc.) in the same field.

4. Base salary

Base salary is determined based on the market value of each Director and with reference to benchmark comparisons with statistical data.

5. Performance-linked remuneration

Regarding performance-linked remuneration, in order to emphasize incentives to increase corporate value over the medium-to-long term, the Company has not introduced annual performance-linked bonuses linked to performance in a single fiscal year, but has instead adopted share-price-linked remuneration (stock-based remuneration), in which the interests of shareholders and management are aligned.

(iii) The policy for determining the remuneration of External Directors is as follows.

1. Remuneration for each External Director is based on their role in supervising the execution of business by directors.
2. In order to ensure independence, only fixed cash remuneration is paid, with the amount not linked to the Company's performance. The amount paid is commensurate with expected governance roles and risks.

Prior to the meeting of the Board of Directors at which directors' remuneration is decided, a voluntary advisory committee on remuneration as described below (hereinafter, Remuneration Advisory Committee) is consulted regarding the amount of remuneration for individual directors. (Overview of Remuneration Advisory Committee)

1. The Remuneration Advisory Committee consists of Independent External Directors and Directors appointed by a resolution of the Board of Directors in accordance with rules established by the Remuneration Advisory Committee.
2. The committee consists of at least three (3) members, the majority of whom are Independent External Directors.
3. The Chairperson of the Remuneration Advisory Committee are appointed by the Board of Directors from among the Independent External Directors of the Company.
4. The Remuneration Advisory Committee deliberates and provides advice and recommendations to the Board of Directors with respect to the establishment of policies concerning decisions regarding the content and amount of remuneration, etc. of individual Directors and other necessary basic policies, regulations, and procedures, etc.

Remuneration of Auditors

At the 11th Annual General Meeting of Shareholders held on March 27, 2020, annual remuneration for the Company's Auditors was set at not more than 40 million yen and the number of Auditors at that time was four (4). The amount of remuneration for each Auditor is determined through discussions among the auditors.

【Supporting System for External Directors / Audit and Supervisory Board Members】

We provide supports for the external directors / audit and supervisory board members through the corporate division. As for the agenda in the board meetings, the corporate division provides explanatory materials in advance to the board meetings, and ensure that the external directors / audit and supervisory board members have sufficient time to consider the matters in the agenda as appropriate, and in case needed, provides individual supplementary explanations verbally. In addition, necessary or important information is communicated by e-mail or telephone as needed.

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

○ Overview of Corporate Governance System

The Company has established its corporate governance system as “company with audit and supervisory board.” With this system, authority and responsibility for business execution are concentrated on the Board of Directors, which is the highest decision-making body for management, and Audit & Supervisory Board Members and Audit & Supervisory Board are tasked with monitoring and supervisory functions of the Board of Directors, and thereby aiming to achieve appropriate management decision-making and business execution and to establish a corporate governance system with sufficient organizational checks and balances. The following organizations are involved in our management decision-making, enforcement and supervision.

a. Directors and Board of Directors

The Company is a company with a board of directors, and the board of directors consists of eleven directors (including four external directors) and is responsible for making decisions on basic management policies and important matters and supervising the execution of business by the directors. In principle, the Board of Directors meets once a month on a regular Board of Directors meeting, and flexibly holds an extraordinary Board of Directors meetings as necessary and makes decisions on basic management policies and important matters and supervises the execution of business by the Directors.

b. Audit and Supervisory Board Members and Audit and Supervisory Board

The Company is a company with an Audit & Supervisory Board. The Audit and Supervisory Board consists of three members, including one full-time Auditor and two part-time Auditors. In principle, the Audit and Supervisory Board meeting is held once a month and on an ad hoc basis as needed. Audit and Supervisory Board members attend meetings of the Board of Directors and other important meetings in order to audit the execution of duties by Directors, conduct interviews with each Director and important employees, and conduct business audits on each department to determine the execution of duties by Directors. Each Auditor conducts audits in accordance with the audit policy and audit plan established by the Board of Auditors.

All Auditors attend meetings of the Board of Directors, express their opinions as necessary, exchange opinions with the Company’s President and Representative Director on a regular basis, and receive reports on the results of accounting audits (reviews) from the Accounting Auditor and reports on the implementation of internal audits from the Internal Audit team.

Full-time auditors conduct audits by attending important meetings other than Board of Directors meetings, inspecting important documents, interviewing Directors and employees as necessary, and receiving reports from each department.

c. Internal Audit

The Company establishes the Internal Audit Office (2 members) with the mission of evaluating the effectiveness of internal control and the appropriateness of the actual business situation. It covers all departments and subsidiaries based on the annual internal audit plan as an organization under the direct control of the President and the Representative Director, independent of each department. Internal audits are conducted and the audit results are reported to the President and the Representative Director. The President and Representative Director receives audit results, notifies audited departments of audit results and improvements, and submits improvement status reports. The Internal Audit Office cooperates with the Audit and Supervisory Board Members and the Accounting Auditor from time to time regarding the status of internal audits.

d. Accounting Auditor

The Company has concluded an auditing agreement with EY Shinnihon *Yugen Sekinin Kansa Hojin* and receives an appropriate timely accounting audit from an independent standpoint. There

are no special interests between the Company and the auditing corporation engaged in the audit of the Company and the executive officers of the Company.

The certified public accountants who executed our accounting audits are Masato Saito and Naoya Yabe of EY Shinnihon Yugen Sekinin Kansa Hojin. In addition, there are seven certified public accountants, seven persons who have passed the certified public accountant examination and nineteen other persons assisting with the accounting audit of the Company.

The managing partner of the audit corporation has been participating in audits of the Company for six years.

○ Risk Management System Status

The Group has established “Risk Management Regulations” for the purpose of improving the risk management system, and it is intended to prevent risks related to internal and external risk management and minimize company losses. To this end, the Risk Management Committee, which is composed of the Company's internal directors, has been established as an independent committee organization, striving to understand risks, examine countermeasures, implement countermeasures, and monitor them. In addition, we established “Code of Conduct” for the purpose of establishing a legal compliance system, and to ensure compliance and education of relevant laws and regulations, social norms and internal rules to its officers and employees, and to detect illegal activities in the company at an early stage. An internal whistleblowing system has been established, and the content of whistleblowing will be dealt with in a timely and appropriate manner by the department in charge of compliance. In addition, by conducting audits by Audit and Supervisory Board members and internal audits, we strive to discover risks and, as necessary, have a system in place to receive advice on risk management from specialists such as lawyers, accountants, tax accountants, and social insurance laborers.

○ Exemption of directors and audit and supervisory board members from liabilities

Based on Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with external directors and audit and supervisory board members to limit liability for damages under Article 423, Paragraph 1 of the Companies Act. . The limit of liability for damages based on this contract is the amount stipulated by laws and regulations. The limitation of liability is permitted only when the respective external directors and audit and supervisory board members are in good faith and have no material negligence regarding the performance of the duties that caused the responsibility.

3. Reasons for Adoption of Current Corporate Governance System

The Company adopts the current corporate governance system to ensure the soundness and transparency of corporate management, while ensuring the rationality and speed of management decision-making at the Board of Directors, based on the basic concept of corporate governance. In addition, the corporate governance system described above has been adopted in order to establish a sufficient check & balance system by the Internal Audit Office and Audit and Supervisory Board. In addition, the Company has appointed external directors and external audit and supervisory board members, and has strengthened the monitoring function for management by utilizing the experience and knowledge, etc., and receiving the function to monitor the execution of duties by directors from an independent and fair position.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and to Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meetings of Shareholders	To ensure that shareholders have sufficient time to consider the agenda, we are working to expedite the settlement of accounts and send out the convocation notice one business day prior to the legal deadline.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	To allow more shareholders to participate in the event, we will take care to avoid the days when other companies' events are concentrated. We also strive to ensure that the meeting is physically accessible and easy to attend in order to have as constructive a dialogue with our shareholders as possible.
Allowing Electronic Exercise of Voting Rights	We have prepared an environment in which shareholders can exercise their voting rights by accepting the exercise of voting rights via the Internet, including personal computers and smartphones, etc.
Participation in Electronic Voting Platform	We have participated in the voting platform for institutional investors operated by ICJ, Inc. since the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2019.
Providing Convocation Notice in English	We have prepared a notice of convocation (narrowly defined) in English and post it on the Tokyo Stock Exchange website, the voting platform for institutional investors, and the Company's website (https://www.medley.jp/ir/) since the Annual General Meeting of Shareholders for the fiscal year ending December 31, 2019.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	We have posted our disclosure policy on our website (https://www.medley.jp/ir/disclosure-policy/), which describes "Information Disclosure Standards," "Information Disclosure Methods," "Prevention of Insider Trading," "Quiet Period," and "Maintenance of Internal System".	
Regular Investor Briefings for Retail Investors	We hold briefings for analysts and institutional investors, in which the Representative Director and other Directors participate, on the same day as the announcement of quarterly results to explain the Group's results and management policies.	Yes

Regular Investor Briefings for Analysts and Institutional Investors	For analysts and institutional investors, we hold meetings for explaining the Group's business results and management policies, with the participation of the Representative Director and other Directors.	Yes
Regular Investor Briefings for Overseas Investors	We hold briefing meetings for overseas investors from time to time, via teleconference or in-person meetings, and we also plan to participate in investor conferences a few times a year.	Yes
Posting IR Materials on Website	The Company's IR materials has been posted on its website (https://www.medley.jp/ir/) .	
Establishment of a Department (person in charge) related to IR	The Director and CFO and a department under his supervision are responsible for IR.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Group believes that it is important to earn the trust of various stakeholders, including shareholders, investors, and customers, and is making efforts to provide timely, appropriate, and fair information to its stakeholders by establishing a timely disclosure manual and preparing to comply with the Fair Disclosure Rules.</p> <p>In addition, for the purpose of ensuring thorough compliance within the Group and building a system for fulfilling social responsibility based on sound ethical standards, we have established the Compliance Regulations, which stipulate the following items</p> <ul style="list-style-type: none"> • Compliance with laws, regulations and social norms <p>We will understand and comply with laws and regulations and social norms.</p> <ul style="list-style-type: none"> • Provision of appropriate information <p>We will provide appropriate information in compliance with laws and regulations related to advertisements and information provision so that our users can properly understand the content and nature of services.</p> <ul style="list-style-type: none"> • Disclosure of management information <p>We will appropriately disclose information on financial details, business activities, etc. to shareholders and investors in accordance with the laws and regulations.</p> <ul style="list-style-type: none"> • Prevention of insider trading <p>The Company shall establish a system to prevent transactions of shares, etc. using undisclosed important information of the Company, its affiliated companies, or business partners.</p>

Implementation of Environmental Conservation Activities, CSR Activities, etc.	In line with the Group's mission of "Creating the future of medical and healthcare", in our everyday operations and in the projects we undertake, we face social issues in the field of healthcare head on to create a more prosperous and sustainable society.
Development of Policies on Information Provision to Stakeholders	The Group's basic policy is to make efforts to disclose appropriate corporate information in a timely manner in order to ensure management transparency. In disclosing information, we will actively and disciplinedly disclose information that is required to be disclosed under the Financial Instruments and Exchange Act and other laws and regulations, as well as information in accordance with the timely disclosure rules established by the Tokyo Stock Exchange, and information.

IV. Matters Related to the Internal Control System

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

The Group has formulated the basic policy for the internal control system described below, and clearly defines the authority and division of duties according to various internal rules in order to execute business appropriately and efficiently, and appropriate internal control functions.

a. System to ensure that the execution of duties by directors and employees of the Group complies with laws and the Articles of Incorporation

- A. We have established “Compliance Rules” applicable to the Group for the purpose of complying with laws and regulations, the Articles of Incorporation, social norms, etc. We will strive to establish a compliance system and identify problems with a lead taken by the Corporate Division.
- B. A whistleblowing system applicable to the Group will be established to prevent fraudulent conduct and early detection, and to prevent disadvantageous treatment of whistleblowers.
- C. Audits by corporate auditors will be conducted to confirm that the execution of duties by directors of the Group is being carried out properly without violating laws, the Articles of Incorporation, and established regulations. When a corporate auditor discovers facts that are or are likely to lack legality in the business of the Group, he / she points out the facts and advises the Company's board of directors to revise the wrongdoings and request an injunction of the said actions.
- D. The Internal Audit Office audits legal compliance, property management, and other situations in each department of the Group based on the “Internal Audit Regulations”, and reports and makes recommendations for improvement in accordance with these regulations.
- E. Based on the “Compliance Rules”, the Code of Conduct shall be to eliminate any unfair demand without being involved in any anti-social forces, and this shall be communicated to directors and employees of the Group.
- F. For violations of laws and regulations, the Articles of Incorporation and other internal regulations by directors and employees of the Group, appropriate actions including disciplinary action will be taken in accordance with the “Compliance Rules” and various employment rules.

b. System for storing and managing information related to the execution of duties by directors of the Group

The directors of the Group record information concerning the execution of duties by directors of the Group in a document or electromagnetic medium in accordance with the “Document Management Regulations”, and store such information accordingly. Directors and members of the Audit and Supervisory Board of the Group can view them as necessary.

c. Regulations and other systems for managing risk of loss

- A. The Group sets forth risk management rules to establish and build a risk management system for the Group's management activities, and set up a risk

management committee chaired by the director in charge of the Corporate Division, and based on this, the Group strives to recognize the risks involved in business operations. In addition, risk management is performed according to the importance of risk items comprehensively ascertained by each department in view of the impact and possibility of occurrence.

- B. The Corporate Division of the Company will be the main department, and information sharing and regular discussions with each department of the Group will be conducted across the organization to strive for early detection and prevention of risks. In the event of an unforeseen situation, a special task force team will be established based on the risk management regulations, and appropriate and prompt responses will be made to the situation, including appropriate information transmission inside and outside the Company.
- C. Decisions regarding risk management activities are made by the Risk Management Committee, which is organized based on the risk management rules, and the details are reported to the Board of Directors regularly.

d. System to ensure that the execution of duties by directors of the Group is carried out efficiently

- A. The Board of Directors of the Group makes decisions on legal matters, decisions on important management matters, and supervision of business execution. In addition to holding a regular board meeting once a month, an extraordinary board meeting is held as necessary to ensure quick and accurate decision-making.
- B. In each department of the Group, various authorities and duties are transferred and divided according to the “Rules for Delegation of Authority” and “Rules for Divisional Duties”, and responsibilities are clarified to ensure speed and efficiency.
- C. The Group shall verify the rationality of procedures and assignment of duties necessary for the execution of duties by the directors of the Group, and to grasp the excess and deficiency of the number of employees necessary for the execution of duties and to improve the situation by internal audit, and understand and verify the system for further improvement.

e. Other systems to ensure the appropriateness of business in the Group

- A. The Corporate Division manages subsidiaries based on the affiliated company management regulations.
- B. Subsidiaries submit relevant documents to the Corporate Division regarding important matters related to the overall management of the subsidiary, and the General Manager of the Corporate Division reports to and discusses with the director in charge of the subsidiary's business.

f. Matters regarding employees who support the Audit and Supervision Board Member when requested, and matters regarding how such employees can be independent from the Directors

If Audit and Supervision Board Member requires having employee(s) of the Company to assist in their duties one or more employees who assists the duties of the Audit and

Supervision Board Member will be assigned as necessary after consultation with such Members. In addition, with regard to the duties of employees who assist the duties of corporate auditors, they will not receive orders from Directors or other superiors. The personnel changes and treatment will be determined by discussion between the Directors and the Audit and Supervision Board Members, and independence from the Directors will be ensured.

g. System for reporting to the Audit and Supervision Board Members by Directors and employees of the Group and other systems for reporting to Audit and Supervision Board Members

- A. Audit and Supervisory Board members attend important meetings such as the Board of Directors of the Company in order to grasp important decision-making processes and the status of business execution, and can browse various documents and request explanations from the Directors and employees of the Group as necessary.
- B. Directors and employees of the Group report to Audit and Supervisory Board Members matters that have a significant impact on operations or performance, the status of implementation of internal audits, the status of reports by the whistleblowing system, and their contents, in addition to legal matters. We will establish a system and cooperate so that information can be collected and exchanged properly by Audit and Supervision Board Members.

h. System to ensure that the person who made the report is not subject to unfavorable treatment because of the whistleblowing report

In accordance with the “Rules on Whistleblowing”, the Group prohibits its Directors and employees from treating the whistleblower(s) unfavourably because of the whistleblowing report he/she has made, and thoroughly educate the Directors and employees to that effect.

i. Prepayment or reimbursement of expenses arising from the execution of duties by Audit and Supervisory Board Members, and other matters relating to policies relating to the processing of expenses or obligations arising from the execution of such duties,

When requested, the expenses or obligations will be processed promptly unless it is reasonably deemed not necessary for the execution of the duties of Audit and Supervision Board Members.

j. Other systems for ensuring that audits by Audit and Supervision Board Members are conducted effectively

Audit and Supervision Board Members can cooperate with internal auditors to exchange information and attend internal audits as necessary. In addition, Audit and Supervision Board Members can meet regularly with the Accounting Auditor to exchange information and request reports from the Accounting Auditor as necessary.

2. Basic Views on Excluding Anti-social Forces and the Progress of System Development

The Group shall not have any contact with or support for anti-social forces and shall resolutely reject any unreasonable demands from such forces. For this purpose, we have established the "Regulations on the Exclusion of Antisocial Forces" and have put in place a system to ensure that all employees are aware of these regulations. In the event of an attack, such as interference with management activities, assault, or slander, the Corporate Headquarters will centrally manage the response and the entire organization will take a resolute action. When new transactions are made, the Company conducts anti-social checks using the Nikkei Telecon, etc., based on the rules and manuals, and includes a clause on the exclusion of anti-social forces in the contractual clause when new transactions are made.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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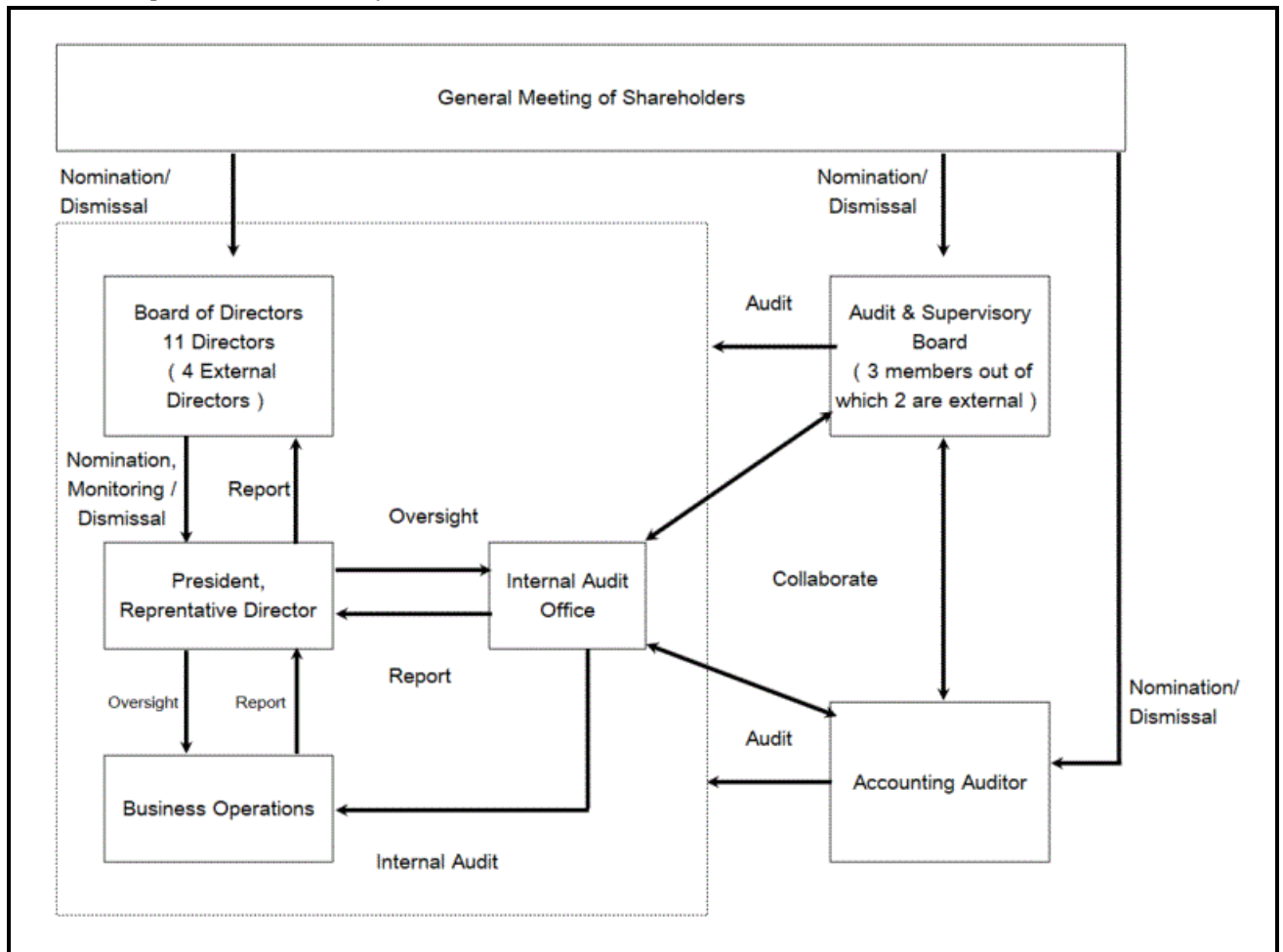
Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

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[Chart of Corporate Governance System]



[Overview of Timely Disclosure System (in Chart)]

REDACTED - Please refer to the original Corporate Governance Report for Reference