

# Corporate Governance Report

Last Update: June 26, 2019

**Japan Lifeline Co., Ltd.**

President and CEO Keisuke Suzuki

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Securities Code: 7575

<https://www.jll.com>

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

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

### **1. Basic Views**

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

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

[Supplementary Principle 4-1-3]

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

[Principle 5-2]

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

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

[Principle 1-4]

Japan Lifeline maintains its policy on shareholdings that contribute to the smooth execution and development of the Company's business by building and strengthening relationships with business partners. In addition, the Board of Directors shall annually examine the individual cross-shareholdings and, if deemed inappropriate, will sell them from time to time to reduce their holdings. Based on this policy, the Board of Directors conducted a comprehensive review of the appropriateness of holding individual shares. As a result, the Board of Directors judged that holding of existing shares is appropriate. With regards to the exercise of voting rights, Japan Lifeline will decide whether to vote after comprehensively considering the purpose of holding the voting rights mentioned above and the possibility of impairing the corporate value of such business partners.

[Principle 1-7]

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

[Principle 2-6]

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

[Principle 3-1]

(i) Management philosophy, strategy, and plan

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

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

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

- IR library [https://www.jll.co.jp/investors/library\\_4.html](https://www.jll.co.jp/investors/library_4.html)

(ii) Basic Concept and Policy on Corporate Governance

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

(iii) Policies and Procedures for Determining Directors' Remuneration

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

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

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

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

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

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

[Supplementary Principle 4-1-1]

Japan Lifeline's Board of Directors supervises important decision-making and the execution of operations by directors as stipulated in laws and regulations, and other matters are delegated to management. Each director

makes decisions on the execution of operations on an individual basis in accordance with the provisions of Divisions of Duties Regulations and Administrative Authority Regulations.

[Supplementary Principle 4-2-1]

To ensure objectivity and transparency in the remuneration decision-making process, Japan Lifeline has established the Nomination and Remuneration Advisory Committee, chaired by an outside director, as an advisory body to the Board of Directors. Directors' remuneration consists of fixed remuneration, bonuses, and performance-linked share remuneration (director's remuneration BIP trust). The remuneration structure will be reviewed as necessary to ensure that the remuneration of directors serves as an appropriate incentive for medium- to long-term improvement in corporate value.

[Principle 4-9]

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

[Supplementary Principle 4-11-1]

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

[Supplementary Principle 4-11-2]

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

[Supplementary Principle 4-11-3]

To further enhance the effectiveness of the Board of Directors, Japan Lifeline analyzes and evaluates the

effectiveness of the entire Board of Directors every year and discloses an overview of the results. Evaluations for the fiscal year ended March 31, 2019 included questionnaires to all directors and *Kansayaku*, and analysis and evaluation of the effectiveness of the Board of Directors based on the opinions of external consultants. As a result, Japan Lifeline has confirmed that its board is properly managed and effective. Japan Lifeline will continue to make efforts to improve the effectiveness of the Board of Directors.

[Supplementary Principle 4-14-2]

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

[Principle 5-1]

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

- (i) The Corporate Strategy Division serves as the contact point for shareholders and investors, and the Director in charge of the Corporate Administration Department acts as the responsible person to deal with shareholders and investors. Interviews are conducted to the extent reasonable in response to requests from shareholders and investors.
- (ii) The Director in charge of the Corporate Administration Department is responsible for coordinating and sharing information among the Human Resources & General Affairs Department, the Corporate Strategy Division, and the Finance & Accounting Division within the Corporate Administration Department, as well as sharing information with other departments.
- (iii) Japan Lifeline will hold financial results briefing sessions for institutional investors twice a year and hold briefings sessions for shareholders after the General Meeting of Shareholders. Japan Lifeline will also enhance the disclosure of financial results briefings and other information on the corporate website for them to deepen understanding of the Company.
- (iv) Opinions and concerns gained through dialogue with shareholders and investors are promptly reported to the President and the Board of Directors, and, depending on the content of the report, reports are also submitted to the Board of Directors in a meeting where senior management participates.
- (v) Insider information shall be managed in accordance with the Regulations Governing the Management of Internal Information and shall not be disclosed to shareholders or investors in dialogue. In addition, in order to prevent the leakage of accounting information and ensure fairness, the period from the next day of the closing date to the date of disclosure is set as a silent period.

## 2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
MT Shokai	9,860,800	12.24
KS Shoji	8,768,000	10.89
Japan Trustee Services Bank, Ltd. (Trust Account)	4,774,300	5.93
Keisuke Suzuki	2,650,016	3.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,519,000	3.13
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,212,100	1.51
BNYM AS AGT/CLTS NONTREATY JASDEC	1,180,378	1.47
Nomura Trust & Banking Co., Ltd. (Investment Trust Account)	1,163,500	1.44
GOLDMAN, SACHS & CO. REG	1,038,750	1.29
The Dai-ichi Life Insurance Co., Ltd.	1,026,500	1.27

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

### Supplementary Explanation

In addition to the above, there are 9,889,912 (10.93%) of Japan Lifeline's treasury shares, which do not include 115,800 of Japan Lifeline's shares remaining in the Directors' Remuneration BIP Trust. At the meeting of the Board of Directors held on May 22, 2019, a resolution was made to cancel treasury stock, and 5,000,000 shares of treasury stock were cancelled on May 31, 2019.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 500 to less than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

None

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

None

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

### 1. Organizational Composition and Operation

Organization Form	Company with <i>Kansayaku</i> Board
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#### [Directors]

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

Outside Directors' Relationship with the Company (1)

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

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

\* "△" when the director fell under the category in the past

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

\* "▲" when a close relative of the director fell under the category in the past

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

Outside Directors' Relationship with the Company (2)

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

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

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

Supplementary Explanation

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

- (1) The basic policy of the makeup of the Board of Directors
- (2) The policy and criteria of the election and dismissal of directors and *Kansayaku*

- (3) The matters proposed to the General Shareholders' Meeting regarding the election and directors and *Kansayaku*.
- (4) The matters regarding the appointment and dismissal of the representative directors
- (5) The matters regarding the appointment and dismissal of the executive directors
- (6) The policy of the remuneration system of directors and *Kansayaku* and policy of the decision-making process for remuneration
- (7) The determination of the remuneration of individual directors
- (8) The matters regarding the development and implementation of succession plan
- (9) Other matters deemed necessary by the Board of Directors

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

- Chairperson Outside Director (independent) Fumihiko Sasaki
- Committee Outside Director (independent) Yoshiaki Ikei
- Committee President and Representative Director Keisuke Suzuki
- Committee Executive Vice President and Representative Director Atsuhiko Suzuki

**[*Kansayaku*]**

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> stipulated in Articles of Incorporation	5
Number of <i>Kansayaku</i>	3

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

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

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2
Number of Independent <i>Kansayaku</i>	2

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

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

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

\* "△" when the director fell under the category in the past

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

\* "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. *Kansayaku* of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *Kansayaku*

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *Kansayaku* himself/herself only)

k. Executive of a company, between which and the Company outside directors/*Kansayaku* are mutually appointed (the *Kansayaku* himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the *Kansayaku* himself/herself only)

m. Others

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

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

**[Independent Directors/*Kansayaku*]**

Number of Independent Directors/*Kansayaku*

4

Matters relating to Independent Directors/*Kansayaku*

None

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

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

Recipients of Stock Options	
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Supplementary Explanation

None

**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The remuneration, etc. of directors and *kansayaku* is disclosed by posting a securities report describing the relevant matters on the corporate website. The remuneration, etc. for directors and *Kansayaku* for the year ended March 31, 2019 is as follows.

- 442 million yen for directors (excluding outside directors)
- 10 million yen for *Kansayaku* (excluding outside *Kansayaku*)
- 15 million yen for outside directors

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

To ensure objectivity and transparency in the process of appointing and evaluating directors and *Kansayaku* and in determining remuneration, Japan Lifeline has established the Nomination and Remuneration Advisory Committee, chaired by an outside director, as an advisory body to the Board of Directors. The Nomination and Remuneration Advisory Committee deliberates on basic policies and composition of remuneration for directors and makes recommendations to the Board of Directors. In addition, the Nomination and Remuneration Advisory

Committee determines the amount of remuneration for each director as entrusted by the Board of Directors.

(i) Basic Policy on Remuneration for Directors and *Kansayaku*

Japan Lifeline has established the following basic policies to ensure the proper functioning of the executive remuneration system in order to achieve sustainable growth and increase corporate value.

- A) The remuneration shall be at a reasonable level to motivate executive members to achieve performance targets
- B) The remuneration shall be so competitive that the Company can recruit talented human resources
- C) The remuneration shall be at a reasonable level for the Company to increase corporate value over the medium- to long-term
- D) The remuneration decision process shall be objective and transparent.

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

Directors' remuneration consists of fixed remuneration, bonuses, and performance-linked share remuneration (director's remuneration BIP trust). The remuneration structure will be reviewed as necessary to ensure that executive remuneration acts as an appropriate incentive for medium-to long-term improvement in corporate value. At the 17th Ordinary General Meeting of Shareholders held on June 26, 1997, the amount of remuneration for Directors was determined as follows, within the scope of the amount resolved to be not more than 700 million yen per annum for directors and not more than 50 million yen per annum for *Kansayaku*.

A) Fixed remuneration

Fixed remuneration is determined by the Nomination and Remuneration Advisory Committee, which is delegated by the Board of Directors, based on the positions, responsibilities, and contribution to business performance of each director, and based on the level of remuneration in the external database service as a benchmark. The remuneration for *Kansayaku* is determined based on consultations with the *Kansayaku* Board.

B) Bonuses

Bonuses are determined by the Nomination and Remuneration Advisory Committee, which is entrusted by the Board of Directors in the same way as fixed remuneration, based on the positions, responsibilities, and contribution to short-term performance of each director, as well as on the level of remuneration in the external database service as a benchmark. The remuneration for *Kansayaku* is determined based on consultations with the *Kansayaku* Board. Full-time *Kansayaku* and outside directors are also eligible for bonuses to raise their awareness of business performance.

C) Performance-linked stock remuneration (executive remuneration BIP trust)

Performance-linked stock remuneration is set to function appropriately as an incentive for medium-to long-term improvement in corporate value by providing part of the remuneration in stock. Depending

on the degree of achievement of the performance targets and the position at the Company, the Company shall deliver to the directors money equivalent to the amount of the proceeds from the liquidation of the Japan Lifeline's shares. Under this plan, the Japan Lifeline's performance targets are consolidated business forecasts (sales and operating profit) for the fiscal year to be disclosed at the beginning of each fiscal year. The results targets for FY3/19 are the results forecast for FY3/19 disclosed on May 2, 2018 (consolidated sales of 49,411 million yen and consolidated operating profit of 11,202 million yen). Outside directors and *Kansayaku*, who are independent from business execution, are not eligible for the performance-linked stock remuneration system, and Mr. Keisuke Suzuki, the president and representative director, has already held 12.6% (\*) of the Japan Lifeline's shares as entrepreneur at the end of March 2018, the end of the fiscal year immediately before the introduction of this system, and is therefore excluded from the scope of this system.

(\*) Percentage of total equity in the names of treasury and asset management companies as of the end of March 2018.

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

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

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

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

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Takeshi Masumoto	Chairman emeritus	Mr. Masumoto provides Japan Lifeline with advice based on experience and knowledge and does not involve in management.	Part-time and remunerated	2017/06/28	Until the end of June 2021

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	1
Others	
None	

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

### [Board of Directors]

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

### [Nomination and Remuneration Advisory Committee]

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

### [*Kansayaku* Board]

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

[Internal auditing]

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

[Accounting Audits]

Audits by Japan Lifeline's accounting auditors for the year ended March 31, 2019 are as follows:

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

The new Japan Limited Liability

- Akinori Sato
- Kiyohiko Amano

② Assistant accountants who executed auditing operation

- Certified public accountant: 12 People
- Other accounting staff: 25 People

③ Remuneration for Independent *Kansayaku*

- Remuneration based on audit and attestation services: 47 million yen
- Remuneration based on Non-Audit Services: None

[Initiatives to Strengthen the Functions of *Kansayaku*]

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

[Summary of Details of Liability Limitation Agreement]

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

### 3. Reasons for Adoption of Current Corporate Governance System

Japan Lifeline is a company with *Kansayaku* Board.

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

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

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

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

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

### III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice of convocation of the Ordinary General Meeting of Shareholders held in June 2019 was sent before the legal date (June 10). In addition, it was posted on the Japan Lifeline's corporate website.
Scheduling AGMs Avoiding the Peak Day	The Ordinary General Meeting of Shareholders held in June 2019 was held on June 26, a schedule that avoids the date of first concentration.
Allowing Electronic Exercise of Voting Rights	Japan Lifeline has introduced the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform	Japan Lifeline participates in the voting platform operated by ICJ.
Providing Convocation Notice in English	The full English text is available on the Tokyo Stock Exchange and the corporate website.

#### 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Japan Lifeline has set forth the basic policy for investor relations regarding information disclosure, methods for information disclosure, prospects for the future, and the silence period, which are posted on the corporate website.
Regular Investor Briefings for Analysts and Institutional Investors	The President and the director in charge attended the biannual financial results briefing session to explain the financial results, the outlook for the next term, and future business policies. The number of participants is around 100 each time.
Regular Investor Briefings for Overseas Investors	Japan Lifeline participates in overseas conferences and holds individual meetings.

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

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In addition to the Code of ethics, which is the norm for the Company, Japan Lifeline established the Action Policy in January 2007, which sets forth guidelines for compliance with laws and regulations, information management, internal environments, personal behavior, and social responsibilities.
Development of Policies on Information Provision to Stakeholders	Basic policy on information disclosure established on the corporate website ( <a href="https://www.jll.co.jp/investors/policy.html">https://www.jll.co.jp/investors/policy.html</a> )

## IV. Matters Related to the Internal Control System

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

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

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

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

[Basic Policy for Developing an Internal Control System]

1. Structure to ensure that the executive duties of directors and employees comply with legal requirements and the company's articles of incorporation
  - (1) Directors and employees shall act in compliance with laws and regulations, social ethics, articles of incorporation, and other internal regulations in accordance with the Code of Ethics, Action Policy, and Compliance Guidelines.
  - (2) The Chief Compliance Officer and the Compliance Committee will play a central role in establishing

- the internal compliance system in accordance with the Regulations of Compliance Promotion.
- (3) Distribute a compliance handbook to all directors and employees, conduct training, and ensure thorough awareness of compliance.
  - (4) Establish a helpline at an external organization as a point of contact for reporting, notifying, and consulting on compliance issues.
  - (5) With respect to anti-social forces, all relationships shall be cut off pursuant to the Regulations of the Elimination of Anti-Social Forces and Compliance Guidelines, and in the unlikely event that a relationship with an anti-social force is suspected, such anti-social force shall be promptly reported to the department in charge and resolutely responded to by cooperating with the police and other external organizations.
  - (6) The Internal Audit Division shall audit the status of compliance with laws and regulations, the articles of incorporation, and the internal regulations in accordance with the Regulations for Internal Audits.
  - (7) As an advisory body to the Board of Directors, a discretionary Nomination and Remuneration Advisory Committee, composed of independent outside directors and chaired by independent outside directors, will be established to ensure objectivity and transparency in the process of study and determining directors and *Kansayaku*' nominations and remunerations.
2. Structure and system to maintain and manage information relating to directors in the execution of their duties
- (1) Minutes of important meetings of the general meeting of shareholders and the board of directors, the form of request for managerial approvals and applications for which the directors are authorized, and other important documents (including electromagnetic records) pertaining to the execution of duties by the directors shall be stored and managed in accordance with the Regulations of Document Control.
  - (2) Directors and corporate *Kansayaku* may access the above documents at all times.
3. Systems for managing risks of loss including the relevant internal regulations
- (1) Based on the Regulations of Risk Management, a company-wide risk management system shall be established centered on the Chief Risk Management Officer and the Risk Management Committee.
  - (2) In the event that a serious risk arises and a company-wide response is required, a countermeasures office headed by the president shall be established, and a prompt response shall be implemented to minimize the loss.
4. System for ensuring efficient execution of Directors' duties
- (1) The Board of Directors shall establish the Rules for Division of Duties and the Rules for Administrative Authority so that the execution of duties by directors can be carried out appropriately and efficiently.
  - (2) The Board of Directors shall formulate an annual budget, and each Director in charge shall report on the progress of the budget at the Board of Directors meeting to investigate issues and take necessary measures.

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

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

- I. Based on the Regulations of the Management of Affiliated Companies, Japan Lifeline receives reports on matters pertaining to the execution of duties by directors, etc., as well as documents such as financial statements and minutes.
- II. Japan Lifeline has its directors or employees concurrently serve as directors or *Kansayaku* of subsidiaries and receive reports from such directors or employees on the status of the execution of their duties from time to time.

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

- I. Based on the Regulations of Risk Management, Japan Lifeline will build a risk management system for its subsidiaries centered on the Chief Risk Management Officer and the Risk Management Committee.
- II. In the event of a serious risk occurring at a subsidiary, the president of the subsidiary shall take the necessary action promptly, and Japan Lifeline will also provide support as necessary to minimize the loss.

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

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

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

- I. Japan Lifeline provides necessary advice, guidance and assistance to ensure that the compliance system at subsidiaries is established in accordance with the Regulations of the Management of Affiliated Companies.
- II. Based on the Regulations for Internal Audits, the Internal Audit Division shall audit the status of compliance with laws and regulations, articles of incorporation, and internal rules of each subsidiary.

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

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

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

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

- (2) Matters pertaining to personnel matters pertaining to employees who are ordered by the *Kansayaku* to assist in audit operations shall be consulted with the *Kansayaku* in advance.
8. Matters concerning the assurance of effectiveness of instructions to employees who shall assist the *Kansayaku* in their duties
- (1) Employees who are ordered by the *Kansayaku* to assist in the audit operations shall execute the operations in accordance with the instructions and orders of the *Kansayaku*.
- (2) The directors shall endeavor to improve the audit environment so that the operations of the employees who are ordered by the *Kansayaku* to assist in the audit operations can be carried out smoothly.
9. System for directors and employees of Japan Lifeline and its subsidiaries to report to *Kansayaku* and other system for reporting to *Kansayaku*
- (1) Directors and employees of Japan Lifeline and its subsidiaries shall accurately and promptly report to *Kansayaku* the following matters:
- Fact which may cause significant damage to the company
  - Conduct that violates laws and regulations or the articles of incorporation and conduct that may violate such laws and regulations
  - Design and operation of internal controls in accordance with the Corporate Law and the Financial Instruments and Exchange Law
  - Results of internal audits conducted by the Internal Audit Division
  - Other matters for which a report is requested by the *Kansayaku*
- (2) Directors and employees of Japan Lifeline and its subsidiaries shall promptly report any requests made by *Kansayaku* to the company.
10. System to ensure that persons who have made reports to *Kansayaku* shall not be subjected to unfavorable treatment on the grounds that such persons have made such reports Directors, *Kansayaku*, and employees of Japan Lifeline and its subsidiaries who have made reports to *Kansayaku* shall not be treated unfavorably on the grounds that said reports were made.
11. Matters concerning the procedures for advance payment or reimbursement of expenses arising in connection with the execution of duties by the *Kansayaku* and other policies for the disposal of expenses or liabilities arising in connection with the execution of such duties
- In the event a corporate auditor requests advance payment of expenses incurred or reimbursement of expenses paid in connection with the execution of his/her duties, such expense shall be promptly reimbursed unless it is recognized that such expense is not necessary for the execution of duties by the corporate auditor.
12. Other systems to ensure effective audits by *Kansayaku*

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

13. System to ensure the reliability of financial reporting

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

**2. Basic Views on Eliminating Anti-Social Forces**

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

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

**V. Other**

**1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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None
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**2. Other Matters Concerning to Corporate Governance System**

[Information Disclosure Policy]

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

[Information Disclosure System]

(1) Events occurred

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

(2) Determined fact

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

(3) Financial information

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

(4) Others

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

