

Corporate Governance Report

March 28, 2024

MEDLEY, INC.

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

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

1. Basic Views

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

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

As part of these efforts, the Group is continuing to review its organizational structure in line with business expansion, clarify the responsibilities of every part of its organization, and monitor efficiency in execution of business. In the future, while developing sincere corporate activities that harmonize corporate profits with social responsibility, we will strive to enhance corporate governance with the aim of realizing management that contributes to the profits of shareholders and all the other stakeholders and improving corporate value.

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

Supplementary Principle 2-4-1: Voluntary and quantifiable targets to ensure diversity.
The Group has created list of core principles called “Our Essentials” in order to achieve our mission of “creating the future of medical healthcare” and we use these as decision making criteria in a variety of situations including when making hiring decisions, and when evaluating job performance. It is the policy of the Group to hire, evaluate, and promote personnel who embody Our Essentials without regard to gender, nationality, or disability and we proactively promote mid-career hires to management positions. We do not set numerical targets for each attribute, but we disclose the gender ratios, etc. among senior management, managers, and all employees on our website. Going forward, we view setting numerical targets for each attribute as an issue to be considered.

- Our Essentials: <https://www.medley.jp/team/culture.html>
- Data on our organization and employees: <https://www.medley.jp/sustainability/esg.html>

Supplementary Principle 3-1-3: Disclosure based on the framework established by the TCFD or its equivalent

The Group develops and provides Internet services in the field of medical healthcare and, as we currently do not expect climate change issues to have a material impact on our business, we do not conduct disclosure based on the framework established by the TCFD (Task Force on Climate-related Financial Disclosures). However, the Group considers addressing climate change issues to be an important initiative for ensuring stable economic development and securing the foundations of human life, and is taking steps to do so, including implementing far-reaching energy conservation measures and document digitization.

Disclosure based on the principles of the Corporate Governance Code

Principle 1.4 : Strategic Shareholdings

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

Principle 1.7 : Related Party Transactions

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

Supplementary Principle 2-4-1: Ensuring diversity in appointment of core personnel, etc.

The Group respects all types of diversity and considers understanding individual values and identities to be important to improving corporate value.

For this reason, the Group strives to accept diverse personnel and workstyles, recognize individual values independent of attributes or constraints on labor, build human relationships based on trust, and provide an environment where information can be obtained. Specifically, the Group is making the following efforts.

- Promotion of hiring and retention of diverse personnel
 - Establishment of systems available to employees regardless of gender, such as childcare leave, shortened working hours for childcare, child caregiving leave, and exemptions from overtime
 - Establishment of systems enabling employees to continue work while caring for family members, such as caregiving leave and exemptions from overtime
 - Support based on individual circumstances so that people with disabilities can perform work comfortably
 - Strengthening of hiring of personnel with diverse nationalities
- Promotion of activities of diverse personnel
 - Creation of an organizational culture enabling individuals to make use of their strengths regardless of life stages or backgrounds, and development and promotion of employees in/to management positions
 - Establishment of training and development content that anyone can view and learn from

Against the background of these efforts, the percentage of employees of the Group who are women is 70.1%, the percentage of employees in management positions who are women is 42.5%, the percentage of employees who take childcare leave is 77.6% (men: 42.1%, women: 90.9%), and the percentage of employees who return from childcare leave is 100%. Please see our website for details.

- Data on our organization and employees: <https://www.medley.jp/sustainability/esg.html>

Principle 2.6 : Roles of Corporate Pension Funds as Asset Owners

The Group has not established a corporate pension system.

Principle 3.1 : Full Disclosure

(i) Business principles, business strategies and business plan

Based on its mission of “Creating the future of medical healthcare”, the Group develops and provides various Internet services in the medical healthcare field.

The Group business strategy is maximization of long-term free cash flow and believes it is in a growth phase for net sales and gross profit from sales, which it views as its main sources for long-term free cash flow. The Group has established a new medium-term target of EBITDA ¥20 billion and ¥100 billion in net sales in fiscal year ending December 2029 and aims to reach this goal earlier by making aggressive investments. Our basic policy is to analyze net sales using the formula: Number of customer facilities × Average Revenue Per User (ARPU; average sales per the Group’s customer facility). We therefore strive to continuously improve both of these numbers. Specifically, in addition to making continuous efforts to acquire new customers, we aggressively invest in increasing the frequency of service usage by the Group’s customers and strengthening our product lineup.

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

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

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

Compensation for directors is discussed below in “Policy on Determining Remuneration Amounts and Calculation Methods” under the section of this report titled “Director Remuneration”.

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

Depending on the Group’s corporate phase and business environment, candidates able to increase the corporate value of the Group by following proper corporate governance are appointed and nominated with consideration given to work history regardless of whether they are from inside or outside the Company and without regard to gender or nationality. For directors and executive officers, decisions are made by the Board of Directors after the Nominating and Compensation Advisory Committee, of which Independent External Directors comprise a majority, deliberates and provides advice on nominations. With respect to the attributes and requirements necessary for becoming our CEO, appointment procedures, and dismissal standards and procedures, while it is not an urgent issue given the age, etc. of the CEO, we have long believed these to be important issues to be addressed and therefore the following policy has been adopted, after discussion at the Nominating and Compensation Advisory Committee for the fiscal year ended December 2023. In future, we will develop CEO requirements tailored to the company’s phase and design a full-fledged successor development plan.

[CEO appointment procedure]

The procedure for appointing a new CEO if the person eligible for the succession plan has the qualities and requirements necessary for a CEO, or if a candidate with the qualities and

requirements which will be defined in future is brought in from outside the company, will be to have the Nominating and Compensation Advisory Committee deliberate on whether the candidate is suitable as the new CEO, and if the candidate is deemed suitable, it will make a report to the Board of Directors, which will make a resolution to appoint the candidate.

[Standards and procedures for CEO dismissal]

The basic approach regarding CEO dismissal is that, rather than setting specific requirements for dismissal, the Nominating and Compensation Advisory Committee will discuss the pros and cons of replacing the current CEO when selecting a suitable candidate to succeed the CEO, and if the candidate is deemed suitable for the position of CEO, the current CEO will be replaced. In addition, if due to a deterioration of health or other reasons the CEO lacks the suitability and qualities for the position of CEO, we will consider dismissal from time to time as necessary.

In either case, when dismissing the CEO, the Nominating and Compensation Advisory Committee will deliberate on the dismissal, and if dismissal is deemed appropriate, a report will be made to the Board of Directors, and the Board of Directors will pass a resolution for dismissal.

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

When submitting proposals for the election of each executive, the Group provides details regarding the individual reasons for all Director and Auditor candidates in the Notice of Convocation of the General Meeting of Shareholders (Reference Documents). In addition, the roles expected of External Directors are also disclosed in the Annual Securities Report and in supplementary documents attached to the Notice of Convocation of the General Meeting of Shareholders. Regarding the selection and dismissal of senior management, the Group also explains biographies and expected roles at Board of Directors meetings.

Supplementary Principle 3-1-3: Sustainability initiatives

A wide range of stakeholders have interests in the field of medical healthcare, in which the Group operates, and by developing business in accordance with our mission of “Creating the future of medical healthcare”, we believe we can create a shared, sustainable, and bright future for patients and consumers, and for the businesses and professionals who serve them, as well as for society as a whole.

We also prioritize four key issues to be addressed (materiality) in order to meet the expectations and demands of a wide range of stakeholders, and by addressing these issues, we seek to combine continuing contributions to society with improvements to our corporate value.

- Promotion of digital transformation in the medical healthcare field
- Ensuring information security and protecting privacy
- Promotion of diversity and inclusion
- Strengthening of our governance systems

In identifying these key issues and disclosing non-financial information, the Company has referred to international indicators such as those established by the SASB (Sustainability Accounting Standards Board), GRI (Global Reporting Initiative) Standards, and SDGs (United Nations Sustainable Development Goals), and based on feedback from stakeholders, we have identified social issues that are highly relevant to the Group’s business activities and corporate culture.

Regarding investment in intellectual property (IP), from February 2020, a personnel specializing in IP formulates and executes an integrated long-term IP strategy tailored to all growth phases of the Group’s business that covers patents, designs, and copyrights.

Specifically, we have established an IP activity plan that establishes the direction and objectives of IP activities for each stage of our businesses and a roadmap for implementing the plan. We conduct IP activities including building of operational infrastructure, infringement investigations, internal awareness-raising, and support for emerging IP, etc. based on the plan and the roadmap.

The Group's sustainability initiatives and investments in human capital are appropriately disclosed to shareholders and investors on the Company's website. Please see the section titled "Reasons for Non-compliance with the Principles of the Corporate Governance Code" for the Group's response to this Supplementary Principle.

- Sustainability initiatives: <https://www.medley.jp/sustainability/>

Supplementary Principle 4.1.1 : The scope of authority delegated to the management

In addition to relevant laws and the articles of incorporation, the Group delegates to the Board of Directors all matters stipulated in "Regulations for the Board of Directors". We have established an executive officer system to achieve the highest standards of management and fulfill our responsibilities to customers, employees, society, and shareholders by dividing the roles between the Board of Directors, which supervises management, and executive officers, who are responsible for executing management, and promote streamlined and efficient business management by delegating authority for the execution of business to executive departments. Specifically, we have established a system in which the Group's business condition is reported to and discussed with the Management Committee, which comprises all of our executive officers, in a timely manner, and we have established the Board of Senior Executive Officers as a meeting body to decide on important matters related to the execution of the Group's business and discuss matters referred to it by the President and CEO. Based on this type of management structure, the "Delegation Rules on Administrative Authority" and the "Table of Administrative Authority" clearly stipulate the scope of authority delegated to the decision-making bodies and persons such as the Board of Directors, the Board of Senior Executive Officers, Representative Director and CEO, Senior Executive Officers, and heads of business units or heads of divisions, etc.

In the future, when considering changes in the scope of delegation to the management team due to changes in organizational structure, etc., the Board of Directors and the Board of Senior Executive Officers will discuss, decide upon, and disclose a summary of said changes.

Principle 4.9 : Independence standards and qualifications of External Independent Directors

The Group has established independence standards for external independent directors as included in the section of this report titled "II. 1. External Directors' Relationship with the Company".

Supplementary Principle 4-10-1: Authority and roles, etc. of the Nominating Committee and Compensation Committee

Four out of six directors comprising our current Board of Directors are Independent External Directors which comprise a majority of the board. The Company has a voluntary Nominating and Compensation Advisory Committee, of which Independent External Directors comprise a majority which deliberates, and provides advice and recommendations to the Board of Directors with respect to the composition and framework (including skills matrix) of the Board of Directors, CEO qualifications/requirements and succession plan, the appointment of Directors and Executive officers, policies concerning decisions on individual remuneration, etc. of directors, individual remuneration amounts, as well as other key corporate governance issues and necessary basic policies, rules and procedures, etc..

Therefore, when making decisions on nominations for Directors and Executive Officers, the Board of Directors does so after consulting with the Nominating and Compensation Advisory Committee, and appropriate deliberations are conducted that take into account factors including diversity and skills. It is therefore the view of the Company that independence, objectivity, and accountability have been ensured.

Supplementary Principle 4-11-1: Views on the diversity of the Board of Directors

Depending on the Group's corporate phase and business environment, candidates able to increase the corporate value of the Group by following proper corporate governance are appointed and nominated with consideration given to work history regardless of whether they are from inside or outside the Group and without regard to their gender or nationality.

When selecting Director candidates, the Nominating and Compensation Advisory Committee, of which Independent External Directors comprise a majority, deliberates and provides advice on the composition of the Board of Directors and the selection and dismissal of directors taking into account factors including the balance of diversity and skills, etc.

The composition of the current Board of Directors appointed at the 15th Annual General Meeting of Shareholders is six Directors, four of whom are Independent External Directors, two of whom are women. These Independent External Directors were appointed taking into consideration the knowledge, experience, and abilities of the Board of Directors as a whole, and going forward they will provide appropriate supervision and advice on the Company's management issues from a variety of perspectives.

A skills matrix, which lists the skills expected of each Director along with their knowledge, experience, and abilities, etc., is provided in "V. Other, 2. Other Matters Concerning Corporate Governance System". We will continue to consider the appropriate size and composition of the Board of Directors based on diversity relative to the scale of the Group's business and the prevailing business environment.

Supplementary Principle 4-11-2: Holding of concurrent positions by Directors and Auditors

When nominating Director and Auditor candidates, the Group confirms in advance whether they can fully fulfill the roles expected of them in the Group, taking into consideration the holding of any potentially concurrent positions. The Group reports the status of material concurrent positions of its directors and auditors every year in its Annual Securities Report and in supplementary documents attached to the Notice of Convocation of the General Meeting of Shareholders. Regarding currently serving Directors and Auditors, the Group confirms that, in consideration of their concurrent position status, persons holding these positions have adequate time and ability to properly fulfill the relevant roles and responsibilities and any new material concurrent appointments are reported to the Board of Directors in advance to confirm their impact on the execution of the Company's business.

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

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

Most recent method of evaluation

In December 2023, the Company conducted a survey of all (6) of its directors and all (3) of its auditors including questions regarding the composition, status of meeting management, agenda setting, utilization status of external officers, and whether the Company's Board of Directors is effective as a deliberative body, with a focus on freely written answers. The responses were collected by the administrative office of the Company and the results of the survey were reported to the Board of Directors. Based on the results of the questionnaire, discussions were held on the ideal and current state of the Board of Directors.

Survey questions

Main questions on the effectiveness evaluation survey were as follows:

- Questions regarding composition of the Board of Directors
- Questions regarding Board of Directors management
- Questions regarding the content of deliberations by the Board of Directors
- Questions regarding the utilization of external officers
- Questions regarding the executive officer system
- Questions regarding the Nominating and Compensation Advisory Committee (CEO appointment/dismissal and succession planning)- Questions regarding internal controls and risk management

Summary of evaluation results and issues for future action

As a result of discussions based on the results of the effectiveness evaluation survey, the Board of Directors of the Company determined that the Board of Directors is, in general, appropriately effective. Specifically, with regard to “composition of the Board of Directors”, “utilization of external officers”, and “internal controls and risk management” out of the above survey questions, the survey found that the Board of Directors was generally appropriate (or currently generally appropriate).

On the other hand, since there is increased awareness of issues regarding the content of discussions at board meetings (mainly discussions on medium-term management policy and strategies) and some points for improvement were raised regarding the “Board of Directors management” and the “Executive Officer System,” we believe that ongoing consideration of improvements regarding these issues is a key action point going forward. In addition, discussions regarding CEO appointment/dismissal and succession planning at the Nominating and Compensation Advisory Committee only began in earnest from the fiscal year ended December 2023, and a substantive evaluation is expected to be made again from the next meeting onward.

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

Supplementary Principle 4.14.2 : Training policy for Directors and Auditors

To enable External Directors to fully perform their functions, opportunities are provided by the Group to each External Director according to their situation so that they can acquire necessary knowledge about the Group’s management environment, business activities, financial information, organizational structure, and issues faced, etc.

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

In addition to the above, for newly appointed Directors and Auditors, an onboarding process is conducted wherein they are provided with explanations and necessary information regarding their expected roles and the business and management environment through individual meetings with the management team, and this will be an ongoing process in future as well.

Principle 5.1 : Policy on constructive dialogue with shareholders

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

The Company’s CFO and the Finance Division, IR & Treasury Office are charged with handling IR activities based on the aforementioned philosophy and the Company’s Disclosure Policy. In cooperation with related departments, the Company is working to strengthen its information disclosure system for shareholders and investors. Continuous disclosure of information on the Company in a fair and appropriate manner to all our stakeholders is conducted based on this policy.

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

[Measures to achieve management that is conscious of capital cost and share price]

Our Group believes that maximizing the value we provide to customers, that is, maximizing our group's sales, will lead to maximizing long-term free cash flow and ultimately improving corporate value, and we are addressing various management issues by positioning sales as a key management indicator. Our Group also places importance on EBITDA, which is a profit indicator that is similar to long-term free cash flow. In the process of maximizing long-term free cash flow, we have set new medium-term targets of 100 billion yen in sales and 20 billion yen in EBITDA for the fiscal year ending December 2029. While our basic approach during the term to achieve our new medium-term goals is to increase income and profits, we will strive to quickly achieve our new medium-term goals by responding to changes in the business environment and prioritizing attractive investment opportunities.

In terms of shareholder returns, we believe that our Group is currently still in a growth phase, and that allocating capital to proactive investments aimed at sustainable growth will provide the greatest return to shareholders. Our approach to growth investment is disclosed in the Presentation Material for FY2023 Financial Results.

https://ssl4.eir-parts.net/doc/4480/ir_material_for_fiscal_ym2/150398/00.pdf

In addition, as part of our flexible response to share price changes and the business climate and our response to capital policy and policy on returning profits to shareholders, our policy is to acquire treasury stock as appropriate.

2. Capital Structure

Foreign Shareholding Ratio	30% or higher
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Status of Major Shareholders

Name or name	Number of shares held	(%)
Kohei Takiguchi	5,989,400	18.51
The Master Trust Bank of Japan, Ltd. (trust account)	3,476,300	10.74
Goichiro Toyoda	3,295,800	10.18
Custody Bank of Japan, Ltd. (trust account)	1,944,900	6.01
NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,590,382	4.91
CREDIT SUISSE (LUXEMBOURG) S.A. / CUSTOMER ASSETS, FUNDS UCITS	1,457,400	4.50
Keiichi Shibahara	947,900	2.92
NTT DOCOMO, INC.	933,100	2.88
One Globe Capital Co., Ltd	441,000	1.36
MSCO CUSTOMER SECURITIES	423,984	1.31
Controlling Shareholder (except for Parent Company)	—	
Parent Company	N/A	

Supplementary Explanation

1. The Company owns 384,191 shares of treasury stock.
2. Shareholding ratios exclude treasury stock (384,191 shares).
3. One Globe Capital Co., Ltd. is the asset management company of Kohei Takiguchi, our President and Chief Executive Officer.
4. In the statement of large-volume holdings filed by Polar Capital LLP on November 9, 2021, it is stated that Polar Capital LLP owns 1,777,300 shares (total shareholding ratio of 5.52%) as of November 2, 2021; however, as the Company cannot confirm the actual number of shares held as of the end of the fiscal year, Polar Capital LLP is not included in the above major shareholders.
5. In the statement of large-volume holdings filed by Mizuho Securities Co., Ltd. on May 10, 2023 (amended statement), it is stated that Mizuho Securities Co., Ltd. and two co-owners thereof own 2,093,200 shares (total shareholding ratio of 6.39%) as of April 28, 2023; however, as the Company cannot confirm the actual number of shares held as of the end of the fiscal year, Mizuho Securities Co., Ltd. is not included in the above major shareholders.
6. In the statement of large-volume holdings filed by Mizuho Securities Co., Ltd. on September 25, 2023 (amended statement), it is stated that UBS AG (Bank) owns 1,639,580 shares (total shareholding ratio of 5.01%) as of September 15, 2023; however, as the Company cannot confirm the actual number of shares held as of the end of the fiscal year, UBS AG (Bank) is not included in the above major shareholders.
7. In the statement of large-volume holdings filed by Mizuho Securities Co., Ltd. on January 11, 2024 (amended statement), it is stated that Asset Management One Co., Ltd. currently owns 2,248,700 shares (total shareholding ratio of 6.87%) as of September 15, 2023; however, as the Company cannot confirm the actual number of shares held as of the end of the fiscal year Asset Management One is not included in the above major shareholders.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, Prime
Fiscal Year-End	Ending on December 31 st
Type of Business	Information & Communications
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	Over 1000 employees
Sales (consolidated) as of the End of the Previous Fiscal Year	Not less than JPY 10 billion and less than JPY 100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10 companies

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

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5). Other Special Circumstances that Could Have Material Impact on Corporate Governance

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

1. Organizational Composition and Operation

Organization Form	Company with audit and supervisory board
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Directors

Maximum Number of Directors Stipulated in the Articles of Incorporation	12 or less
Term of Office of Directors stipulated in the Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	6
Appointment of External Directors	Appointed
Number of External Directors	4
Number of External Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Noboru Kotani	From other companies												
Rina Sakuraba	From other companies												
Reiko Nagatsuma	From other companies												
Keisuke Hioki	From other companies												

* 1 Categories for relationship with the Company

*Each item marked with "○" if currently/recently applicable, "△" if applicable in the past

*Each item marked with "●" if currently/recently applicable, "▲" if applicable to a close relative in the past

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a brother company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director / audit and supervisory board member
- Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- 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. Ms. Sakuraba, the executive of a company, between the Company and which external directors/audit and supervisory board members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Noboru Kotani	○	Not applicable	<p>Since being appointed External Director of the Company in 2018, Mr. Kotani has used his management experience in the field of consulting and experience serving as External Director at listed corporations to assist the Company in decision making, providing advice and recommendations especially in the areas of strengthening governance and management strategy. He also serves as a member of the Company's voluntary Nominating and Compensation Advisory Committee, which deliberates on matters related to the composition of the Board of Directors, appointment and dismissal of directors and executive officers, and the compensation of directors and has been reappointed External Director with the expectation that he will further strengthen the management structure of the Group.</p>
Rina Sakuraba	○	Not applicable	<p>Using her experience and insight in the area of human resources gained working with Japanese and global companies, she has been involved in decision-making at the Company as an External Director since 2023 and has in particular</p>

			<p>provided advice and recommendations related to building a global organizational structure and strengthening the Company group's HR structure. She also serves as a member of the Company's voluntary Nominating and Compensation Advisory Committee regarding the Company's executive remuneration and appointments, and has been appointed as an External Director with the expectation that she will further strengthen the management structure of the Group..</p>
Reiko Nagatsuma	○	Not applicable	<p>Using her management experience and insight gained working with global IT companies, Ms. Nagatsuma has been involved in the Company's decision-making as an External Director since 2023, in particular giving advice and recommendations on the Company group's organizational management and business and product strategies. She also serves as a member of the Company's voluntary Nominating and Compensation Advisory Committee regarding the Company's executive remuneration and appointments, and has been appointed as an External Director with the expectation that she will further strengthen the management structure of the Group.</p>

Keisuke Hioki	○	Not applicable	Using his management experience in the consulting industry and experience in supporting the globalization of Japanese companies, has been involved in the Company's decision-making as an External Director since 2023, in particular giving advice and making recommendations on strengthening the Company group's corporate functions centering on legal, finance, and HR and to assist with management structure on a global basis. He also serves as a member of the Company's voluntary Nominating and Compensation Advisory Committee regarding the Company's executive remuneration and appointments, and has been appointed as an External Director with the expectation that he will further strengthen the management structure of the Group.
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Voluntary Establishment of Committee(s)

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

Name of committee			Nominating and Compensation Advisory Committee			
All committee members (No.of persons)	Full-time members (No.of persons)	Internal Directors (No.of persons)	External Directors (No.of persons)	Internal experts (No.of persons)	Others (No.of persons)	Chairperson (Chair)
5	0	1	4	0	0	Internal Director

Voluntary committee corresponding to Remuneration Committee

Name of committee			Nominating and Compensation Advisory Committee			
All committee members (No.of persons)	Full-time members (No.of persons)	Internal Directors (No.of persons)	External Directors (No.of persons)	Internal experts (No.of persons)	Others (No.of persons)	Chairperson (Chair)
5	0	1	4	0	0	Internal Director

Supplementary Explanation

The Company stipulates that prior to the Board of Directors meeting at which the nomination and remuneration of Directors is to be decided, the Nominating and Compensation Advisory Committee shall be consulted regarding the nominees and amount of individual remuneration of Directors as described in the outline below.

(Outline of the Nominating and Compensation Advisory Committee)

1. The Committee shall consist of Independent External Directors and Directors appointed by a resolution of the Board of Directors in accordance with the rules of the Nominating and Compensation Advisory Committee.

2. The Committee shall consist of at least three (3) members, a majority of whom shall be Independent External Directors.

3. The Chairperson of the Committee shall be appointed by a resolution of the Board of Directors from among the Directors.

4. The Nominating and Compensation Advisory Committee shall deliberate and provide advice and recommendations to the Board of Directors with respect to composition and policies of the Board of Directors and the establishment of policies concerning decisions on the content of individual remuneration, etc. of Directors and Executive Officers, the content of individual remuneration amounts, etc., as well as other necessary basic policies, rules and procedures, etc.

Audit and Supervisory Board

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

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

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

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

External Audit and Supervisory Board Member's Relationship with the Company (1)

Name	Attribute	Relationship with the Company												
		a	b	c	d	e	f	G	h	i	j	k	l	m
Masahide Kamachi	Certified Public Accountant													
Ryoko Nagata	From other companies													

* 1 Categories for relationship with the Company

*Each item marked with “○” if currently/recently applicable, “△” if applicable in the past

*Each item marked with “●” if currently/recently applicable, “▲” if applicable to a close relative in the past

- Executive of the Company or its subsidiaries
- Non-executive director or Accounting advisor of the Company or its subsidiaries
- Executive or non-executive of a parent company of the Company
- Audit and supervisory board member of the parent company of the Company
- Executive of a brother company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director / audit and supervisory board member
- Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit and supervisory board member himself/herself only)
- Executive of a company, between the Company and which external directors/audit and supervisory board members are mutually appointed (the audit and supervisory board member himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

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

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masahide Kamachi	○	Not applicable	<p>Since becoming an External Audit & Supervisory Board Member of the Company in 2017, Mr. Kamachi has provided auditing, advice, and recommendations from an independent standpoint and with a high degree of expertise in management. The Company appoints Mr. Kamachi as an External Audit & Supervisory Board Member having determined that he will adequately demonstrate managerial oversight capabilities through his rich experience and expert knowledge as a certified public accountant and certified public tax accountant going forward.</p>
Ryoko Nagata	○	Not applicable	<p>Since becoming an External Audit & Supervisory Board Member of the Company in 2023, Nagata has utilized her extensive auditing experience at listed companies to provide auditing, advice, and recommendations from an independent standpoint and with a high degree of expertise in management. The Company appoints Ms. Nagata as an External Audit & Supervisory Board Member having determined that she can strengthen the audit functions of the Company by auditing the management of the Company using her wealth of knowledge and deep insight in relation to corporate management and auditing.</p>

Independent Directors

Number of Independent Directors	6
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Other Matters Relating to Independent Directors

The Company designates all External Directors and External Auditors who meet the requirements for independent directors and auditors as Independent Directors and Auditors.

The following criteria for determining independence shall be used to determine whether a director or auditor is independent, provided that the matters indicated in the "Guidelines Concerning Listing Controls, etc." do not apply.

Criteria for determining independence of External Directors

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

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

1. Operating officers of the Company

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

2. Major trading partners

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

- Major trading partners of the Group are herein defined as persons whose payments to the Group accounted for sales in excess of 2% of the Group's annual consolidated net sales in the most recently ended fiscal year.

(2) Partners or operating officers thereof for whom the Group is a major trading partner

- Persons for whom the Group is a major trading partner are herein defined as persons for whom payments from the Group account for an excess of 2% of said persons' annual consolidated net sales in the most recently ended fiscal year. For persons not reporting consolidated results, annual non-consolidated net sales shall be used as the basis instead of annual consolidated net sales.

(3) Major lenders to the Group or operating officers thereof

- Major lenders to the Group are defined herein as persons extending loans to the Group in excess of 2% of the Group's consolidated total assets as of the end of the most recently ended fiscal year.

3. External providers of specialized services

Consultants, experts in accounting such as certified public accountants and certified tax accountants, and experts in law such as lawyers receiving large sums of money or other assets from the Group other than executive compensation (in cases wherein an organization such as a corporation or partnership receives said assets, persons belonging to the relevant organization)

- "Large sums of money or other assets" are herein defined as follows. In cases wherein the provider of specialized services is an individual, when the total value of assets received from the Group excluding executive compensation exceeds 10 million yen in the most recently ended fiscal year. In cases wherein the provider of specialized services is an organization such as a corporation or partnership, when the total value of assets received from the Group surpasses the greater of 2% of said organization's annual consolidated net sales in the most recently ended fiscal year or 10 million yen.

4. Holders of voting rights

(1) Direct or indirect holders, or operating officers thereof, of 10% or more of the voting rights of the Company

(2) Organizations, or operating officers thereof, of which the Company is a direct or indirect holder of 10% or more of the voting rights

5. Donation or grant recipients

Persons or organizations such as a corporations or partnerships, or operating officers thereof, that receive large donations or grants from the Group.

- "Large donations or grants" are herein defined as donations or grants valued at 10 million yen or more within the period of one year.

6. Persons with corresponding histories

(1) Persons who have been applicable to 1. above within the past ten years

(2) Persons who have been applicable 2. or 5. above within the past three years

(3) Spouses or relatives in second degree of an important person applicable to 1. or 5. above

- "Important person" is herein defined as employees conducting important operations such as executive directors, executive officers, corporate officers, and division managers.

Incentives

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

The Group implements stock option plans, with the aim of increasing motivation and morale for the improvement of business performance, by aligning the Group's mid to long term growth and corporate value improvement with the remunerations that the stock options holders receive. At the 12th Annual General Meeting of Shareholders held on March 26, 2021, in order to provide incentives to continuously increase the Company's corporate value over the medium- to long-term and more closely align the interests of Directors of the Company (excluding External Directors, hereinafter Eligible Directors) with those of the Company's shareholders, a Transfer-restricted Stock Compensation System was implemented for Eligible Directors.

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

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

Director Remuneration

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

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

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

Policy on Determination of Details of Remuneration for Directors and Auditors

a. Director remuneration

(a) Policy and method for determining remuneration

The Board of Directors of the Company has authority to render decisions regarding the basic plan for director compensation. At the Company's Board of Directors meeting held on February 28, 2022, the following Basic Plan for Director Compensation was adopted.

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

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

1. Basic policy

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

2. Balance

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

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

3. Total remuneration

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

4. Base salary

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

5. Performance-linked remuneration

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

6 The policy for determining the remuneration of External Directors is as follows.

1. Remuneration for each External Director is based on their role in supervising the execution of business by directors.

2. In order to ensure independence, only fixed cash remuneration is paid, with the amount not linked to the Company's performance. The amount paid is commensurate with expected governance roles and risks.

Prior to the meeting of the Board of Directors at which directors' remuneration is decided, the Nominating and Compensation Advisory Committee is consulted regarding the amount of remuneration for individual directors.

(b) Composition and determination process of remuneration

At the 6th Ordinary General Meeting of Shareholders convened on March 30, 2015, the aggregate compensation payable to Directors was approved to be no more than 200 million yen per year (excluding the portion of employees' salaries for Directors who concurrently serve as employees). As of the date of this resolution, the number of directors subject to the resolution was four (4).

At the 12th Annual General Meeting of Shareholders held on March 26, 2021, in order to provide incentives to continuously increase the Company's corporate value over the medium- to long-term and more closely align the interests of Directors of the Company (excluding External Directors, hereinafter Eligible Directors) with those of the Company's shareholders, the implementation of a Transfer-restricted Stock Compensation System (hereinafter "Stock Compensation System") was approved for Eligible Directors. As of the date of this resolution, the number of Eligible Directors subject to the resolution was seven (7). Remuneration provided via this system is separate from the aforementioned remuneration limited to 200 million yen per year. The total value of transfer-restricted stocks granted under the Stock Compensation System shall be no more than 200 million yen per year and the total number of transfer-restricted stocks granted under the Stock Compensation System shall be no more than 30,000 shares per year.

In the current fiscal year, the amount of remuneration for each director shall be determined at the discretion of the Representative Director based on a resolution of the Board of Directors. The amount of remuneration for each director shall be determined by taking into consideration such factors as the business environment, position, contribution to the company, and business performance. The reason for delegating these decisions is to take into account the individual circumstances of each director with respect to the management environment, position, contribution to the company, and business performance.

At the Board of Directors meeting held on February 28, 2022, the Board of Directors resolved that the ratio of base compensation to stock compensation for individual internal (executive) directors and the total amount of compensation for external directors shall be determined by the Board of Directors based on consultation with the Compensation Advisory Committee (currently: the Nominating and Compensation Advisory Committee). Kohei Takiguchi, Representative Director determines the compensation of each director within the authority delegated by the Board of Directors in accordance with the policy established by the Nominating and Compensation Advisory Committee.

The remuneration of Directors for the current fiscal year shall be determined by the Representative Director in accordance with the above policy for determining remuneration, within the scope of the delegation by the Board of Directors and based on consultation with the Compensation Advisory Committee.

b. Remuneration of Auditors

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

Supporting System for External Directors / Audit and Supervisory Board Members

We predominantly provide support for the External Directors / Audit and Supervisory Board members through the Secretariat of the Board of Directors, Legal & Compliance Division. As for the agenda in the board meetings, the Secretariat of the Board of Directors, Legal & Compliance Division provides explanatory materials in advance to the board meetings, and ensures that the External Directors / Audit and Supervisory Board members have sufficient time to consider the matters in the agenda as appropriate, and in case needed, provides individual supplementary

explanations verbally. In addition, necessary or important information is communicated by e-mail or telephone as needed.

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

○ Overview of Corporate Governance System

The Company has established its corporate governance system as a “company with audit and supervisory board.” In this system, the Company aims to achieve thorough corporate governance that serves to increase long-term corporate value by advancing the separation of supervisory and executive functions, having a board of directors composed of directors with thorough knowledge of business and independent outside directors who bring an objective point of view be responsible to supervising management and determining basic policies, and promoting the delegation of business execution authority to executive departments centered on senior executive officers. In addition, Executive Directors and Independent auditors, who are independent of Directors, attend board meetings and report the content of those meetings to the Audit & Supervisory Board to ensure that the auditing function is performed in a timely and appropriate manner. The Company thereby aims to establish a corporate governance system that conducts appropriate management decision-making and business execution and ensures fairness and transparency in management decision-making and that is effectively systematically checked and monitored. The following organizations are involved in the Company’s management decision-making, enforcement and supervision.

a. Directors and Board of Directors

The Company is a company with a board of directors, and the board of directors consists of six directors (including four Independent External Directors) and the President and Representative Director serves as the chairperson. In principle, the Board of Directors meets once a month on a regular Board of Directors meeting, and flexibly holds extraordinary Board of Directors meetings as necessary and makes decisions on basic management policies and important matters and supervises the status of the execution of business.

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

The Company is a company with an Audit and Supervisory Board. The Audit and Supervisory Board consists of three members, including one full-time Auditor and two part-time Auditors (both of them are Independent External Auditors), and the full-time Auditor, Shohei Omote serves as the chairperson. In principle, the Audit and Supervisory Board meeting is held once a month, Audit and Supervisory Board meetings are held on an ad hoc basis as needed, and reports on the status of audit implementation by each Audit and Supervisory Board Member and discussions among auditors, etc. are conducted. Audit and Supervisory Board members attend meetings of the Board of Directors and other important meetings in order to audit the execution of duties by Directors, conduct interviews with each Director and important employees, and conduct business audits on each department to determine the execution of duties by Directors. Each Auditor conducts audits in accordance with the audit policy and audit plan established by the Board of Auditors.

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

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

c. Executive Officers and Board of Senior Executive Officers

The Company has established an executive officer system to achieve the highest standards of management and fulfill our responsibilities to customers, employees, society, and shareholders by dividing the roles between the Board of Directors, which supervises management, and executive officers, who are responsible for executing management, in order to promote streamlined and efficient business management by delegating authority for the execution of business to executive departments. Specifically, we have established a system in which the Group's business status can be reported to and discussed with the Management Committee, comprising all of our executive officers, in a timely manner, and we have put in place a Board of Senior Executive Officers as a meeting body to decide on important matters related to the execution of the Group's business and discuss matters referred to it by the President and CEO.

d. Nominating and Compensation Advisory Committee

The Company has established a voluntary Nominating and Compensation Advisory Committee, the majority of whose members are independent external directors, with the aim of strengthening the independence, objectivity, and accountability of the Board of Directors' functions regarding personnel matters and remuneration, etc. of directors and executive officers. The committee deliberates on matters related to the composition and structure of the Board of Directors, policies regarding the appointment and dismissal of directors and executive officers, the details of individual remuneration, etc., and other necessary basic policies, rules, and procedures. Therefore, the nomination and compensation decisions for directors and executive officers are made by the Board of Directors after consultation with the Nominating and Compensation Advisory Committee.

e. Other voluntary committees

The Company has established voluntary committees throughout the Company at the judgment of the Board of Directors and the Board of Senior Executive Officer to address high priority management action points in order to improve both the speed and quality of decision making. In principle, an executive officer serves as the chair of each committee, and establishment and operation are implemented in accordance with the Regulations of Voluntary Committee. Each committee chair provides the Management Committee with minutes and progress status reports, ensuring decision making transparency.

f. Internal Audit

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

g. Accounting Auditor

The Company has concluded an auditing agreement with EY Shinnihon Yugen Sekinin Kansa Hojin and receives an appropriate timely accounting audit from an independent standpoint. There are no special interests between the Company and the auditing corporation engaged in the audit of the Company and the executive officers of the Company.

The certified public accountants who executed our accounting audits for the fiscal year ended December 31, 2023 are Motoaki Ikeuchi, Kohei Koyama and Naoki Tokita of EY Shinnihon Yugen Sekinin Kansa Hojin. In addition, there are three (4) certified public accountants and twelve(12)

other persons assisting with the accounting audit of the Company for the fiscal year ended December 31, 2023.

As of March 2024, the managing partner of the audit corporation has been participating in audits of the Company for no more than seven years.

○ Risk Management System Status

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

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

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

3. Reasons for Adoption of Current Corporate Governance System

Based on its basic policy on corporate governance, the Company adopts the current corporate governance system to ensure that the Board of Directors makes decisions on basic management policies and important matters while promoting the delegation of business execution authority to executive officers in order to separate the supervisory functions from the business execution function, thereby increasing the efficiency and speed of business execution. The Company has also adopted the above corporate governance system to ensure the soundness and transparency of corporate management by establishing sufficient checks and balances by the Internal Audit Office and the Audit and Supervisory Board. In addition, four of out of six directors appointed by the Company are independent external directors and two of the three auditors appointed by the Company are external audit and supervisory board members, and has strengthened its management monitoring functions by utilizing their experience and knowledge, etc., and making use of their function of monitoring the execution of duties by directors from an independent and fair perspective. The Company also ensures fairness and transparency in the procedures for nomination and compensation of directors and executive officers by establishing a voluntary Nominating and Compensation Advisory Committee, the principal members of which are independent external directors.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

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

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	We have posted our disclosure policy on our website (https://www.medley.jp/en/ir/disclosure-policy/), which describes "Information Disclosure Standards," "Information Disclosure Methods," "Prevention of Insider Trading," "Quiet Period," and "Maintenance of Internal System".	Yes
Regular Investor Briefings for Analysts and Institutional Investors	We hold briefings for analysts and institutional investors, in which the Representative Director and other Directors participate, on the same day as the announcement of quarterly results to explain the Group's results and management policies.	
Regular Investor Briefings for Overseas Investors	We hold briefing meetings for overseas investors from time to time, via teleconference or in-person meetings, and we also plan to participate in investor conferences a few times a year.	Yes
Posting IR Materials on Website	The Company's IR materials has been posted on its website (https://www.medley.jp/en/ir/) .	Yes
Establishment of a Department (person in charge) related to IR	The Director and CFO and the Finance Division, IR & Treasury Office are responsible for IR.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
<p>Stipulation of Internal Rules for Respecting the Position of Stakeholders</p>	<p>The Group believes that it is important to earn the trust of various stakeholders, including shareholders, investors, and customers, and is making efforts to provide timely, appropriate, and fair information to its stakeholders by establishing a timely disclosure manual and preparing to comply with the Fair Disclosure Rules.</p> <p>In addition, for the purpose of ensuring thorough compliance within the Group and building a system for fulfilling social responsibility based on sound ethical standards, we have established the Compliance Regulations, which stipulate the following items</p> <ul style="list-style-type: none"> • Compliance with laws, regulations and social norms <p>We will understand and comply with laws and regulations and social norms.</p> <ul style="list-style-type: none"> • Provision of appropriate information <p>We will provide appropriate information in compliance with laws and regulations related to advertisements and information provision so that our users can properly understand the content and nature of services.</p> <ul style="list-style-type: none"> • Disclosure of management information <p>We will appropriately disclose information on financial details, business activities, etc. to shareholders and investors in accordance with the laws and regulations.</p> <ul style="list-style-type: none"> • Prevention of insider trading <p>The Company shall establish a system to prevent transactions of shares, etc. using undisclosed important information of the Company, its affiliated companies, or business partners.</p>
<p>Implementation of Environmental Conservation Activities, CSR Activities, etc.</p>	<p>In line with the Group's mission of "Creating the future of medical healthcare", in our everyday operations and in the projects we undertake, we face social issues in the field of healthcare head on to create a more prosperous and sustainable society.</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Group's basic policy is to make efforts to disclose appropriate corporate information in a timely manner in order to ensure management transparency. In disclosing information, we will actively and using a disciplined approach disclose information that is required to be disclosed under the Financial Instruments and Exchange Act and other laws and regulations, as well as information in accordance with the timely disclosure rules established by the Tokyo Stock Exchange, and information.</p>

IV. Matters Related to the Internal Control System

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

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

- a. System to ensure that the execution of duties by directors and employees of the Group complies with laws and the Articles of Incorporation
 - A. The Company and its subsidiaries (hereinafter referred to as the “Group”) position the practice of compliance as a key management issue, and in order to comply with laws and regulations, the Articles of Incorporation, and social norms, etc. necessary for corporate activities and working to establish a compliance system, we have established “Compliance Rules.” We will conduct activities to inform and educate the directors and employees of the Group on compliance, and establish a department to oversee the development and operation of the compliance system.
 - B. The Group will establish a whistleblowing system based on “Internal Whistleblowing Rules” to prevent fraudulent conduct and early detection, and to prevent disadvantageous treatment of whistleblowers.
 - C. Audits by corporate auditors will be conducted to confirm that the execution of duties by directors of the Group is being carried out properly without violating laws, the Articles of Incorporation, and established regulations. When a corporate auditor discovers facts that are or are likely to lack legality in the business of the Group, he / she points out the facts and advises the Company’s board of directors to revise the wrongdoings and request an injunction of the said actions.
 - D. The Internal Audit Department audits legal compliance, property management, and other situations in each department of the Group based on the “Internal Audit Regulations”, and reports and makes recommendations for improvement in accordance with these regulations.
 - E. Based on the “Compliance Rules”, the Code of Conduct shall be to eliminate any unfair demand without being involved in any anti-social forces, and this shall be communicated to directors and employees of the Group by the Group.
 - F. For violations of laws and regulations, the Articles of Incorporation and other internal regulations by directors and employees of the Group, appropriate actions including disciplinary action will be taken in accordance with the “Compliance Rules” and various employment rules.
- b. System for storing and managing information related to the execution of duties by directors of the Group
 1. The Group records information concerning the execution of duties by directors of the Group in a document or electromagnetic medium in based on the “Document Management Regulations”, and stores such information accordingly. Directors and members of the Audit and Supervisory Board of the Group can view them as necessary.

2. The Group has appointed a person responsible for information management and a person in charge of information management to appropriately manage undisclosed material facts, etc. related to the execution of duties by directors, and to prevent insider trading, and in order to prevent information from leaking outside the Group, it will take necessary measures such as storing undisclosed material facts in isolation.

3. Based on the “Basic Regulations on Information Security,” the Group has formed an Information Security Committee to deliberate and decide on measures necessary to strengthen the Group's information security. In addition, we will strive to reduce information security risks by developing internal regulations on the management and operation of information assets in compliance with laws, regulations, and norms, etc. related to information security, and ensuring that all officers and employees are fully aware of the regulations necessary for ensuring compliance.

c. Regulations and other systems for managing risk of loss

A. The Group sets forth “Risk Management Rules” for the purpose of establishing and building a risk management system for the Group's management activities, and set up a risk management committee composed of officers based on this. The central focus of the Risk Management Committee is to comprehensively identify the risks associated with management activities in each division of the Group. The Risk Management Committee will then report any risks that have been identified to the Board of Directors and decide on management policies and measures for identified risks. Each division of the Group will implement the necessary measures through an appropriate decision-making process based on the risk management policy and management measures that have been decided upon, and the internal audit department will conduct internal audits periodically or as necessary. Furthermore, the department in charge of risk management will conduct periodic company-wide education activities, promoting risk management and necessary information sharing across the organization.

B. Information sharing and regular discussions with each department of the Group will be conducted across the organization to strive for early detection and prevention of risks. In the event of an unforeseen situation, an emergency response system will be established with the Risk Management Committee chairperson as the person in charge of overall risk management based on the “Risk Management Rules”, and appropriate and prompt responses will be made to the situation, including appropriate information transmission inside and outside the Company.

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

A. The Board of Directors of the Group makes decisions on legal matters, decisions on important management matters, and supervision of business execution. In addition to holding a regular board meeting once a month, an extraordinary board meeting is held as necessary to ensure quick and accurate decision-making.

- B. The Group has established an executive officer system to achieve the highest standards of management and fulfill our responsibilities to customers, employees, society, and shareholders by dividing the roles between the Board of Directors, which supervises management, and executive officers, who are responsible for executing management, in order to promote streamlined and efficient business management by delegating authority for the execution of business to executive departments. Specifically, we have established a system in which the Group's business status can be reported to and discussed with the Management Committee, which comprises all of our executive officers, in a timely manner and we have put in place a Board of Senior Executive Officers as a meeting body to decide on important matters related to the execution of the Group's business and discuss matters referred to it by the President and CEO.
- C. In each department of the Group, various authorities and duties are transferred and divided according to the "Rules for Delegation of Authority" and "Rules for Divisional Duties", and responsibilities are clarified to ensure speed and efficiency.
- D. The Group shall verify the rationality of procedures and assignment of duties necessary for the execution of duties by the directors of the Group, and to grasp the excess and deficiency of the number of employees necessary for the execution of duties and to improve the situation by internal audit, and understand and verify the system for further improvement.

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

- A. The management divisions manage subsidiaries based on the affiliated company management regulations.
- B. The Company receives relevant documents from the management division in charge at its subsidiaries with respect to important matters related to the overall management of the subsidiary and based on the Rules for Delegation of Authority also receives reports on important matters and discusses or approves them.

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

If Audit and Supervision Board Member requires having employee(s) of the Company to assist in their duties one or more employees who assists the duties of the Audit and Supervision Board Member will be assigned as necessary after consultation with such Members. In addition, with regard to the duties of employees who assist the duties of corporate auditors, they will not receive orders from Directors or other superiors. The personnel changes and treatment will be determined by discussion between the Directors and the Audit and Supervision Board Members, and independence from the Directors will be ensured.

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

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

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

The Group prohibits its Directors and employees from treating the whistleblower(s) unfavourably because of the whistleblowing report he/she has made, and thoroughly educate the Directors and employees to that effect.

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

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

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

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

k. System to ensure reliability of financial reporting

To ensure the reliability of the Group's financial reporting, we implement and maintain internal control over financial reporting and continuously and appropriately evaluate and report on the effectiveness of our internal controls.

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

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

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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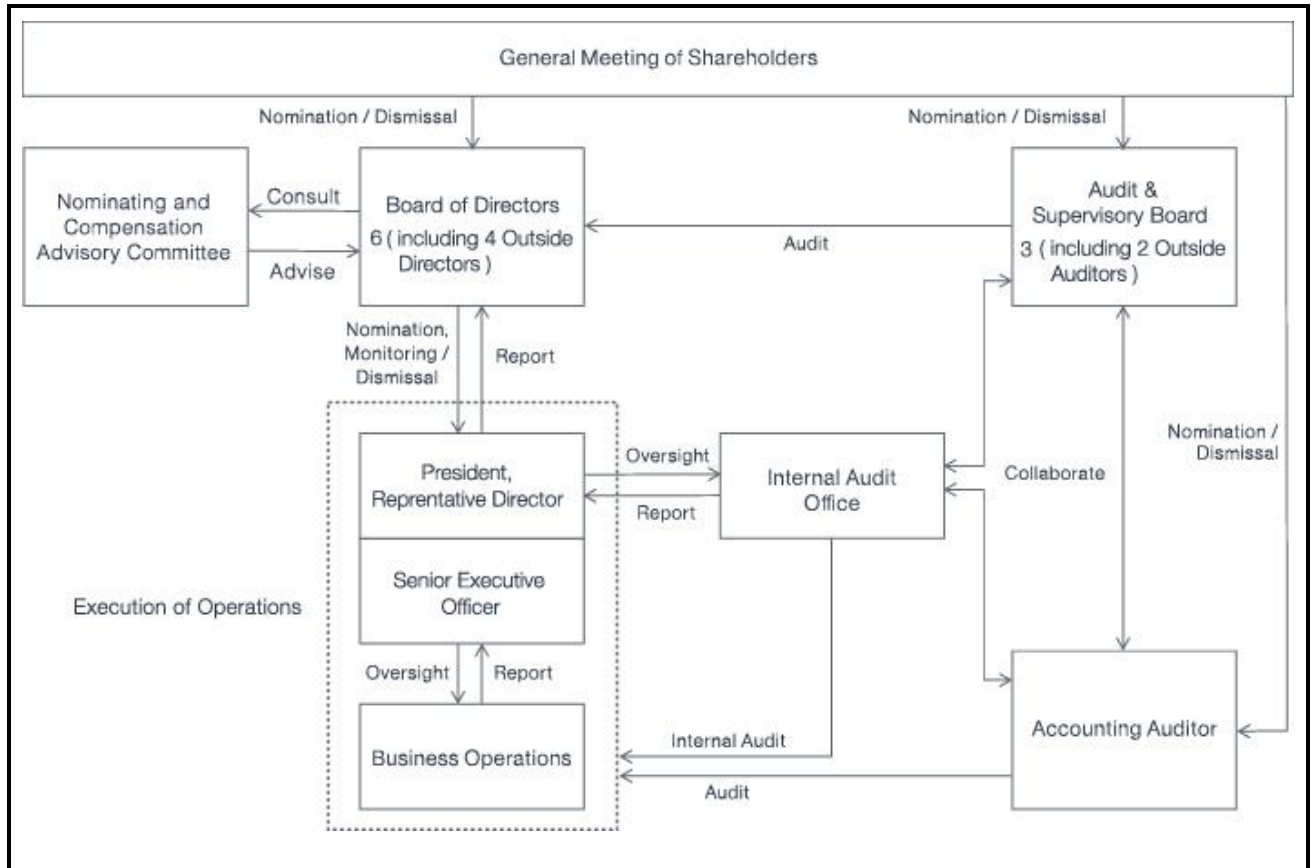
2. Other Matters Concerning Corporate Governance System

【 Skills Matrix 】

Name	Position	Tenure	Global Global-level insight on each of the items listed on the right.	Corporate Management Governance/Integration/Architect	Organization, HR CoE,TA/ L&D/ HRBP/Diversity	Finance IR/Treasury/M&A/Tax	Business Marketing/Sales/Operation/ Business finance	Product Technology/Design	Legal Compliance/Risk/ Health Care Regulations/Policy
Kohei Takiguchi	Representative Director and President	15		●		●	●		
Ryo Kawahara	Director (CFO)	8				●			
Noboru Kotani	Director (Independent External Director)	6		●					●
Rina Sakuraba	Director (Independent External Director)	1	●		●				
Reiko Nagatsuma	Director (Independent External Director)	1					●	●	
Keisuke Hioki	Director (Independent External Director)	1	●		●				
Shohei Omote	Auditor (Full-time)	9		●					●
Masahide Kamachi	Auditor (External, Part-time)	7				●			
Ryoko Nagata	Auditor (External, Part-time)	1	●		●				●

※ "CoE" is an abbreviation of the Center of Excellence, "TA" is an abbreviation of Talent Acquisition, "L&D" is an abbreviation of Learning & Development, and "HRBP" is an abbreviation of Human Resource Business Partner.

[Chart of Corporate Governance System]



[Overview of Timely Disclosure System (in Chart)]

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