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## Corporate Identity

...for Patient Comfort

for their strength to live

Our corporate identity is

“Social contribution through provision of the leading-edge optimal medical devices for patients.”

“Is it appropriate for the patient? Is it valuable for the patient?”

These questions are always at the center of our focus, and we are constantly striving to provide excellent medical devices.

**To Shareholders with Voting Rights:**

Keisuke Suzuki  
President and CEO  
Japan Lifeline Co., Ltd.  
2-2-20, Higashishinagawa,  
Shinagawa-ku, Tokyo

**NOTICE OF  
THE 39TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 39th Ordinary General Meeting of Shareholders of Japan Lifeline Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by no later than 5:30 p.m. on Tuesday, June 25, 2019, Japan time.

- 1. Date and Time:** Wednesday, June 26, 2019 at 10 a.m. Japan time (Reception starts at 9 a.m.)
- 2. Place:** WILLARD, 5F, InterContinental Tokyo Bay  
1-16-2, Kaigan, Minato-Ku, Tokyo
- 3. Meeting Agenda:**  
**Matters to be reported:**
  1. The Business Report, Consolidated Financial Statements for the Company’s 39th Fiscal Year (April 1, 2018 - March 31, 2019) and results of audits concerning the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
  2. Non-Consolidated Financial Statements for the Company’s 39th Fiscal Year (April 1, 2018 - March 31, 2019)**Proposals to be resolved:**
  - Proposal No. 1:** Distribution of Surplus
  - Proposal No. 2:** Election of Eleven Vice Presidents

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
  - ◎ Please refer to “Disclosure on the Internet” on page 3 of this Notice regarding information disclosure on the Internet.
  - ◎ Should circumstances arise whereby revisions are required after the dispatch of this Notice and prior to the day before the meeting date of the General Meeting of Shareholders, shareholders shall be notified by posting on the Company’s website.

## Guide to Exercising Voting Rights

### **Shareholders attending the General Meeting of Shareholders**

Submission at the reception desk

When attending the meeting, please bring this Notice and submit the enclosed Voting Rights Exercise Form at the reception desk.

Furthermore, please bring this Notice as a memorandum on the day of the meeting.

### **Shareholders who are unable to attend the General Meeting of Shareholders**

Submission by mail

Please mark your vote for or against the proposals on the Voting Rights Exercise Form and send it by mail.

#### **Voting Deadline**

5:30 p.m., Tuesday, June 25, 2019 Japan time

Input via the Internet

Please access the website for exercise of voting rights designated by the Company and input your vote for or against the proposals in accordance with the instructions onscreen.

Website for exercise of voting rights

<https://evote.tr.mufg.jp/>

Please refer to the following page for details.

#### **Voting Deadline**

5:30 p.m., Tuesday, June 25, 2019 Japan time

### **Treatment of Voting Rights Exercised Multiple Times**

If you exercise your voting rights both by mailing Voting Rights Exercise Form and via the Internet

- ▶ Your vote via the Internet shall be deemed valid.

If you exercise your voting rights via the Internet multiple times

- ▶ The vote cast last shall be deemed valid.

### **Disclosure on the Internet**

- ▶ Of the documents to be provided with this Notice, the “Consolidated Statement of Changes in Equity,” “Notes to Consolidated Financial Statements,” “Non-Consolidated Statement of Changes in Equity,” and “Notes to Non-Consolidated Financial Statements” are posted on the Company’s website (<https://www.jll.co.jp>) in accordance with the provisions of laws and regulations as well as Article 15 of the Articles of Incorporation and therefore are not provided in this Notice and its Appendix. Accordingly, the Consolidated Financial Statements and Non-Consolidated Financial Statements provided with this Notice and its Appendix form part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Corporate Auditors when preparing the Audit Report, and part of the Consolidated Financial Statements and Non-Consolidated Financial Statements audited by the Accounting Auditor when preparing the Accounting Audit Report.

The Company’s website <https://www.jll.co.jp>

## **Guide to Exercising Voting Rights**

### Guide to Exercising Voting Rights via the Internet

In order to exercise your voting rights via the Internet, please access the website for exercise of voting rights via smartphone or personal computer, etc. and exercise your voting rights in accordance with the instructions onscreen.

### **Voting Deadline**

5:30 p.m., Tuesday, June 25, 2019 Japan time

For institutional investors

Electronic Voting System Platform

Institutional investors who have applied in advance to use the Electronic Voting System Platform operated by ICJ, Inc. may exercise their voting rights on the Platform.

## Guide to Exercising Voting Rights

### Guide to Exercising Voting Rights via the Internet

In order to exercise your voting rights via the Internet, please access the website for exercise of voting rights (<https://evote.tr.mufg.jp/>) via personal computer, smartphone, or mobile phone, and exercise your voting rights in accordance with the instructions onscreen.

\* Please note that connection fees and telecommunications fees arising from use of the website for exercise of voting rights shall be borne by the shareholder.

Website for exercise of voting rights    <https://evote.tr.mufg.jp/>



It is also possible to access the website by scanning the QR Code on the left, if using a smartphone or mobile phone equipped with a QR Code scanning function.

For computer	For smartphone or mobile phone
<ol style="list-style-type: none"><li>1) Click “to the next page.”</li><li>2) Enter the log-in ID and “temporary password” printed on the <u>bottom right of your Voting Rights Exercise Form.</u></li><li>3) Click “log-in.”</li><li>4) Enter a new password both in the fields of “New password” and “New password (for confirmation).” Please make sure not to forget your new password.</li><li>5) Click “send.”</li><li>6) When a message asking you to confirm is displayed, click “confirmed.”</li></ol>	<ol style="list-style-type: none"><li>1)Click “Procedures related to the General Meeting of Shareholders.”</li><li>2)Enter the log-in ID and “temporary password” printed on the <u>bottom right of your Voting Rights Exercise Form.</u></li><li>3)Click “log-in.”</li></ol>

Then, follow the instructions on the screen and enter your vote for or against the proposal.

Contact for inquiries in relation to systems, etc.

For inquiries regarding how to use your personal computer, smartphone, or mobile phone to exercise voting rights on the website, please contact the Help Desk below:

Help Desk, Stock Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation

0120-173-027

(Toll-free, Service hours: 9:00 a.m. to 9:00 p.m.)

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal No. 1: Distribution of Surplus

#### Items Related to the Year-end Dividend

The Company proposes a year-end dividend for the 39th fiscal year as follows, taking into consideration business performance in the fiscal year under review, funding demands for future business development, and other factors.

- (1) Type of dividend property  
Cash
- (2) Items related to the allocation of dividend property to shareholders and its total amount  
The Company proposes a dividend of 29.00 yen per common share.  
Furthermore, the total dividend amount in this case will be 2,335,371,856 yen.
- (3) Date the distribution of surplus comes into effect  
June 27, 2019.

Effective October 1, 2015, December 1, 2016 and January 1, 2018, the Company conducted two-for-one stock splits of its common share. Dividend per share represents the actual payment.
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**Proposal No. 2: Election of Eleven Vice Presidents**

The terms of office of twelve Vice Presidents will expire at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes the election of eleven Vice Presidents, including one female Vice President.

The candidates for Vice President are as follows.

No.	Name	Current positions at the Company		Attendance at Board of Directors meetings
1	Keisuke Suzuki	President and CEO	Reelection	100% (12/12)
2	Atsuhiko Suzuki	Senior Executive Vice President and COO	Reelection	100% (12/12)
3	Shogo Takahashi	Executive Vice President, General Manager, Corporate Administration Department	Reelection	100% (12/12)
4	Kazuhiko Nogami	Vice President, General Manager, Electrophysiology Business Unit	Reelection	100% (12/12)
5	Kenji Yamada	Vice President, General Manager, R&D and Manufacturing Department	Reelection	100% (12/12)
6	Osamu Watanabe	Vice President, General Manager, CRM Business Unit	Reelection	100% (12/12)
7	Toru Takamiya	Vice President, General Manager, Cardiovascular Business Unit	Reelection	100% (12/12)
8	Tadashi Idei	Vice President, General Manager, Regulatory Affairs General Management Department	Reelection	100% (12/12)
9	Yumiko Hoshiba	Vice President, General Manager, Human Resources & General Affairs Department	Reelection	100% (10/10)
10	Fumihiro Sasaki	Vice President	Reelection Outside Vice President Independent Director	91.7% (11/12)
11	Yoshiaki Ikei	Vice President	Reelection Outside Vice President Independent Director	100% (12/12)

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Keisuke Suzuki (September 9, 1953) (age 65)  Reelection	<p>February 1981 Vice President</p> <p>April 1987 Senior Executive Vice President</p> <p>November 1992 Retired from Vice President</p> <p>January 1994 Consultant</p> <p>June 1997 Senior Executive Vice President</p> <p>June 2005 President and CEO</p> <p>To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 22 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Keisuke Suzuki has taken responsibility for the management of the Company since its founding, and has appropriately fulfilled the role of overseeing important management decisions and the execution of business. He possesses a track record of achieving growth for the Company, in addition to abundant experience and advanced insight in the overall management and the medical device business. Accordingly, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	2,650,016

(Note) There are no special interests between Mr. Keisuke Suzuki and the Company.



No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Atsuhiko Suzuki (June 5, 1958) (age 61)  Reelection	<p>September 1984      Joined the Company</p> <p>January 1992      Senior Sales Branch Manager, Tokai Branch</p> <p>April 2000      Deputy Executive Officer, Sales Headquarters</p> <p>June 2005      Vice President, General Manager, Sales Headquarters</p> <p>April 2007      Vice President, General Manager, Business Headquarters</p> <p>June 2007      Executive Vice President, General Manager, Business Headquarters</p> <p>June 2011      Executive Vice President, General Manager, Business Headquarters</p> <p>June 2013      Senior Executive Vice President, General Manager, Business Headquarters</p> <p>April 2015      Senior Executive Vice President</p> <p>June 2015      Senior Executive Vice President and COO To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 14 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Atsuhiko Suzuki currently supervises the overall execution of business as Senior Executive Vice President, having previously taken responsibility for the Business departments, etc., and possesses abundant experience and advanced insight in the overall management and the medical device business. Accordingly, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	334,880

(Note) There are no special interests between Mr. Atsuhiko Suzuki and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Shogo Takahashi (July 8, 1964) (age 54)  Reelection	<p>December 1994      Joined the Company</p> <p>April 2009          General Manager, Legal Affairs Office</p> <p>March 2010          General Manager, Legal Affairs Office and General Manager, R&amp;D and Manufacturing Department</p> <p>April 2011          General Manager, R&amp;D and Manufacturing Department</p> <p>June 2011          Vice President, General Manager, R&amp;D and Manufacturing Department</p> <p>March 2012          President, Synexmed (Hong Kong) Limited</p> <p>April 2012          President, Synexmed (Shenzhen) Co., Ltd.</p> <p>June 2013          Executive Vice President, General Manager, R&amp;D and Manufacturing Department, the Company</p> <p>July 2017          Executive Vice President, General Manager, Corporate Administration Department To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 8 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Shogo Takahashi has contributed to the enhancement of the Company's administrative function as a responsible person overseeing the Corporate Administration departments, having previously taken responsibility for the Legal Affairs and R&amp;D and Manufacturing departments. As he possesses abundant experience and advanced insight in these wide-ranging areas, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	14,400

(Note) There are no special interests between Mr. Shogo Takahashi and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
4	Kazuhiko Nogami (November 8, 1958) (age 60)  Reelection	<p>May 2010      Joined the Company</p> <p>April 2011      General Manager, Electrophysiology / Ablation Business Department</p> <p>July 2013      Executive Officer, General Manager, Electrophysiology / Ablation Business Department</p> <p>April 2014      Executive Officer, General Manager, Arrhythmia Control Business Department</p> <p>April 2015      Executive Officer, General Manager, Electrophysiology Business Unit</p> <p>June 2015      Vice President, General Manager, Electrophysiology Business Unit</p> <p>April 2018      Vice President, General Manager, Arrhythmia Business Unit</p> <p>April 2019      Vice President, General Manager, Electrophysiology Business Unit To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 4 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Kazuhiko Nogami possesses many years of experience and a track record in the medical device industry, and has contributed significantly to the growth of the Company's Electrophysiology Business departments. As he possesses abundant experience and advanced insight in these areas, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	20,000

(Note) There are no special interests between Mr. Kazuhiko Nogami and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	Kenji Yamada (November 26, 1971) (age 47)  Reelection	<p>May 1998      Joined the Company</p> <p>April 2011    General Manager, Corporate Administration Department</p> <p>July 2013      Executive Officer, General Manager, Corporate Administration Department</p> <p>April 2014    Executive Officer, Deputy General Manager, Corporate Administration Department</p> <p>April 2015    Executive Officer, General Manager, Corporate Administration Department</p> <p>June 2015    Vice President, General Manager, Corporate Administration Department</p> <p>July 2017      Vice President, General Manager, R&amp;D and Manufacturing Department To the present</p> <p>President, Synexmed (Hong Kong) Limited To the present</p> <p>President, Synexmed (Shenzhen) Co., Ltd. To the present</p> <p>August 2017   President, JLL Malaysia Sdn. Bhd. To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 4 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Kenji Yamada is endeavoring to strengthen the Company's manufacturing function as a responsible person overseeing the R&amp;D and Manufacturing departments, having previously taken responsibility for the Corporate Administration departments. As he possesses abundant experience and advanced insight in these areas, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	22,400

(Note) There are no special interests between Mr. Kenji Yamada and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
6	Osamu Watanabe (December 1, 1959) (age 59)  Reelection	<p>July 2009      Joined the Company</p> <p>January 2010    General Manager, Sales &amp; Marketing Division, CRM Department</p> <p>April 2012      Deputy General Manager, CRM Department</p> <p>April 2013      General Manager, Branch Control Sales &amp; Marketing Division</p> <p>July 2013        Executive Officer, General Manager, Branch Control Sales &amp; Marketing Division</p> <p>April 2015       Executive Officer, General Manager, CRM Business Unit</p> <p>June 2015       Vice President, General Manager, CRM Business Unit</p> <p>April 2018       Vice President, General Manager, Arrhythmia Sales &amp; Marketing Headquarters</p> <p>April 2019       Vice President, General Manager, CRM Business Unit</p> <p>To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 4 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Osamu Watanabe possesses many years of experience and a track record in the medical device industry, and has overseen the Company's CRM Business and Sales &amp; Marketing departments, and contributed to business expansion. As he possesses abundant experience and advanced insight in these areas, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	0

(Note) There are no special interests between Mr. Osamu Watanabe and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
7	Toru Takamiya (November 17, 1964) (age 54)  Reelection	<p>August 2006      Joined the Company</p> <p>April 2009      General Manager, SHT Department, TVI Department</p> <p>April 2011      General Manager, EST Department</p> <p>April 2012      General Manager, CVE Department</p> <p>July 2013      Executive Officer, General Manager, CVE Department</p> <p>April 2014      Executive Officer, General Manager, Cardiovascular Business Unit</p> <p>April 2015      Executive Officer, General Manager, Cardiovascular Business Unit</p> <p>June 2017      Vice President, General Manager, Cardiovascular Business Unit</p> <p>To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 2 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Toru Takamiya possesses many years of experience and a track record in the medical device industry, and has overseen the Company's Cardiovascular Surgery-related and Transvascular Intervention businesses, and has contributed to business expansion. As he possesses abundant experience and advanced insight in these areas, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	800

(Note) There are no special interests between Mr. Toru Takamiya and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
8	Tadashi Idei (May 30, 1965) (age 54)  Reelection	<p>October 2009      Joined the Company</p> <p>April 2011      General Manager, Regulatory Affairs Division</p> <p>April 2013      General Manager, Regulatory Affairs General Management Department</p> <p>July 2013      Executive Officer, General Manager, Regulatory Affairs General Management Department</p> <p>April 2015      Executive Officer, General Manager, Regulatory Affairs General Management Department</p> <p>June 2017      Vice President, General Manager, Regulatory Affairs General Management Department</p> <p>To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 2 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Vice President: Mr. Tadashi Idei possesses many years of experience and a track record in the Regulatory Affairs and Quality Control departments in the medical device industry, and has strengthened the Company's regulatory affairs and quality control systems, and has contributed to business expansion. As he possesses abundant experience and advanced insight in these areas, the Company has judged that he continues to be an appropriate person to realize the sustainable improvement of corporate value of the Company, and has therefore nominated him as a candidate for Vice President.</p>	800

(Note) There are no special interests between Mr. Tadashi Idei and the Company.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
9	Yumiko Hoshiba (March 3, 1962) (age 57)  Reelection	<p>April 1992      Joined the Company</p> <p>April 2008      General Manager, Administration Division</p> <p>April 2011      General Manager, General Affairs Division</p> <p>July 2014      Executive Officer, General Manager, General Affairs Department</p> <p>April 2015      Executive Officer, General Manager, General Affairs Control Division</p> <p>April 2018      Executive Officer, General Manager, Human Resources &amp; General Affairs Department</p> <p>June 2018      Vice President, General Manager, Human Resources &amp; General Affairs Department</p> <p>To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 1 year</p> <p>Attendance at Board of Directors meetings: 100% (10/10 meetings)</p> <p>Reasons for nomination as Vice President: Ms. Yumiko Hoshiba has overseen Human Resources and General Affairs and Information Systems departments, and has taken measures to strengthen administrative function to support corporate growth. As she possesses abundant experience and advanced insight in these areas, the Company has judged that she continues to be an appropriate person to realize the improvement of sustainable corporate value, and has therefore nominated her as a candidate for Vice President.</p>	6,528

(Note) There are no special interests between Ms. Yumiko Hoshiba and the Company.



No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
10	Fumihiro Sasaki (July 10, 1957) (age 61)  Reelection  Outside Vice President  Independent Director	<p>April 1981      Joined Japan Recruit Center (currently, Recruit Co., Ltd.)</p> <p>April 2001      Corporate Executive Officer</p> <p>April 2011      Advisor</p> <p>April 2012      President and Representative Director, XYMAX ACCOUNTING PARTNER Corporation (currently, XYMAX WITH Corporation)</p> <p>To the present</p> <p>June 2012      Vice President, the Company</p> <p>To the present</p> <p>July 2012      Representative Director, Chief Executive Officer, Abilitas Hospitality Co., Ltd.</p> <p>October 2015    President and Representative Director, XYMAX HOTELS Corporation (currently, KARAKSA HOTELS Corporation)</p> <p>April 2017      Executive Managing Officer, XYMAX Corporation</p> <p>To the present</p> <p>President and Representative Director, XYMAX FELLOW Corporation (currently, XYMAX TRUST Corporation)</p> <p>President and Representative Director, XYMAX SQUARE Corporation</p> <p>President and Representative Director, XYMAX VILLAGE Corporation</p> <p>To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 7 years</p> <p>Attendance at Board of Directors meetings: 91.7% (11/12 meetings)</p> <p>Reasons for nomination as Outside Vice President: Mr. Fumihiro Sasaki possesses abundant experience and wide-ranging insight as a corporate manager, and provides advice and views regarding management from an objective perspective at the meetings of the Board of Directors and the Nomination and Remuneration Advisory Committee. The Company has judged that he may be expected to continue providing advice and views aimed at strengthening the supervision of the execution of business, and improving sustainable corporate value, and has therefore nominated him as a candidate for Outside Vice President.</p>	0

- (Notes)
1. There are no special interests between Mr. Fumihiro Sasaki and the Company.
  2. Mr. Fumihiro Sasaki is a candidate for Outside Vice President, and the Company has registered him as an Independent Director with the Tokyo Stock Exchange.
  3. The Company has entered into an agreement with Mr. Fumihiro Sasaki to limit his liability under Article 423, Paragraph 1 of the Companies Act to the minimum amount stipulated in laws and regulations. If the reelection of Mr. Fumihiro Sasaki is approved, the Company intends to renew the above agreement with him.

No.	Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
11	Yoshiaki Ikei (May 4, 1957) (age 62)  Reelection  Outside Vice President  Independent Director	<p>April 1981      Joined Mitsubishi Corporation</p> <p>April 1999      Executive Officer, General Manager, Corporate Strategy Department, AUCNET INC.</p> <p>October 2001    Managing Executive Officer and General Manager, Osaka Branch, RECOF Corporation</p> <p>November 2007   Representative Director, MA Partners, Inc. To the present</p> <p>July 2012      Senior Managing Director, STREX Inc.</p> <p>June 2017      Vice President, the Company To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 2 years</p> <p>Attendance at Board of Directors meetings: 100% (12/12 meetings)</p> <p>Reasons for nomination as Outside Vice President: Mr. Yoshiaki Ikei has participated in the M&amp;A industry over many years, and also possesses abundant experience and wide-ranging insight as a corporate manager, and provides advice and views regarding management from an objective perspective at the meetings of the Board of Directors and the Nomination and Remuneration Advisory Committee. The Company has judged that he may be expected to continue providing advice and views aimed at strengthening the supervision of the execution of business, and improving sustainable corporate value, and has therefore nominated him as a candidate for Outside Vice President.</p>	0

- (Notes)
1. There are no special interests between Mr. Yoshiaki Ikei and the Company.
  2. Mr. Yoshiaki Ikei is a candidate for Outside Vice President, and the Company has registered him as an Independent Director with the Tokyo Stock Exchange.
  3. The Company has entered into an agreement with Mr. Yoshiaki Ikei to limit his liability under Article 423, Paragraph 1 of the Companies Act to the minimum amount stipulated in laws and regulations. If the reelection of Mr. Yoshiaki Ikei is approved, the Company intends to renew the above agreement with him.

## **Business Report**

(April 1, 2018 - March 31, 2019)

### **[1] Overview of the Company Group**

#### **1. Business Progress and Results**

In the medical device industry where the Company is active, while the aging of population is rapidly progressing, the importance of providing high-quality healthcare is increasing, and medical device manufacturers are required to provide medical devices which can reduce patients' physical strain as well as devices with low invasiveness that can be expected to reduce medical expense. NHI prices, which are official prices for medical devices, are being lowered on an ongoing basis by the government as a measure to secure financial resources for medical expenses which have been increasing year by year and maintain and continue the medical insurance system, resulting in a declining trend in sales prices of products, primarily in traditional medical devices.

In response to these conditions, medical device manufacturers are focusing on the development and introduction of highly innovative products with highly therapeutic effects, and competition in introducing medical devices is becoming increasingly fierce. Furthermore, companies are taking initiatives to improve competitiveness by entering into other treatment fields or expanding sales volume through M&A or sales collaboration, etc., with other companies in the same industry.

Under this competitive environment, the Company has been improving competitiveness by strengthening its function as a trading company to introduce products from state-of-the-art manufacturers overseas to sell in the Japanese market and also its function as a manufacturer to develop and manufacture its in-house products that reflect the needs of actual healthcare settings.

In Cardiac Rhythm Management, the Company's mainstay business area and positioned as primary means of arrhythmia treatment, the Company entered into an exclusive distribution agreement with Boston Scientific Japan K.K., a highly competitive global company, for the sale of CRM (Cardiac Rhythm Management) products in November 2018 and secured business foundations toward long-term growth. Traditionally, in Cardiac Rhythm Management, the Company's market share in the tachycardia treatment field in products such as ICD (implantable cardioverter defibrillators) was limited when compared to the bradycardia treatment field, which includes cardiac pacemakers. However, the Company will further expand Cardiac Rhythm Management through the partnership with Boston Scientific Japan K.K., which has an advantage in the tachycardia treatment field, and further increase competitiveness in the arrhythmia treatment field with EP / Ablation that focuses on the sale of in-house products.

In addition, in manufacturer functions, the Company has been constructing a factory in Malaysia, the first overseas factory the Company builds from the ground up, and is securing supply capacity for in-house products which are continuing to demonstrate high growth. In Japan, the Company started construction of the second building of the Oyama Factory to further improve catheter-related technologies, an area in which the Company has an advantage. Furthermore, the Company is newly entering other fields with the application of technologies cultivated from development and manufacturing of medical devices in the arrhythmia treatment field. The Company is focusing on the development of products in the gastrointestinal field, including developing devices for treatment of liver cancer by applying ablation catheters technology, in addition to colonic stents that were introduced to the market in 2017.

In regard to sales results during the fiscal year under review, in Cardiac Rhythm Management, sales of existing products decreased due to the effects of the revision of NHI prices, the official prices for medical devices, in April 2018, and the release of a change in its suppliers in August 2018. Meanwhile, in EP / Ablation, sales increased for atrial fibrillation therapy-related products, especially internal atrial cardioversion systems, a unique product of the Company, as the number of cases of atrial fibrillation ablation increased. In addition, the Company launched sales of new endoscopic laser ablation catheters in July 2018, and has been endeavoring to increase sales.

In Cardiovascular Surgery related products, sales of vascular graft related products, particularly abdominal stent grafts, and open stent grafts, a unique product of the Company, increased steadily. Furthermore, in Transvascular Intervention, while balloon catheters were affected by the reduction of official prices and competing products, drug-eluting coronary stents contributed to an increase in net

sales.

As a result, net sales in the fiscal year under review were 45,525 million yen (+7.6% YoY).

Regarding profits, while the sales ratio of in-house products was almost at the same level as the previous fiscal year, gross margin improved on a non-consolidated basis owing to growth in sales of products with high margins among in-house products. However, on a consolidated basis, gross margin decreased by 1.7 points year on year, owing to the lack of the positive effect on gross profit of 1,170 million yen which was recorded in the previous fiscal year from adjusting unrealized gain after the merger with the Company's subsidiary, which has not been recorded in the fiscal year under review.

Operating income in the fiscal year under review was 10,526 million yen (-1.4% YoY), due to factors including year on year increases, in terms of SG&A expenses, in personnel expenses in strengthening the business structure, and in advertising expenses and traveling and transportation expenses in expanding sales of new products. The Company also recorded non-operating income, including interest income and dividend income, of 571 million yen, and loss on valuation of investment securities and commission for syndicated loans as non-operating expenses of 289 million yen, and as a result, ordinary income for the fiscal year under review was 10,808 million yen (+0.7% YoY). Furthermore, the Company recorded a gain on sales of non-current assets and gain on sales of investment securities as extraordinary income of 5 million yen, while recording a loss on retirement of non-current assets as extraordinary losses of 12 million yen, and as a result, net income attributable to owners of the parent for the fiscal year under review was 7,723 million yen (+3.3% YoY).

Sales by item were as follows.

Classification	The 36th fiscal year (April 1, 2015 to March 31, 2016)	The 37th fiscal year (April 1, 2016 to March 31, 2017)	The 38th fiscal year (April 1, 2017 to March 31, 2018)	The 39th fiscal year (April 1, 2018 to March 31, 2019) (Fiscal year under review)
	Million yen	Million yen	Million yen	Million yen
Cardiac Rhythm Management	5,557	6,617	7,247	5,862
EP / Ablation	14,371	17,528	20,364	23,060
Cardiovascular Surgery related	8,358	10,251	11,464	11,730
Transvascular Intervention	2,252	2,783	3,221	4,872
Total	30,540	37,181	42,298	45,525

**Cardiac Rhythm Management** (implantable medical devices for treating arrhythmia)

Percent of net sales: 12.9%

Main products: • Cardiac pacemakers  
• ICDs (implantable cardioverter defibrillators)  
• CRT-Ds (cardiac resynchronization therapy defibrillators)

In Cardiac Rhythm Management, net sales declined year on year due to a decrease in the sales volume of the existing products of cardiac pacemakers and ICD (implantable cardioverter defibrillators) related products, owing to the effects of a reduction in official prices in April 2018, and the release of a change in its suppliers in August 2018.

Currently, the Company is advancing preparations with Boston Scientific Japan K.K., a new supplier of Cardiac Rhythm Management products, to begin full-fledged sales of its products from September 2019. The Company commenced sales of Subcutaneous Implantable Cardioverter Defibrillator (S-ICD) System “EMBLEM MRI S-ICD System,” a unique product in the tachycardia treatment field, to all certified hospitals in Japan in advance since April 2019. The Company aims to promptly expand the CRM business by commencing sales of products in the tachycardia treatment field that the Company emphasizes, and to develop a sales system for the full launch of Boston Scientific's CRM-related products.

As a result, net sales in the Cardiac Rhythm Management product category were 5,862 million yen

(-19.1% YoY)

**EP / Ablation** (electrode catheters for arrhythmia diagnosis and treatment)

Percent of net sales: 50.7%

Main products:

- Electrophysiological (EP) catheters
- Endoscopic laser ablation catheter
- Ablation catheters
- Internal atrial cardioversion systems
- Esophageal temperature monitoring catheters
- Radio-frequency transseptal needles

In EP catheters, net sales of in-house products, including the “BeeAT” internal atrial cardioversion system, a unique product of the Company, increased on the back of an increase in the number of cases of atrial fibrillation ablation.

In addition, sales volume increased for the “RF Needle” radio-frequency transseptal needle, an imported product for which the Company is the sole domestic seller.

In ablation catheters, sales volume of radiofrequency ablation catheters that have been traditionally sold by the Company decreased. On the other hand, in November 2018, the Company completed PMS (post marketing surveillance) for “HeartLight,” an endoscopic laser ablation catheter, for which the Company launched sales in July 2018, and introductions to medical institutions have been ongoing. Atrial fibrillation ablation treatment that uses balloon catheter technology is expected to be further used owing to possibilities for procedure simplification. Furthermore, as this product has the feature of enabling precision treatment tailored to individual cases through use with endoscopes and lasers, the Company aims to increase its use in medical institutions.

As a result, net sales in the EP / Ablation product category were 23,060 million yen (+13.2% YoY).

**Cardiovascular Surgery Related** (medical devices for treatment by replacing blood vessels and heart valves)

Percent of net sales: 25.8%

Main products:

- Vascular grafts
- Open stent grafts
- Stent grafts
- Artificial heart valves
- Annuloplasty rings
- Blood purification related products

In vascular graft related products, sales of the “AFX2 stent graft system,” a product for the abdominal field, increased for stent grafts to treat aortic disorders percutaneously. Meanwhile, the sales volume of products in the thoracic field decreased year on year due to the termination of an exclusive distribution agreement in March 2019. In in-house products, sales increased for “J-Graft FROZENIX,” the Company’s unique open stent graft, a medical device that contributes to making open surgery for thoracic aortic diseases less invasive. In addition, net sales from vascular grafts, which are also in-house products, increased year on year.

In artificial heart valve related products, net sales declined year on year, as less invasive treatment using catheters increased. Furthermore, sales of artificial heart valve related products ended at the end of May 2019 upon the expiration of an existing exclusive distribution agreement.

As a result, net sales in the Cardiovascular Surgery Related product category were 11,730 million yen (+2.3% YoY).

**Transvascular Intervention** (catheters and other medical devices for treating myocardial infarction, etc.)

Percent of net sales: 10.7%

Main products:

- Balloon catheters
- Guide wires
- Penetration catheters
- Atrial septal defect closures
- Drug-eluting coronary stents

In balloon catheters, net sales declined year on year due to the effect of the reduction of official prices, etc. In such competitive environment, net sales of guide wires increased year on year, owing to a contribution from “Amati,” which the Company began selling in October 2018.

In terms of other products, net sales of “Figulla Flex II,” an atrial septal defect closure, and “Guideliner,” a penetration catheter, declined year on year due to the impact of competitive products. Meanwhile, sales volume of the “Orsiro” drug-eluting coronary stent that the Company began selling in March 2018 increased, owing to the expansion of the size lineup during the second half of this fiscal year. The Company is endeavoring to increase sales by advancing efforts in clinical research, etc., in Japan. In the ischemic cardiac disease treatment field, although the Company is not an exclusive distributor, the Company began sales of “OptoWire,” a guidewire installed with a sensor for measuring intravascular pressure, in October 2018 to support appropriate PCI (percutaneous coronary intervention) treatment and will endeavor to increase sales.

As a result, net sales in the transvascular intervention product category were 4,872 million yen (+51.2% YoY).

## 2. Capital Investments

The total amount of capital investments conducted in the consolidated fiscal year under review was 1,248 million yen. The main item was investment related to the Company’s manufacturing facility, and required funds were allocated from funds on hand and borrowing.

## 3. Financing

There are no relevant matters to report.

## 4. Trends in Assets and Income of the Corporate Group

Classification	The 36th fiscal year (April 1, 2015 to March 31, 2016)	The 37th fiscal year (April 1, 2016 to March 31, 2017)	The 38th fiscal year (April 1, 2017 to March 31, 2018)	The 39th fiscal year (April 1, 2018 to March 31, 2019) (Fiscal year under review)
Net sales (million yen)	30,540	37,181	42,298	45,525
Operating income (million yen)	3,700	7,685	10,671	10,526
Ordinary income (million yen)	3,574	8,010	10,730	10,808
Net income attributable to owners of the parent (million yen)	2,804	5,350	7,478	7,723
Earnings per share (yen)	36.70	71.91	98.51	96.05
Total assets (million yen)	36,165	40,427	60,980	67,783
Net assets (million yen)	15,890	20,750	41,090	46,493

- (Notes) 1. Earnings per share are calculated using the average number of outstanding shares for the fiscal year.  
2. Effective October 1, 2015 and December 1, 2016 and January 1, 2018, the Company conducted two-for-one stock splits of its common stock. The amount of earnings per share is calculated by deeming stock splits to have occurred at the beginning of the 36th fiscal year.

## 5. Issues to be Addressed

### 1. Business Environment

In the medical device industry where the Company is active, while demand for healthcare is increasing due to an aging population, NHI prices, the official prices for medical devices, are being lowered on an ongoing basis by the government as a measure to curtail medical expenses.

In the cardiovascular field, the Company’s mainstay business area, as the sales volume of medical devices is increasing owing to the increase in the number of cases, a number of foreign companies that operate businesses globally are entering the market and competition is becoming increasingly fierce.

Furthermore, in recent years, in medical devices, demand for medical devices with low invasiveness that reduce patients’ physical strain is increasing, and therefore companies are strengthening initiatives aimed at developing new products and bringing them to market as soon as possible.

## 2. Business Policy

As an independent trading company of medical devices specialized in the cardiovascular field, the Company conducts its business activities by introducing advanced medical devices from overseas to the Japanese market on behalf of its manufacturers, and exclusively distributing such medical devices. The Company is providing specialized information about products from a position that is closer to manufacturers, and is building a network with the medical community that includes doctors who are active on the front lines across Japan. Furthermore, the Company ensures a high profit level by conducting such business activities, unlike secondary distributors who only distribute products in Japan.

The Company also has a manufacturer function based on its experience as a trading company, and develops and manufactures in-house products including the Company's unique products as a domestic manufacturer that carefully responds to the needs of actual healthcare settings. Currently, the share of total sales held by the Company's in-house products is more than 50%.

The Company will aim to achieve medium- to long-term growth by maximizing its functions as a trading company and as a manufacturer, and providing the latest and most appropriate medical devices to patients and medical institutions.

## 3. Issues to be Addressed

The Company is focusing on the following issues to respond to the changing business environment and realize medium- to long-term growth.

### (1) Further expansion of in-house products

The Company will provide excellent medical devices including its unique products by utilizing its network with medical institutions and promptly and properly reflecting needs from doctors on product development. As in-house products have high profitability and form an integral part in building a strong business foundation, the Company will further expand its in-house products.

### (2) Securing pipeline of purchase

Technology of overseas manufactures, mainly in Europe and the U.S., is taking the lead in medical devices, and therefore it is important to introduce highly novel, excellent medical devices to the Japanese market as soon as possible. Furthermore, in order to respond to lower NHI prices, the Company is required to secure profits by continuously launching highly novel medical devices in the market. In order to introduce a medical device in Japan, regulatory approvals are required and this can be a time-consuming process; therefore, the Company is seeking new business partners, always with a medium- to long-term view.

In the Cardiac Rhythm Management, the Company's mainstay business area, the Company entered into an exclusive distribution agreement with Boston Scientific Japan K.K., a company that operates businesses globally, in November 2018, and the Company will aim to expand its business scale through sales of its products.

### (3) Strengthening of research and development and production system

The Company expanded its Research Center, a research and development base, in April 2018 to enhance its competitive advantage as a medical device manufacturer. The Company will increase its investment in research and development and work on development of excellent medical devices. In addition, the Company has been constructing a factory in Malaysia and the second building of the Oyama Factory to secure the stable supply of in-house products which are continuing to grow, and shall endeavor to further strengthen its production system.

### (4) Expansion of new field outside the cardiovascular field

The Company is expanding other treatment fields with the application of its own technology cultivated from development of medical devices in the cardiovascular field. The Company entered the gastrointestinal field by starting sales of colonic stents in June 2017. The Company will further expand new revenue streams outside the cardiovascular field by further developing and introducing new products.

### (5) Overseas Development

Currently, the Company sells part of its EP/ablation and blood purification related products overseas, however, its contribution to business performance is limited. As in-house products are already highly praised and have gained market share in Japan, the Company will endeavor to establish its distribution system and prepare for the full-launch of the products overseas.

## 6. Material Parent Companies and Subsidiaries

### 1) Relationship with Parent Company

There are no significant relationships with any parent company.

### 2) Subsidiaries

Company name	Capital	The Company's percentage of equity participation (%)	Principal business
Synexmed (Hong Kong) Limited	15 million HKD	100	Import and sale of medical devices
Synexmed (Shenzhen) Co., Ltd.	16 million RMB	100	Manufacture and sale of medical devices

(Note) The Company's percentage of equity participation includes indirect holdings by subsidiaries.

## 7. Principal Business

Product group	Principle products
Cardiac Rhythm Management	Cardiac pacemakers, ICDs (implantable cardioverter defibrillators), CRT-Ds (cardiac resynchronization therapy defibrillators)
EP / Ablation	Electrophysiological (EP) catheters, ablation catheters, endoscope laser ablation catheters, internal atrial cardioversion systems, esophageal temperature monitoring catheters, radio-frequency transseptal needles
Cardiovascular Surgery	Vascular grafts, open stent grafts, stent grafts, artificial heart valves, annuloplasty rings, blood purification-related products
Transvascular Intervention	Balloon catheters, guide wires, penetration catheters, atrial septal defect closures, drug-eluting coronary stent

## 8. Principal Business Locations and Plants

### 1) The Company

Headquarters	2-2-20, Higashishinagawa, Shinagawa-ku, Tokyo
Education facility	Tennoz Accademia (Shinagawa-ku, Tokyo)
Logistics center	Haneda Logistics Center (Ota-ku, Tokyo) Kansai Logistics Center (Ibaraki-shi, Osaka)
Factories	Toda Factory (Toda-shi, Saitama) Oyama Factory (Oyama-shi, Tochigi) Ichihara Factory (Ichihara-shi, Chiba)
Research facility	Research Center (Toda-shi, Saitama)



Branches and sales offices	<p>Sapporo Sales Office, Hokkaido Branch (Chuo-ku, Sapporo-shi, Hokkaido)</p> <p>Sendai Sales Office, Tohoku Branch (Aoba-ku, Sendai-shi, Miyagi)</p> <p>Aomori Sales Office (Aomori-shi, Aomori)</p> <p>Akita Sales Office (Akita-shi, Akita)</p> <p>Koriyama Sales Office (Koriyama-shi, Fukushima)</p> <p>Urawa Sales Office, Kitakanto Branch (Urawa-ku, Saitama-shi, Saitama)</p> <p>Gunma Sales Office (Maebashi-shi, Gunma)</p> <p>Tokyo Sales Office I, Tokyo Branch (Toshima-ku, Tokyo)</p> <p>Tokyo Sales Office II (Shinagawa-ku, Tokyo)</p> <p>Ibaraki Sales Office (Tsukuba-shi, Ibaraki)</p> <p>Tama Sales Office (Fuchu-shi, Tokyo)</p> <p>Chiba Sales Office (Mihama-ku, Chiba-shi, Chiba)</p> <p>Yokohama Sales Office, Yokohama Branch (Naka-ku, Yokohama-shi, Kanagawa)</p> <p>Hamamatsu Sales Office (Naka-ku, Hamamatsu-shi, Shizuoka)</p> <p>Nagoya Sales Office, Tokai Branch (Naka-ku, Nagoya-shi, Aichi)</p> <p>Mie Sales Office (Tsu-shi, Mie)</p> <p>Hokuriku Sales Office, Hokuriku Shinshu Branch (Kanazawa-shi, Ishikawa)</p> <p>Matsumoto Sales Office (Matsumoto-shi, Nagano)</p> <p>Osaka Sales Office, Osaka Branch (Kita-ku, Osaka-shi, Osaka)</p> <p>Kyoto Sales Branch (Shimogyo-ku, Kyoto-shi, Kyoto)</p> <p>Kobe Sales Office (Chuo-ku, Kobe-shi, Hyogo)</p> <p>Hiroshima Sales Office, Chugoku Branch (Naka-ku, Hiroshima-shi, Hiroshima)</p> <p>Okayama Sales Office (Kita-ku, Okayama-shi, Okayama)</p> <p>Yonago Sales Office (Yonago-shi, Tottori)</p> <p>Takamatsu Sales Office, Shikoku Branch (Takamatsu-shi, Kagawa)</p> <p>Matsuyama Sales Office (Matsuyama-shi, Ehime)</p> <p>Fukuoka Sales Office, Kyushu Branch (Hakata-ku, Fukuoka-shi, Fukuoka)</p> <p>Kitakyushu Sales Office (Kokurakita-ku, Kitakyushu-shi, Fukuoka)</p> <p>Nagasaki Sales Office (Nagasaki-shi, Nagasaki)</p> <p>Kumamoto Sales Office (Chuo-ku, Kumamoto-shi, Kumamoto)</p> <p>Kagoshima Sales Office (Kagoshima-shi, Kagoshima)</p> <p>Okinawa Sales Office (Naha-shi, Okinawa)</p>
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2) Subsidiaries  
(Overseas)

Company name	Locations
Synexmed (Hong Kong) Limited	Hong Kong
Synexmed (Shenzhen) Co., Ltd.	Shenzhen, China

9. Employees

1) Employees of the Corporate Group

Classification	Number of employees (number)	Change from previous fiscal year end (number)	Average age (age)	Average years' employment (years)
Male	654	+6	40.1	9.4
Female	278	+20	34.8	5.6
Total / average	932	+26	38.5	8.2

2) Employees of the Company

Classification	Number of employees (number)	Change from previous fiscal year end (number)	Average age (age)	Average years' employment (years)
Male	642	+11	40.2	9.5
Female	208	+25	35.2	5.7
Total / average	850	+36	39.0	8.5

(Note) 1. The number of employees includes persons seconded to the Company, and does not include persons seconded from the Company.

**10. Principal Lenders**

Lender	Amount outstanding (million yen)
MUFG Bank, Ltd.	2,860
Sumitomo Mitsui Banking Corporation	2,539
Resona Bank, Limited.	1,850
Mizuho Bank, Ltd.	1,800
The Chiba Bank, Ltd.	300
Nippon Life Insurance Company	17

**11. Other Important Information Concerning the Current State of the Company Group**

(Implementation of Trust-Type Employee Stock Ownership Incentive Plan)

The Company resolved details of the implementation of Trust-Type Employee Stock Ownership Incentive Plan (E-Ship®) at the meeting of the Board of Directors held on May 24, 2019, for the purpose of granting incentives to the Company's employees for medium- to long-term improvement of corporate value. Trust period is from May 24, 2019 to May 31, 2022, and total amount of shares acquired is 457 million yen and the period of acquisition of the Company's shares is from May 29, 2019 to June 21, 2019.

**[2] Status of Shares**

- Total number of shares authorized to be issued** 346,400,000 shares
- Total number of shares outstanding** 90,419,976 shares
- Number of shareholders** 15,652 persons

#### 4. Major shareholders

Shareholder name	Number of shares	Ratio to the number of outstanding shares(excluding treasury shares)
	thousand shares	%
MT Shokai	9,860	12.24
KS Shoji	8,768	10.89
Japan Trustee Services Bank, Ltd. (Trust Account)	4,774	5.93
Keisuke Suzuki	2,650	3.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,519	3.13
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,212	1.51
BNYM AS AGT/CLTS NONTREATY JASDEC	1,180	1.47
The Nomura Trust and Banking Co., Ltd. (Trust Account)	1,163	1.44
GOLDMAN, SACHS & CO. REG	1,038	1.29
The Dai-ichi Life Insurance Company, Limited	1,026	1.27

(Note) Other than the above, there are treasury shares held by the Company (9,889 thousand shares) and it excludes shares of the Company (115 thousand shares) remained in the “BIP (Board Incentive Plan) trust”.

#### 5. Other Important Information Concerning Shares

At a meeting of the Board of Directors held on May 22, 2019, the Company resolved to cancel 5,000,000 shares of its treasury shares on May 31, 2019. The total number of shares outstanding after the cancellation is 85,419,976 shares.

### [3] Status of Share Acquisition Rights

**1. Status of Share Acquisition Rights Held by Officers of the Company and Delivered as Consideration for the Execution of Duties**

There are no relevant matters to report.

**2. Status of Share Acquisition Rights Delivered to Employees of the Company, etc. as Consideration for the Execution of Duties During the Fiscal Year**

There are no relevant matters to report.

**3. Other Important Information Concerning Share Acquisition Rights**

Share Acquisition Rights as of the end of the fiscal year under review are as follows.

	As of the end of the fiscal year (March 31, 2019)
Issuance resolution date	November 30, 2017
Number of share acquisition rights*	10,000 (Note 1)
Of the share acquisition rights, the number of treasury share acquisition rights*	—
Types and Number of shares underlying the share acquisition rights*	2,000,000 shares (Note 2)
Amount of payment when exercising the share acquisition rights*	The property to be contributed when exercising the Share Acquisition Rights shall be cash, and the amount of property to be contributed when exercising one (1) Share Acquisition Right shall be the amount of cash per common share of the Company to be contributed upon exercise (the “exercise price”) multiplied by the number of shares underlying one (1) share acquisition right (the “number of shares to be delivered”), and any fractions of less than one (1) yen generated as a result of the calculation will be rounded up. (Note 3)
Exercise period of the share acquisition rights*	January 5, 2018 to December 30, 2020 (Note 4)
Issue price of shares and amount to be incorporated into capital if shares are issued owing to the exercise of share acquisition rights*	<p>1. Issue price per share if shares are issued owing to the exercise of share acquisition rights</p> <p>The issue price per common share of the Company to be delivered owing to the exercise of the Share Acquisition Rights shall be the total amount of property contributed when exercising each Share Acquisition Right pertaining to the request to exercise, plus the total payment amount for the Share Acquisition Rights pertaining to the request to exercise, divided by the number of shares to be delivered in relation to the request to exercise.</p> <p>2. Increase in capital stock and legal capital surplus if shares are issued owing to the exercise of share acquisition rights</p> <p>The amount of the increase in capital stock if shares are issued owing to the exercise of the Share Acquisition Rights shall be the maximum amount of increase in stated capital calculated in accordance with the provisions of Article 17 of the Rules of Corporate Accounting multiplied by 0.5, and any fractions of less than one (1) yen generated as a result of the calculation shall be rounded up. The amount of the increase in legal capital surplus shall be the maximum amount of increase in stated capital minus the amount of the increase in capital stock. (Note 5)</p>
Exercise conditions of the share acquisition	Partial exercise of any Share Acquisition Right shall not be permitted.

rights*	
Matters related to the transfer of the share acquisition rights*	— (Note 6)
Matters related to the delivery of share acquisition rights in line with organizational restructuring*	—
Types and Amount of property to be the subject of contribution when exercising the share acquisition rights*	—

\* At a meeting of the Board of Directors held on May 22, 2019, the Company resolved to acquire all share acquisition rights remaining on June 6, 2019 and cancel such share acquisition rights immediately after the acquisition.

(Note 1) The number of shares to be delivered shall be 100 shares.

(Note 2) In the event that the exercise price is adjusted, the number of shares to be delivered shall be adjusted using the following formula. Furthermore, any fractions of less than one (1) share generated as a result of the adjustment shall be rounded down.

$$\text{Adjusted number of shares to be delivered} = \frac{\text{Unadjusted number of shares to be delivered} \times \text{Unadjusted exercise price}}{\text{Adjusted exercise price}}$$

In addition, effective January 1, 2018, the Company conducted a two-for-one stock split of its common stock. As a result, the number of shares underlying the share acquisition rights is 2,000,000 shares.

(Note 3) Revisions and Adjustments to the Exercise Price

1. Revisions to the Exercise Price

The exercise price shall be revised to an amount equivalent to 92% of the closing price of the Company's common shares in ordinary transactions on the Tokyo Stock Exchange, Inc. (the "TSE") on the trading day immediately prior to the date notification is given of each request to exercise the Share Acquisition Rights (the "Revision Date"), on or after the start date of the exercise period (if there is no closing price on this day, the immediately preceding closing price; hereinafter referred to as the "TSE closing price"), with any fractions of less than one (1) yen rounded up (hereinafter the exercise price after revision is referred to as the "revised exercise price"). However, if the revised exercise price is below 3,052 yen as a result of this calculation (however, this shall be adjusted as described in 2. Adjustments to the Exercise Price; hereinafter referred to as the "minimum exercise price"), the minimum exercise price shall be considered to be the revised exercise price.

2. Adjustments to the Exercise Price

(1) In the event that, after the issuance of the Share Acquisition Rights, the number of the Company's common shares changes, or may change, owing to any of the reasons given in the below item (2), the exercise price will be adjusted using the formula set forth below (the "exercise price adjustment formula").

$$\text{Adjusted issue price} = \text{Unadjusted issue price} \times \frac{\text{Number of common shares outstanding} + \frac{\text{Number of common shares to be delivered} \times \text{Amount to be paid per share}}{\text{Market value}}}{\text{Number of common shares outstanding} + \text{Number of common shares to be delivered}}$$

(2) Cases when the exercise price of the Share Acquisition Rights shall be adjusted using the exercise price adjustment formula, and the timing of the application of the adjusted exercise price shall be as set forth below.

- 1) Cases when common shares of the Company will be delivered with a payment amount that is below the market value (however, this excludes cases when shares are delivered in exchange for the acquisition of shares with acquisition clauses issued by the Company, shares with put options, or share acquisition rights with acquisition clauses (including those attached to bonds with share acquisition rights), or cases when share acquisition rights that permit holders to request delivery of the Company's common shares (including those attached to bonds with share acquisition rights), or other securities or rights are converted, exchanged, or exercised)

If there is a record date for granting the right to receive the allotment to holders of the Company's common shares ("holders of the Company's common shares") on or after the day after the payment date (if a payment period is established for the offering, this shall be the final day of the payment period; hereinafter the same applies), the adjusted exercise price shall be applied from the day after this record date.

- 2) Cases when a stock split of the Company's common shares or gratis allotment of the Company's common shares is conducted

The adjusted exercise price shall be applied from the day after the record date for the stock split of the Company's common shares, or from the day after the effective date for the gratis allotment of the Company's common shares. However, in cases when there is a gratis allotment of the Company's common shares, if there is a record date for granting the right to receive the allotment to holders of the Company's common shares, it shall be applied from the day after this record date.

- 3) Cases when shares with put options are issued with provisions whereby the Company's common shares will be delivered in exchange for their acquisition for consideration below the market value (including cases when this is due to a gratis allotment), and cases when share acquisition rights (including those attached to bonds with share acquisition rights), or other securities or rights are issued that permit holders to request delivery of the Company's common shares for consideration below the market value (including cases when this is due to a gratis allotment) (however, this excludes the issuance of share acquisition rights other than the above)

The adjusted exercise price shall be calculated by applying the exercise price adjustment formula, with the number of the Company's common shares that will be delivered if all of the issued shares with put options, share acquisition rights (including those attached to bonds with share acquisition rights), or other securities or rights ("shares with put options, etc.") are converted, exchanged, or exercised at the initial terms used as the "number of common shares to be delivered" in the exercise price adjustment formula, and applied from the day after the payment date (the allotment date for share acquisition rights (including those attached to bonds with share acquisition rights)) or effective date of the gratis allotment. However, if there is a record date for granting the right to receive the allotment to holders of the Company's common shares, it shall be applied from the day after this record date.

The above notwithstanding, if the consideration for the Company's common shares to be delivered upon conversion, exchange, or exercise is not fixed when the shares with put options, etc. are issued, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula, with the number of the Company's common shares that will be delivered if all of the shares with put options, etc. issued when the consideration is fixed are converted, exchanged, or exercised at the terms when the consideration is fixed used as the "number of common shares to be delivered" in the exercise price adjustment formula, and applied from the day after the day the consideration is fixed.

- 4) In cases when the Company's common shares will be delivered in exchange for the acquisition of shares with acquisition clauses or share acquisition rights with acquisition clauses (including those attached to bonds with share acquisition rights) issued by the Company for consideration that is below the market value, the adjusted exercise price shall be applied from the day after the acquisition date.

The above notwithstanding, if the exercise price is adjusted as described in (Note 3) 2.

- (2) 3) or 5) before adjustment related to shares with acquisition clauses or share acquisition rights with acquisition clauses (including those attached to bonds with share acquisition rights), as described above, then in cases: (i) when the fully diluted number of common shares after the above delivery has been conducted exceeds the number of

common shares outstanding immediately prior to the above delivery, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula, with the number of shares by which the fully diluted number of common shares exceeds the number of common shares outstanding used as the “number of common shares to be delivered” in the exercise price adjustment formula; and (ii) when the fully diluted number of common shares after the above delivery has been conducted does not exceed the number of common shares outstanding immediately prior to the above delivery, the adjustment described in this item 4) shall not be conducted.

- 5) Cases when a downward revision, etc. is made to the consideration per common share of the Company (“acquisition price, etc.” in this item 5)) (excluding cases when an adjustment is made based on a clause preventing dilution, in a similar manner to the descriptions in (Note 3) 2. or (Note 3) 2. (4)), in accordance with the issuance terms of the shares with put options, etc., and the acquisition price, etc. after the downward revision, etc. is made is an amount below the market value on the day the revision is made (the “acquisition price, etc. revision date”) (however, this excludes cases when the exercise price of the Share Acquisition Rights other than these is revised)
- (i) If adjustment to the exercise price as described in (Note 3) 2. (2) 3) for the shares with put options, etc. is not conducted before the acquisition price, etc. revision date, the adjusted exercise price shall be calculated by applying the provisions of (Note 3) 2. (2) 3), with the number of the Company’s common shares that will be delivered if all of the shares with put options, etc. remaining on the acquisition price, etc. revision date are converted, exchanged, or exercised at the terms on the acquisition price, etc. revision date used as the “number of common shares to be delivered” in the exercise price adjustment formula, and applied from the day after the acquisition price, etc. revision date.
- (ii) If adjustment to the exercise price as described in (Note 3) 2. (2) 3) or the above item (i) for the shares with put options, etc. is conducted before the acquisition price, etc. revision date, and the fully diluted number of common shares when it is deemed that all shares with put options, etc. remaining on the acquisition price, etc. revision date are converted, exchanged, or exercised at the terms on the acquisition price, etc. revision date and the Company’s common shares are delivered exceeds the number of common shares outstanding when the revision is not made, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula, with the number of shares by which the fully diluted number of common shares exceeds the number of common shares outstanding used as the “number of common shares to be delivered” in the exercise price adjustment formula, and applied from the day after the acquisition price, etc. revision date. Furthermore, if multiple revisions are made to the acquisition price, etc. over a one (1) month period, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula for the lowest of the revised acquisition prices, etc., and applied from the day after the final day of that month.
- 6) In each type of transaction from (Note 3) 2. (2) 1) through 3), when a record date is established for granting the right to receive the allotment to holders of the Company’s common shares, and the effectiveness of each transaction requires the approval of the General Meeting of Shareholders, Board of Directors, or other body of the Company on or after the record date, the adjusted exercise price shall be applied from the day after this approval is granted, the provisions of (Note 3) 2. (2) 1) through 3) notwithstanding.

In this case, the Company’s common shares shall be delivered to holders of share acquisition rights who have exercised the Share Acquisition Rights during the period from the day after the record date to the day approval for the transaction is granted using the following calculation method. However, shares shall be delivered when book-entry shares are newly recorded or treasury shares are transferred from the Company’s name, on a day three (3) banking business days after the day the request to exercise the Share Acquisition Rights becomes effective.

$$\text{Number of shares} = \frac{\left( \frac{\text{Unadjusted exercise price} - \text{Adjusted exercise price}}{\text{Adjusted exercise price}} \right) \times \text{Number of shares to be delivered within the period at the unadjusted exercise price}}{\text{Adjusted exercise price}}$$

Any fractions of less than one (1) share generated in this case shall be rounded down,

and there shall be no adjustment with cash.

- 7) In cases when a security or right similar to the securities and rights defined in (Note 3) 2. (2) 1) through 5) is delivered, the adjusted exercise price shall be calculated by applying the provisions related to the security or right that is similar to the security or right, from the provisions of (Note 3) 2. (2) 1) through 6).
- (3) Even in cases other than those when an adjustment to the exercise price as defined in (Note 3) 2. (2) is necessary, the Company shall make the necessary adjustment to the exercise price in the following cases.
  - 1) When an adjustment to the exercise price is necessary owing to a share consolidation, reduction in capital stock, merger with the Company as the surviving company, succession of all or part of the rights and obligations of another company owing to an absorption-type company split by the other company, or the acquisition of all of the issued shares of another stock company owing to a share exchange conducted by the other stock company
  - 2) When an adjustment to the exercise price is necessary owing to a gratis allotment of another type of share to holders of the Company's common shares
  - 3) When an adjustment to the exercise price is necessary owing to circumstances where there is a change or possibility of a change to the number of common shares of the Company (however, this excludes cases when the exercise price of Share Acquisition Rights other than these is adjusted)
  - 4) When two (2) or more circumstances that require an adjustment to the exercise price arise together, and it is necessary to consider the effect of the other circumstances on the market value to be used in calculating the adjusted exercise price based on one of the circumstances
- (4) Other provisions of this paragraph notwithstanding, in cases when the day the adjusted exercise price based on this paragraph will be first applied matches the Revision Date of the exercise price based on (Note 3) 1., the Company shall make the necessary adjustment to the exercise price. However, in this case, the minimum exercise price shall be adjusted in this way.

(Note 4) Even during the exercise period of the Share Acquisition Rights, the Company may designate their suspension.

The Company may designate any period when the allottee may not exercise all or part of the Share Acquisition Rights (the "Period Designated for Suspension") ("Suspension Order").

The Share Acquisition Rights shall be issued with a Suspension Order in place (the "Initial Suspension Order") that designates the entire exercisable period as the Period Designated for Suspension.

In the event that either: 1) on or after the payment date, in relation to the summary report of financial results or the timely disclosure of a revision of business performance forecasts, the Company discloses via TDnet (i) business results whereby the Company's consolidated net sales in a single fiscal year were 55.0 billion yen or more, or (ii) business performance forecasts whereby the Company's consolidated net sales will be 55.0 billion yen or more in a single fiscal year (hereinafter referred to collectively as the "Business Performance Forecasts, etc."); or 2) there is an urgent funding need owing to investment or lending or the occurrence of a merger or acquisition, etc., and the Board of Directors of the Company resolves to cancel the Initial Suspension Order (the "Cancellation Resolution") and discloses via TDnet that the Initial Suspension Order is no longer effective owing to the Cancellation Resolution, the Initial Suspension Order shall cease to be effective when the Business Performance Forecasts, etc. or Cancellation Resolution is disclosed.

After the Initial Suspension Order has ceased to be effective, the Company may issue a Suspension Order for the Share Acquisition Rights. However, the Company shall not be able to issue a Suspension Order that designates the period of 20 trading days starting from the trading day after the disclosure date of the Business Performance Forecasts, etc. or Cancellation Resolution (including that day) as the Period Designated for Suspension, and the final day of the Period Designated for Suspension shall be December 30, 2020.

(Note 5) All shares to be delivered to the holders of share acquisition rights when share acquisition rights are exercised shall be treasury shares, and no new shares shall be issued as a result of



the exercise of share acquisition rights. Furthermore, there shall be no incorporation into capital when treasury shares are allocated.

(Note 6) The share acquisition rights shall be corporate bond certificates, etc. with share options subject to exercise value change.

1. The characteristics of the corporate bond certificates, etc. with share options subject to exercise value change are as follows.

(1) Number of Shares to be Allotted in the Event of a Decline in Share Price

The number of shares underlying the Share Acquisition Rights is fixed at 2,000,000 shares (the number of shares underlying one (1) Share Acquisition Right shall be 200 shares (after the Company conducted two-for-one stock splits of its common share on January 1, 2018)), and this shall not change even if the exercise price is revised for the reason of either an increase or decline in the share price. However, the number of shares to be delivered may be adjusted.

(2) Amount of Funds to be Procured

The amount of funds to be procured from the Share Acquisition Rights shall increase or decrease if the exercise price is revised owing to an increase or decline in the share price.

(3) Standards for Revision of the Exercise Price, etc.

If, on or after January 5, 2018, an amount equivalent to 92% of the TSE closing price on the trading day immediately prior to the date notification is given of each request to exercise the Share Acquisition Rights, with any fractions of less than one (1) yen rounded up, either exceeds or is below the exercise price effective immediately prior to the date notification is given of the request to exercise by one (1) yen or more, the exercise price shall be revised to this amount from the day the notification is given of the request to exercise. However, the revised exercise price shall not be below the minimum exercise price.

(4) Frequency of Revisions

The exercise price shall be revised each time the conditions described in the above “Standards for Revision of the Exercise Price, etc.” are met upon exercise.

(5) Maximum Number of Shares to be Delivered

The number of shares underlying the Share Acquisition Rights is 2,000,000 shares, and the number of shares to be delivered per Share Acquisition Right is fixed at 200 shares (after the Company conducted two-for-one stock splits of its common share on January 1, 2018).

(6) Minimum Amount of Funds to be Procured if All Share Acquisition Rights are Exercised

Share Acquisition Rights	3,065,520,000 yen
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2. Matters related to the corporate bond certificates, etc. with share options subject to exercise value change are as follows.

(1) Details of the Agreement Concluded with the Allottee in Regard to Matters Related to the Exercise of Rights Presented in the Share Acquisition Rights

1) In accordance with the “Rules Concerning Handling of Allotment of New Shares to Third Party, etc.” set forth by the Japan Securities Dealers Association, in order to put measures in place to restrict conversion or exercise by a purchaser of moving strike convertible bonds (MSCBs), etc., pursuant to the provisions of Article 434, Paragraph 1 of the Securities Listing Regulations set forth by the TSE and Article 436, Paragraphs 1 through 5 of the Enforcement Rules for Securities Listing Regulations, if the number of shares to be acquired from the exercise of the Share Acquisition Rights during a calendar month that includes the day of such exercise exceeds 10% of the listed shares of the Company on the payment date of the Share Acquisition Rights, the allottee shall not be permitted to exercise the share acquisition rights corresponding to the portion above 10% (“Exercise in Excess of the Limit”), excluding prescribed cases to which this does not apply.

2) The allottee has agreed not to exercise the Share Acquisition Rights in a way that would be classed as Exercise in Excess of the Limit, excluding the aforementioned prescribed cases to which this does not apply, and when exercising the Share Acquisition Rights, shall confirm with the Company in advance that the exercise of Share Acquisition Rights will not be classed as Exercise in Excess of the Limit.

(2) Details of the Agreement Concluded with the Allottee in Regard to the Sale or Purchase

of the Company's Share Certificates

The allottee shall not borrow the Company's common shares with the objective of short selling in regard to the Share Acquisition Rights, other than sale, etc. within the range of the number of common shares of the Company that will be acquired from the exercise of rights pertaining to the Share Acquisition Rights.

- (3) Details of the Agreement Concluded with the Allottee and Parties with Special Interests with the Company, etc. in Regard to Matters Related to Lending or Borrowing of the Company's Share Certificates

In line with the issuance of the Share Acquisition Rights, Mr. Keisuke Suzuki, President and CEO of the Company, has lent shares of the Company held by him to the allottee.

- (4) Matters Required to Protect Other Investors

The allottee shall be required to obtain the approval of the Company, by resolution of the Board of Directors of the Company, if transferring the Share Acquisition Rights to a third party, pursuant to the provisions of the purchase agreement to be concluded with the Company. In this case, the allottee shall ensure in advance that the person who will be the transferee will commit to the content of (Note 6) 2. (1) 1) and 2), etc. with the Company, and if the person who will be the transferee will further transfer the Share Acquisition Rights to a third party, the third party shall also be made to commit to the same content, etc. with the Company. However, the allottee shall not be prevented from transferring shares delivered from the exercise of the Share Acquisition Rights to a third party.

## [4] Company Officers

### 1. Vice Presidents and Corporate Auditors

Position	Name	Areas of responsibility and significant concurrent positions
President and CEO	Keisuke Suzuki	Supervisor, Corporate Administration Department, R&D and Manufacturing Department, Arrhythmia Business Unit, Arrhythmia Sales & Marketing Department, Cardiovascular Business Unit, Logistics and Administration Department, Regulatory Affairs General Management Department, Marketing and Communication Division
Senior Executive Vice President and COO	Atsuhiko Suzuki	
Executive Vice President	Shogo Takahashi	General Manager, Corporate Administration Department
Vice President	Takayuki Kuronuma	General Manager, Logistics and Administration Department
Vice President	Kazuhiko Nogami	General Manager, Arrhythmia Business Unit
Vice President	Kenji Yamada	General Manager, R&D and Manufacturing Department; President, Synexmed (Hong Kong) Limited; President, Synexmed (Shenzhen) Co., Ltd.; President, JLL Malaysia Sdn. Bhd.
Vice President	Osamu Watanabe	General Manager, Arrhythmia Sales & Marketing Department
Vice President	Toru Takamiya	General Manager, Cardiovascular Business Unit
Vice President	Tadashi Idei	General Manager, Regulatory Affairs General Management Department
Vice President	Yumiko Hoshiba	General Manager, Human Resources & General Affairs Department
Vice President	Fumihiro Sasaki	Executive Managing Officer, XYMAX Corporation; President and Representative Director, XYMAX WITH Corporation; President and Representative Director, XYMAX SQUARE Corporation; President and Representative Director, XYMAX VILLAGE Corporation
Vice President	Yoshiaki Ikei	Representative Director, MA Partners, Inc.
Full-time Corporate Auditor	Yasunori Kamiya	
Corporate Auditor	Masahiko Nakamura	Partner, TMI Associates
Corporate Auditor	Daizo Asari	Representative Partner, Tax Accountant Corporation Seiwa

- (Notes)
1. Vice Presidents Fumihiro Sasaki and Yoshiaki Ikei are Outside Directors as provided for in Article 2, Item 15 of the Companies Act, and the Company has registered them as Independent Directors with the Tokyo Stock Exchange.
  2. Corporate Auditors Masahiko Nakamura and Daizo Asari are Outside Company Auditors as provided for in Article 2, Item 16 of the Companies Act, and the Company has registered them as Independent Auditors with the Tokyo Stock Exchange.
  3. Corporate Auditor Daizo Asari is qualified as a Certified Public Tax Accountant, and possesses a considerable level of knowledge in regard to finance and accounting.
  4. At the 38th Ordinary General Meeting of Shareholders held on June 27, 2018, Ms. Yumiko Hoshiba was newly elected and appointed as Vice President.

## 2. Total Amount of Compensation to Vice Presidents and Corporate Auditors

Classification	Number of people	Total amount of compensation (million yen)
Vice Presidents	12	450
Corporate Auditors	3	17
Total (inc. Outside Officers)	15 (4)	467 (15)

(Note) 1. The total amount of compensation includes 20 million yen in provision for directors' bonuses and 17 million yen in provision for directors' share-based compensation reported in the fiscal year under review.

## 3. Outside Officers

- 1) Status of Important Positions Held Concurrently at Other Corporations, etc. and Relationships Between the Company and these Other Corporations, etc.
  - Outside Vice President Fumihiro Sasaki is an Executive Managing Officer of XYMAX Corporation, President and Representative Director of XYMAX WITH Corporation, XYMAX SQUARE Corporation, and XYMAX VILLAGE Corporation. There are no special relationships between the Company and the companies where he concurrently holds positions.
  - Outside Vice President Yoshiaki Ikei is a Representative Director of MA Partners, Inc. There is no special relationship between the Company and MA Partners.
  - Outside Auditor Masahiko Nakamura is a Partner at TMI Associates. There is no special relationship between the Company and TMI Associates.
  - Outside Auditor Daizo Asari is a Representative Partner at Tax Accountant Corporation Seiwa. There is no special relationship between the Company and Tax Accountant Corporation Seiwa.
- 2) Relationship with Specified Associated Service Provider  
There are no significant relationships with any specified associated service provider.

### 3) Main Activities in the Fiscal Year Under Review

Title	Name	Main activities
Vice President	Fumihiro Sasaki	Participated in 11 of 12 meetings of the Board of Directors during the fiscal year under review; appropriately made statements, mainly from the perspective of a manager. He also serves as a chairman of the Nomination and Remuneration Advisory Committee.
Vice President	Yoshiaki Ikei	Participated in all 12 meetings of the Board of Directors during the fiscal year under review; appropriately made statements, mainly from the perspective of a manager. He also serves as a member of the Nomination and Remuneration Advisory Committee.
Corporate Auditor	Masahiko Nakamura	Participated in 11 of 12 meetings of the Board of Directors during the fiscal year under review, and also participated in all 13 meetings of the Board of Corporate Auditors during the fiscal year under review; appropriately made statements, mainly from his specialist position as an attorney.
Corporate Auditor	Daizo Asari	Participated in all 12 meetings of the Board of Directors during the fiscal year under review, and also participated in all 13 meetings of the Board of Corporate Auditors during the fiscal year under review; appropriately made statements, mainly from his specialist position as a Certified Public Tax Accountant.

### 4) Summary of the Agreement on Limitation of Liability

The Company has entered into agreements with all Outside Vice Presidents and Outside Auditors to limit their liability, as stipulated in Article 423, Paragraph 1 of the Companies Act, to the amount specified by laws and regulations.

## **[5] Accounting Auditor**

### **1. Accounting Auditor's Name**

Ernst & Young ShinNihon LLC

### **2. Accounting Auditor's Compensation, etc.**

1) Compensation, etc. payable by the Company	47 million yen
2) Cash and other profits payable by the Company or its subsidiaries	47 million yen

- (Notes)
1. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not separated, and otherwise cannot be separated. Consequently, the above amount in item 1) shows the total of these two types of compensation.
  2. The Board of Corporate Auditors agreed on the Accounting Auditor's compensation, etc. after confirming and considering the contents of the audit plan, including the number of audit days and number of people assigned, for the fiscal year under review as explained by the Accounting Auditor, examination and evaluation of audit performance in the previous fiscal year, and the basis of calculating the compensation estimate, etc.

### **3. Description of Non-Audit Services**

There are no relevant matters to report.

### **4. Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditor**

In the event that the Accounting Auditor is deemed to have met any of the grounds set forth in the clauses of Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors shall terminate the appointment of the Accounting Auditor subject to the unanimous consent of the Board of Corporate Auditors.

In addition, should the Accounting Auditor be deemed unable to execute its duties properly, or should it be deemed necessary, the Board of Corporate Auditors shall determine the details of the proposal to terminate or not reappoint the Accounting Auditor for submission to the General Meeting of Shareholders.

## **[6] System to Ensure Proper Business Execution**

At a meeting of the Board of Directors held on May 22, 2006, the Company made a resolution regarding a "Basic Policy on Creation of Internal Control Systems," and made partial revisions to this policy on April 28, 2011 and May 20, 2015. The details of this policy are as follows.

### **1. System to Ensure that Vice Presidents and Employees Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation**

- 1) Vice Presidents 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."
- 2) 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."
- 3) The Company shall distribute handbooks related to compliance to all Vice Presidents and employees, in addition to conducting training, to ensure thorough awareness of compliance.
- 4) A helpline shall be established at an external institution to provide a contact point where compliance issues can be easily reported and discussed.
- 5) 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.
- 6) 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."

[Summary of Operational Status]

- Meetings of the Compliance Committee were held regularly, and matters regarding compliance were reported and discussed.
- Training was held for newly elected officers.
- Training was held for new employees, in addition to e-learning training for all employees.
- New employees were informed of the helpline, the contact point for internal reporting, and instructions on its use were distributed in the form of cards.
- No cases of a fear of a relationship with antisocial forces occurred.
- The Internal Audit Office conducted audits in accordance with audit plans.
- Nomination and Remuneration Advisory Committee was established on March 29, 2019 and the 1st meeting of the Nomination and Remuneration Advisory Committee was held on the same day.

**2. System for Storage and Management of Information Related to the Execution of Duties of the Vice Presidents**

- 1) 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 Vice Presidents are approvers, and other important documents pertaining to the execution of duties by Vice Presidents (including electronic records), in accordance with the Document Management Regulations.
- 2) Vice Presidents and Corporate Auditors may view the above documents at any time.

[Summary of Operational Status]

- Minutes of the General Meeting of Shareholders and the Board of Directors were created and stored.
- All approval documents and applications where Vice Presidents were approvers were stored.

**3. Regulations or Any Other Systems for Management of Risk of Loss**

- 1) 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.
- 2) 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 General Manager, and the loss shall be minimized through a prompt response.

[Summary of Operational Status]

- The Chief Risk Management Officer conducted interviews regarding risk management issues with responsible departments.
- Meetings of the Risk Management Committee were held in accordance with the Risk Management Regulations.
- No incidences involving discovery of significant risks occurred.

**4. System to Ensure that the Execution of Duties of Vice Presidents is Efficient**

- 1) The Board of Directors shall establish Regulations on the Assignment of Business Operations and Regulations on Administrative Authority in order to ensure that Vice Presidents' duties are executed in an appropriate and efficient manner.
- 2) The Board of Directors formulates annual budgets, in addition to receiving reports on the status of progress thereof from each responsible Vice President, considering any issues, and implementing countermeasures as necessary.

[Summary of Operational Status]

- The Company revised the Regulations on the Assignment of Business Operations and the Regulations on Administrative Authority in line with organizational changes, etc., to ensure that Vice Presidents' duties are executed in an appropriate and efficient manner.
- In addition to formulating an annual budget, the Board of Directors also received regular reports on the status of progress from each Vice President, and discussed issues.

**5. System to Ensure Proper Business Execution Within the Corporate Group Comprising the Company and Subsidiaries**

- 1) Systems related to reports to the Company on matters pertaining to the execution of duties by Vice Presidents, 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 Vice Presidents, etc., in addition to financial reports, minutes of meetings, and other documents.
- b. The Company’s Vice Presidents and employees also serve concurrently as Vice Presidents 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 Vice Presidents, etc.
- 2) 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.
- 3) System to ensure efficiency of execution of duties by Vice Presidents, 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.
- 4) System to ensure that Vice Presidents, 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 Office 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.

[Summary of Operational Status]

- The Company received reports and documents from subsidiaries, in accordance with the Affiliate Management Regulations.
- Vice Presidents and employees of the Company who also serve concurrently as Vice Presidents and Corporate Auditors of subsidiaries attended important management meetings at those subsidiaries.
- The Internal Audit Office conducted audits of subsidiaries in accordance with audit plans.

**6. Matters Related to Employees to Assist Duties of Corporate Auditors in the Event that Corporate Auditors have Requested such Employees**

In the event that Corporate Auditors request the assignment of employees to assist them with their duties, the Company shall assign appropriately qualified persons, after consultation with Corporate Auditors.

[Summary of Operational Status]

- There are no relevant matters to report.

**7. Matters Related to the Independence from Vice Presidents of Employees Described in the Preceding Item**

- 1) Employees ordered by Corporate Auditors to assist them in their audit operations shall not be instructed by Vice Presidents regarding these operations.
- 2) Advance consultations with Corporate Auditors shall be held with regard to matters pertaining to personnel decisions concerning employees ordered by Corporate Auditors to assist them in their audit operations.

[Summary of Operational Status]

- There are no relevant matters to report.

**8. Matters Related to Ensuring the Effectiveness of Instructions to Employees to Assist the Duties of Corporate Auditors**

- 1) Employees ordered by Corporate Auditors to assist them in their audit operations shall execute operations based on the instructions from Corporate Auditors.
- 2) Vice Presidents shall endeavor to create an environment for audits to ensure that the operations of employees ordered by Corporate Auditors to assist them in their audit operations are conducted in a

smooth manner.

[Summary of Operational Status]

- There are no relevant matters to report.

**9. Systems for Vice Presidents and Employees of the Company and Subsidiaries to Make Reports to Corporate Auditors and Other Systems Related to Reports to Corporate Auditors**

- 1) Vice Presidents and employees of the Company and subsidiaries shall provide accurate and prompt reports to Corporate Auditors on the following matters.
  - Matters that may cause significant corporate damage
  - Actions that violate laws and regulations or the Articles of Incorporation, or actions whereby there is a risk thereof
  - The status of the development and implementation of internal controls based on the Companies Act and the Financial Instruments and Exchange Act
  - Results of internal audits conducted by the Internal Audit Office
  - Any other matters about which Corporate Auditors request reports
- 2) Vice Presidents and employees of the Company and subsidiaries shall promptly provide reports on matters about which Corporate Auditors request reports.

[Summary of Operational Status]

- Vice Presidents and employees of the Company and subsidiaries made reports as requested by Corporate Auditors.

**10. Systems to Ensure that Persons Making a Report to Corporate Auditors are not Treated Unfavorably on the Basis of Such Reporting**

The Company shall not treat Vice Presidents, Corporate Auditors, or employee of the Company or any subsidiaries who make a report to Corporate Auditors unfavorably on the basis of such reporting.

[Summary of Operational Status]

- There were no incidences of Vice Presidents or employees of the Company or any subsidiaries who made reports to Corporate Auditors being treated unfavorably.

**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 Corporate Auditors and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members**

If any Corporate Auditor requests the advance payment of expenses arising in regard to the execution of their duties or reimbursement, etc. of expenses paid, 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 Corporate Auditor's duties.

[Summary of Operational Status]

- The Company appropriately bore all expenses necessary for the execution of duties by Corporate Auditors.

**12. Other Systems to Ensure Effectiveness of Audits by Corporate Auditors**

- 1) Corporate Auditors may participate in internal meetings as necessary.
- 2) The Board of Corporate Auditors shall hold regular meetings to exchange views with the President.
- 3) The Internal Audit Office shall engage in advance consultations with the Board of Corporate Auditors when formulating audit plans.

[Summary of Operational Status]

- Corporate Auditors participated in internal meetings as necessary.
- The Board of Corporate Auditors engaged in regular meetings to exchange views with the President, and also engaged in consultations with the Internal Audit Office.

**13. System to Ensure Reliability of Financial Reporting**

- 1) 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.

- 2) 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.

[Summary of Operational Status]

- The Internal Audit Office, which is the responsible department, developed internal control systems to ensure the reliability of financial reporting and evaluated the status of their implementation.
- No deficiencies were discovered in regard to internal control systems or their implementation.

(Note) Amounts and numbers of shares in this Business Report are rounded down to the nearest unit.  
In addition, ratios are rounded off to the nearest unit.

# Consolidated Financial Statements

(April 1, 2018 – March 31, 2019)

## Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Description	Fiscal year under review	(Reference) Previous fiscal year	Description	Fiscal year under review	(Reference) Previous fiscal year
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current assets</b>	<b>41,665</b>	<b>40,259</b>	<b>Current liabilities</b>	<b>14,580</b>	<b>15,452</b>
Cash and deposits	8,018	6,732	Notes and accounts payable - trade	3,087	2,278
Notes and accounts receivable - trade	12,178	12,331	Short-term loans payable	5,600	6,600
Securities	—	5,999	Current portion of long-term loans payable	577	1,043
Inventories	17,071	13,579	Accounts payable - other	1,202	1,269
Other current assets	4,397	1,614	Income taxes payable	2,027	1,801
<b>Non-current assets</b>	<b>26,117</b>	<b>20,721</b>	Provision for directors' bonuses	20	39
<b>Property, plant and equipment</b>	<b>9,920</b>	<b>9,914</b>	Other current liabilities	2,065	2,419
Buildings and structures	4,784	4,865	<b>Long-term liabilities</b>	<b>6,709</b>	<b>4,438</b>
Machinery, equipment and vehicles	694	530	Long-term loans payable	3,189	1,117
Land	3,214	3,201	Lease obligations	466	491
Leased assets	577	612	Long-term accounts payable - other	190	190
Construction in progress	23	111	Provision for directors' share-based compensation	61	43
Other property, plant and equipment	625	591	Net defined benefit liability	2,543	2,351
<b>Intangible assets</b>	<b>558</b>	<b>576</b>	Other long-term liabilities	257	244
Other intangible assets	558	576	<b>Total liabilities</b>	<b>21,289</b>	<b>19,890</b>
<b>Investments and other assets</b>	<b>15,638</b>	<b>10,230</b>	<b>(Net assets)</b>		
Investment securities	3,287	4,227	<b>Shareholders' equity</b>	<b>46,496</b>	<b>41,088</b>
Long-term loans receivable	7,052	3,522	<b>Capital stock</b>	<b>2,115</b>	<b>2,115</b>
Long-term prepaid expenses	3,295	645	<b>Capital surplus</b>	<b>15,572</b>	<b>15,572</b>
Deferred tax assets	1,484	1,371	<b>Retained earnings</b>	<b>30,499</b>	<b>25,091</b>
Other investments and other assets	525	472	<b>Treasury shares</b>	<b>(1,691)</b>	<b>(1,691)</b>
Allowance for doubtful accounts	(7)	(7)	<b>Accumulated other comprehensive income</b>	<b>(16)</b>	<b>(11)</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>(76)</b>	<b>(19)</b>
			<b>Foreign currency translation adjustment</b>	<b>155</b>	<b>141</b>
			<b>Remeasurements of defined benefit plans</b>	<b>(95)</b>	<b>(132)</b>
			<b>Share acquisition rights</b>	<b>13</b>	<b>13</b>
			<b>Share acquisition rights</b>	<b>13</b>	<b>13</b>
			<b>Total net assets</b>	<b>46,493</b>	<b>41,090</b>
<b>Total assets</b>	<b>67,783</b>	<b>60,980</b>	<b>Total liabilities and net assets</b>	<b>67,783</b>	<b>60,980</b>

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

## Consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

(Millions of yen)

Description	Fiscal year under review		(Reference) Previous fiscal year	
<b>Net sales</b>		<b>45,525</b>		<b>42,298</b>
<b>Cost of sales</b>		<b>17,703</b>		<b>15,722</b>
<b>Gross profit</b>		<b>27,822</b>		<b>26,576</b>
<b>SG&amp;A expenses</b>		<b>17,295</b>		<b>15,904</b>
<b>Operating income</b>		<b>10,526</b>		<b>10,671</b>
<b>Non-operating income</b>				
Interest paid	407		159	
Dividend income	99		1	
Foreign exchange gains	15		—	
Other non-operating income	48	571	98	259
<b>Non-operating expenses</b>				
Interest expenses	49		55	
Foreign exchange losses	—		102	
Loss on valuation of investment securities	163		—	
Commission for syndicated loans	69		14	
Other non-operating expenses	6	289	26	200
<b>Ordinary income</b>		<b>10,808</b>		<b>10,730</b>
<b>Extraordinary income</b>				
Gain on sales of non-current assets	1		1	
Gain on sales of investment securities	3	5	—	1
<b>Extraordinary losses</b>				
Loss on sales of non-current assets	—		0	
Loss on retirement of non-current assets	12		7	
Loss on sales of investment securities	—		3	
Factory transfer expenses	—	12	104	116
<b>Net income before tax</b>		<b>10,801</b>		<b>10,615</b>
Income taxes – current	3,182		3,059	
Income taxes – deferred	(104)	3,077	78	3,137
<b>Net income</b>		<b>7,723</b>		<b>7,478</b>
<b>Net income attributable to owners of the parent</b>		<b>7,723</b>		<b>7,478</b>

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

# Non-Consolidated Financial Statements

(April 1, 2018 – March 31, 2019)

## Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

Description	Fiscal year under review	(Reference) Previous fiscal year	Description	Fiscal year under review	(Reference) Previous fiscal year
<b>(Assets)</b>			<b>(Liabilities)</b>		
<b>Current assets</b>	<b>41,733</b>	<b>40,171</b>	<b>Current liabilities</b>	<b>14,612</b>	<b>15,547</b>
Cash and deposits	7,700	6,558	Accounts payable-trade	3,139	2,289
Notes receivable - trade	2,771	3,008	Short-term loans payable	5,600	6,600
Accounts receivable - trade	9,387	9,298	Current portion of long-term loans payable	577	1,043
Securities	—	5,999	Accounts payable - other	1,174	1,207
Merchandise	10,216	7,037	Accrued expenses	1,257	1,125
Finished goods	3,841	3,474	Income taxes payable	2,026	1,800
Work in process	1,738	1,550	Accrued consumption taxes	370	4
Raw materials	983	1,111	Provision for directors' bonuses	20	39
Supplies	181	308	Deposits received	133	125
Prepaid expenses	514	518	Other current liabilities	313	1,312
Short-term loans receivable	1,814	342	<b>Long-term liabilities</b>	<b>6,558</b>	<b>4,083</b>
Other current assets	2,581	961	Long-term loans payable	3,189	1,117
<b>Non-current assets</b>	<b>26,007</b>	<b>20,598</b>	Lease obligations	466	491
<b>Property, plant and equipment</b>	<b>9,605</b>	<b>9,635</b>	Long-term accounts payable - other	190	190
Buildings	4,460	4,679	Provision for retirement benefits	2,406	2,160
Structures	162	186	Provision for directors' share-based compensation	61	43
Machinery and equipment	552	352	Other long-term liabilities	243	80
Tools, furniture and fixtures	562	530	<b>Total liabilities</b>	<b>21,171</b>	<b>19,630</b>
Land	3,214	3,201	<b>(Net assets)</b>		
Leased assets	577	612	<b>Shareholders' equity</b>	<b>46,633</b>	<b>41,145</b>
Construction in progress	23	11	<b>Capital stock</b>	<b>2,115</b>	<b>2,115</b>
Other property, plant and equipment	51	59	<b>Capital surplus</b>	<b>15,573</b>	<b>15,573</b>
<b>Intangible assets</b>	<b>558</b>	<b>576</b>	Legal capital surplus	2,133	2,133
Telephone subscription right	21	21	Other capital surplus	13,439	13,439
Software	485	487	Gain on disposal of treasury shares	13,439	13,439
Software in progress	5	60	<b>Retained earnings</b>	<b>30,635</b>	<b>25,147</b>
Other intangible assets	46	7	Legal retained earnings	528	528
<b>Investments and other assets</b>	<b>15,843</b>	<b>10,386</b>	Other retained earnings	30,106	24,618
Investment securities	3,012	4,161	Reserve for advanced depreciation of non-current assets	44	44
Shares of subsidiaries and associates	274	65	General reserve	6,000	6,000
Long-term loans receivable	7,712	4,238	Retained earnings brought forward	24,062	18,574
Long-term prepaid expenses	3,295	631	<b>Treasury shares</b>	<b>(1,691)</b>	<b>(1,691)</b>
Deferred tax assets	1,442	1,300	<b>Valuation and translation adjustments</b>	<b>(76)</b>	<b>(19)</b>
Lease and guarantee deposits	514	460	Valuation difference on available-for-sale securities	(76)	(19)
Other investments and other assets	8	8	<b>Share acquisition rights</b>	<b>13</b>	<b>13</b>
Allowance for doubtful accounts	(417)	(480)	Share acquisition rights	13	13
<b>Total assets</b>	<b>67,740</b>	<b>60,769</b>	<b>Total net assets</b>	<b>46,569</b>	<b>41,139</b>
			<b>Total liabilities and net assets</b>	<b>67,740</b>	<b>60,769</b>

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

# Non-Consolidated Statement of Income

(April 1, 2018 - March 31, 2019)

(In millions of yen)

Description	Fiscal year under review		(Reference) Previous fiscal year	
<b>Net sales</b>		<b>45,482</b>		<b>42,236</b>
<b>Cost of sales</b>		<b>17,885</b>		<b>16,995</b>
<b>Gross profit</b>		<b>27,597</b>		<b>25,240</b>
<b>SG&amp;A expenses</b>		<b>17,169</b>		<b>15,729</b>
<b>Operating income</b>		<b>10,428</b>		<b>9,511</b>
<b>Non-operating income</b>				
Interest paid	424		166	
Dividend income	99		1	
Reversal of allowance for doubtful accounts	62		—	
Foreign exchange gains	105		—	
Other non-operating income	53	744	93	260
<b>Non-operating expenses</b>				
Interest expenses	57		57	
Foreign exchange losses	—		148	
Loss on valuation of investment securities	163		—	
Commission for syndicated loans	69		14	
Other non-operating expenses	6	296	22	244
<b>Ordinary income</b>		<b>10,876</b>		<b>9,528</b>
<b>Extraordinary income</b>				
Gain on sales of non-current assets	1		1	
Gain on sales of investment securities	3		—	
Gain on extinguishment of tie-in shares	—	5	1,220	1,221
<b>Extraordinary losses</b>				
Loss on sales of non-current assets	—		0	
Loss on retirement of non-current assets	12		6	
Loss on sales of investment securities	—		3	
Provision of allowance for doubtful accounts	—	12	124	135
<b>Net income before income taxes</b>		<b>10,868</b>		<b>10,614</b>
Income taxes – current	3,182		3,056	
Income taxes – deferred	(116)	3,065	(94)	2,962
<b>Net income</b>		<b>7,803</b>		<b>7,652</b>

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

**Independent Auditor's Report**  
(English Translation)

May 21, 2019

To the Board of Directors  
Japan Lifeline Co., Ltd.

Ernst & Young ShinNihon LLC

Akinori Sato, CPA  
Engagement Partner  
Kiyohiko Amano, CPA  
Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Japan Lifeline Co., Ltd. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2018 to March 31, 2019.

**Management's Responsibility for Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, from an independent viewpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Although the purpose of the audit is not expressly to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the methods of their application and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Auditors' Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Lifeline Co., Ltd. and its consolidated subsidiaries as of March 31, 2019 and the consolidated result of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

#### Relationship of Interest

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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#### *Notice to Readers:*

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, are written in Japanese.

## **Independent Auditor's Report**

(English Translation)

May 21, 2019

To the Board of Directors  
Japan Lifeline Co., Ltd.

Ernst & Young ShinNihon LLC

Akinori Sato, CPA  
Engagement Partner  
Kiyohiko Amano, CPA  
Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2-1 of the Companies Act, the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the supplementary schedules thereof of Japan Lifeline Co., Ltd. (hereinafter referred to as the "Company") for the 39th fiscal year from April 1, 2018 to March 31, 2019.

### **Management's Responsibility for Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of non-consolidated financial statements and the accompanying supplemental schedules in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of non-consolidated financial statements and accompanying supplemental schedules that are free from material misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the methods of their application and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Auditors' Opinion

In our opinion, the financial statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2019 and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

## Relationship of Interest

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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## *Notice to Readers:*

The original non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the supplementary schedules thereof, are written in Japanese.

## **Audit Report**

(English Translation)

The Board of Corporate Auditors deliberated and prepared this Audit Report regarding the execution of duties by the Vice Presidents for the 39th fiscal year from April 1, 2018 to March 31, 2019, based on the Audit Reports prepared by each Corporate Auditor, and hereby submits it as follows.

### 1. Summary of Auditing Methods by Corporate Auditors and the Board of Corporate Auditors

(1) The Board of Corporate Auditors established auditing policies, an allocation of duties, and other relevant matters, and received reports from each Corporate Auditor regarding the status of the implementation of audits and the results thereof, in addition to receiving reports on the status of the execution of duties from Vice Presidents, etc. and the Accounting Auditor, and requesting explanations as necessary.

(2) In conformity with the auditing standards for Corporate Auditors established by the Board of Corporate Auditors, following audit policies, the allocation of duties, and other relevant matters, each Corporate Auditor communicated with Vice Presidents, the Internal Audit Office, other employees, etc., gathered information, and endeavored to create an environment for audits, in addition to conducting audits through the methods described below.

1) Corporate Auditors attended meetings of the Board of Directors and other important meetings, received reports from Vice Presidents, employees, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and financial positions at the headquarters and principal business offices. With respect to subsidiaries, we communicated with, and collected information from, Vice Presidents, Corporate Auditors and other relevant personnel of subsidiaries as well as receiving reports from subsidiaries on their business as necessary.

2) With regard to the content of resolutions of the Board of Directors regarding the creation of systems to ensure that the execution of duties by Vice Presidents complies with laws and regulations and the Articles of Incorporation set forth in the Business Report, and other systems defined in Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act as necessary to ensure the propriety of business activities of the corporate group comprising the stock company and its subsidiaries, and the systems created under the resolutions (internal control systems), Corporate Auditors received regular reports on their creation and the status of their operation from Vice Presidents, employees, and other relevant personnel, sought explanations as necessary, and expressed views.

3) Corporate Auditors monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "system to ensure that duties are performed properly" (matters set forth in each item of Article 131 of the Rules of Corporate Accounting) had been prepared in accordance with the "Quality Control Standards for audit" (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, Corporate Auditors examined the Business Report and the supplementary schedules thereof, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and non-consolidated notes) and the supplementary schedules thereof, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and consolidated notes) related to the relevant fiscal year.

### 2. Results of Audit

#### (1) Results of Audit of Business Report and Other Relevant Documents

1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations, and Articles of Incorporation, and fairly represent the Company's condition.

2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Vice Presidents.

3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Vice Presidents

related to such internal controls system.

- (2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules  
In our opinion, the methods and results employed and rendered by Ernst & Young ShinNihon LLC are fair and reasonable.

- (3) Results of Audit of Consolidated Financial Statements  
In our opinion, the methods and results employed and rendered by Ernst & Young ShinNihon LLC are fair and reasonable.

3. Significant subsequent events

At the meeting of the Board of Directors held on May 22, 2019, the Company resolved two matters; to cancel 5,000,000 shares of its treasury shares on May 31, 2019, and to acquire all share acquisition rights remaining on June 6, 2019 and cancel such share acquisition rights immediately after the acquisition. The Company resolved the implementation of Trust-Type Employee Stock Ownership Incentive Plan (E-Ship®) and debt guarantee at the meeting of the Board of Directors held on May 24, 2019.

These events do not affect our audit opinion.

May 24, 2019

Board of Corporate Auditors, Japan Lifeline Co., Ltd.

Full-Time Corporate Auditor  
Outside Auditor  
Outside Auditor

Yasunori Kamiya  
Masahiko Nakamura  
Daizo Asari

End