JL Japan Lifeline

2023
Japan Lifeline Co., Ltd.
Integrated Report

Japan Lifeline Co., Ltd.

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Management Philosophy

Contributing to the realization of a healthy society through the latest and optimal medical device technologies

“Is it appropriate for the patient? Is it valuable for the patient?”
These questions are always at the center of our focus, and we are constantly striving to provide excellent medical devices.

Japan Lifeline

Editorial Policy

The Japan Lifeline Group aims to enhance its corporate value and contribute to the sustainable development of society through the realization of its Management Philosophy. The company started publishing the Integrated Report in FY3/2023 in order to organize, integrate, and present financial and non-financial information related to those efforts. Through this report, we will revitalize communication with various stakeholders and reflect their feedback in our future initiatives.

Period covered by the report

The fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

Note: Some information for the fiscal year ended March 31, 2022 and the fiscal year ended March 31, 2024 is included in the report.

Scope of the report

Japan Lifeline Co., Ltd. and its subsidiaries

Note: Some information is disclosed on a non-consolidated basis.

Reference guidelines, etc.

- GRI (Global Reporting Initiative) Sustainability Reporting Standards
- IIRC International Integrated Reporting Framework
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry

Notice concerning forward-looking statement

This Integrated Report contains forward-looking statements. This information is based on information available to the Company as of the date of issuance, as well as assumptions and projections made at that time. Actual results and other figures may differ due to changes in the business environment, economic trends, and other factors.

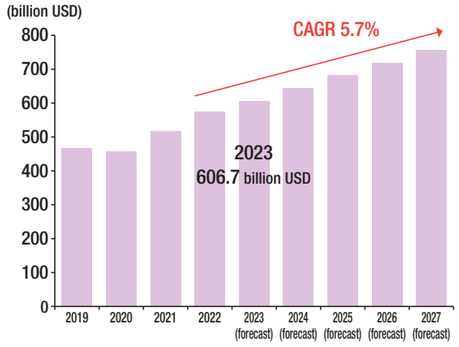
The information contained in this report includes information on medical devices. It is intended to provide information to various stakeholders and is not intended to promote our products or provide medical advice.

Contents

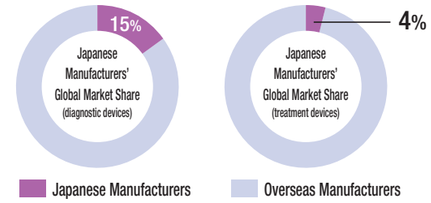
Our Business

Current State of the Medical Device Industry

The size of the global medical device market is 606.7 billion USD with a future CAGR (Compound Annual Growth Rate) of 5.7%. Overseas manufacturers of both diagnostic and treatment devices are ahead of the competition in terms of technology and becoming larger in scale. However, medical devices designed for the US and Europe are not always the best option for Japanese physicians or patients since the Japanese body type differs from that of Westerners.



Source: Medical Device Industry Trends, Medical Device Industry Vision Study Group, METI



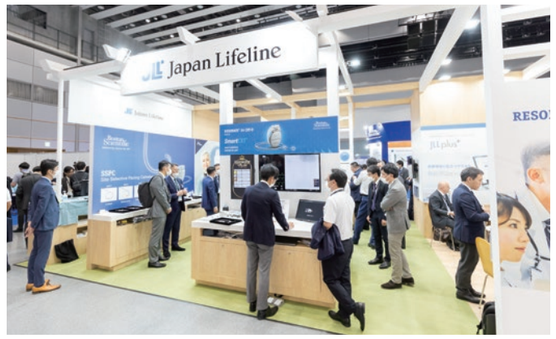
Source: Issues Surrounding the Medical Device Industry, Ministry of Economy, Trade and Industry

History of Japan Lifeline

In 1981, we started in business as a distributor of cardiac pacemakers. Since 2001, we have supported the medical field in Japan, mainly in the cardiovascular area, while also selling in-house products. Utilizing our two functions as a distributor and manufacturer, we provide medical devices that respond to the needs of the medical field.

Entry into new areas

2017	Gastrointestinal area
2022	Neurovascular area

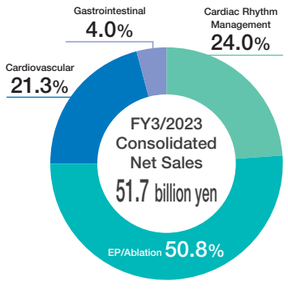


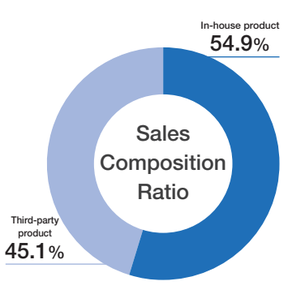
Japan Lifeline's Management Vision

Pursue both functions of a manufacturer and a distributor to provide the latest and optimal options for medical professionals worldwide and create high added value

Business Development in Four Areas

We aim to further expand business by focusing on our new business areas (neurovascular and gastrointestinal).





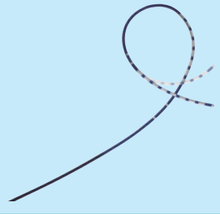
Cardiac Rhythm Management

Implantable devices to treat arrhythmias

▼ Main products
- Cardiac pacemakers
- T-ICD (transvenous implantable cardioverter defibrillator)
- S-ICD (subcutaneous implantable cardioverter defibrillator)

EP/Ablation

Electrode-embedded catheters used for diagnosis and treatment of arrhythmias



▼ Main products
- EP (Electrophysiology) catheter
- Ablation catheter
- Internal Atrial cardioversion catheter

Cardiovascular

Aortic — Medical devices for treating aortic disease

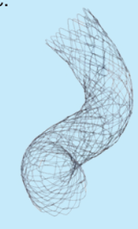
▼ Main products
- Vascular graft
- Open stent graft
- Abdominal stent graft

Neurovascular — Medical devices for treating ischemic stroke or brain aneurysms

▼ Main products
- Embolic coil
- Aspiration catheter

Gastrointestinal

Medical devices for treating gastrointestinal diseases of the liver, colon, etc.



▼ Main products
- Colonic stent
- RF needle for liver cancer treatment
- Bile-duct tube stent

Growth History

Starting in the cardiac pacemaker business, Japan Lifeline conducts business in the general cardiovascular field and is also planning on entering new fields. Utilizing our two functions as a distributor and manufacturer, we provide outstanding medical devices to the medical industry.

...for Patient Comfort

To support the zest for living

1981 | Started import and distribution of cardiac pacemaker

FULL-SERVICE DISTRIBUTOR

Started in business as a medical device distributor to deliver highly novel products to as quickly as possible for the benefit of patients in Japan

1999 | Established Research Center **2000** | Established Ukima Factory

MANUFACTURER

Started development and manufacture of medical devices to meet the needs of medical professionals

1997
IPO

2007
Opened Tennoz Accademia (in-house education center)

2009 FACTORY
JUNKEN MEDICAL became a subsidiary

2010 FACTORY
Ichihara Factory established

2012 FACTORY
Toda Factory established

2014 FACTORY
Oyama Factory established

2016
Changed exchange market from the JASDAQ (Standard) market to the First Section of the Tokyo Stock Exchange

2019
JLL Korea established

2020 FACTORY
JLL Malaysia established

2022
Changed exchange market from the First Section to the Prime Market of the Tokyo Stock Exchange

10 sales offices — 20 sales offices — 30 sales offices — 40 sales offices — 49 sales offices

1990s — 2000s — 2010s — 2020s

1981
Established in Toshima-ku, Tokyo

Product History

Ⓓ···Distribution
Ⓜ···Self Manufactured

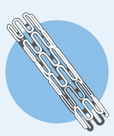
1981
Cardiac Pacemaker Ⓓ
Started the cardiac rhythm device business

1989
PTCA Balloon Catheter Ⓓ▸Ⓜ
Started the Interventional coronary business

1990
Mechanical Heart Valve Ⓓ
Started the cardiovascular surgery business

1991
Vascular Graft Ⓓ▸Ⓜ

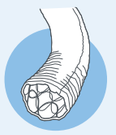
1995
EP Catheter Ⓓ▸Ⓜ
Started the EP/Ablation business



1998
Coronary Stent Ⓓ

2005
Atrial Septal Defect Closure Device Ⓓ
Started structural heart disease business

2012
Internal atrial cardioversion catheter Ⓜ



2014
Open Stent Graft Ⓜ

2017
Colonic Stent Ⓜ
Started the gastrointestinal business

2022
Embolic Coils Ⓓ
Started the neurovascular intervention business

2022
Bile-duct tube stent Ⓜ

Top Message

President and CEO
鈴木啓介

Establishing a Unique Business Model

Starting in business as a distributor of pacemakers

I am one of the co-founders who established Japan Lifeline in 1981, a little over 40 years ago, primarily for the distribution of cardiac pacemakers manufactured overseas.

The Company was founded around the beginning of the cardiac pacemaker treatment era in the US and Europe, and various medical devices for treating cardiac diseases were being developed and sold in overseas markets. Taking advantage of this trend, we increased our business performance by aggressively purchasing new medical devices from the US and Europe and selling them in Japan.

In addition, the yen's sharp appreciation against the US dollar after the Plaza Accord in 1985 provided a tailwind for our business, which at the time was centered on import sales. Soon after, cardiac pacemakers and catheters started to be widely used to treat heart diseases in Japan. As a distributor specializing in medical devices, JLL expanded its product lineup and continued to grow steadily.

Start of in-house product development and manufacturing

As imported medical devices from overseas manufacturers occupied a large share of the Japanese market along with our business expansion, there was an increase in cases where foreign makers acquired our suppliers or they entered the Japanese market directly by establishing Japanese subsidiaries. I felt a keen sense of crisis when we went to the trouble of obtaining distribution rights only to find that our business plans were greatly impacted by the emergence of such trends.

Based on these circumstances, we decided to start making our own products. Our past experience as a distributor made me believe that there was a business opportunity since some products from the US and the Europe did not match the Japanese body type or were not easy to use. Therefore, we decided to meet those needs by manufacturing in-house products in 2000. In 2001, we initiated selling first proprietary product, which was a guidewire.

That was when our current business model, which combines distribution and manufacturing functions, was first implemented. Although manufacturers sometimes develop their own sales channels, it is rare for a distributor to explore the possibility of self-production on its own, whether in Japan or overseas.

Among the products that we offer, the percentage of our in-house products has now grown to 54.9% (according to FY3/2023 results).

Approach to Management as President

What matters in corporate management

I always think about how we can maximize the value we deliver to our customers in the medical field.

In principle, we have a policy of expanding our in-house products. However, if we can introduce products from overseas that create high synergies with our own, we will be able to strengthen the competitiveness of our entire product portfolio by actively pursuing such opportunities. Investors often ask me, “Will you lean more toward manufacturing in the future?” My idea about this is very simple: It does not matter if outstanding products are sourced or made in-house. It is best to introduce such products as quickly as possible for the benefit of the medical field. As a result, being a distributor and manufacturer is what makes us so unique in the market.

From a different perspective, I also put a great amount of efforts on hiring the right people. At interviews, we always want to find candidates who are genuinely honest and street smart rather than focusing solely on their academic achievements. After they join us, we assign them to appropriate roles and responsibilities within the organization as they develop individual competencies. Since organization is a living thing, in my view, I believe that it is necessary for it to change flexibly with the market and business trends, and the characteristics of our human resources rather than staying as a fixed entity. To leverage our limited management resources, we must select proper talents and concentrate important resources. Recently, we have made a major business decision to move away from the coronary intervention business and focus on the neurovascular and the gastrointestinal businesses. It was such a drastic change that we made drastic shifts in personnel as well.

Japan Lifeline's Strengths

Access to highly novel medical devices

I previously mentioned that being both a distributor and manufacturer makes us unique and serves as a strength. Let me talk more about it.

As a distributor, one of our major strengths is the ability to provide all the services necessary to introduce medical devices from overseas to the Japanese market in a one-stop format. In order to market new medical devices in Japan, there are many hurdles to clear such as clinical trials, obtaining regulatory approval, and establishing safety management and quality assurance systems. In addition, you would need a capable sales system, which is costly to build.

Therefore, we have the advantage in building win-win business partnerships with foreign makers who wish to enter the Japanese market. We are very familiar with the domestic market, serving as an exclusive sales agent to handle long-term exclusive contracts.

In Japan, we handle third-party products just as a manufacturer does for its own products. This means that we hold an inventory of the products that we sell. Therefore, our distribution business adopts a high-value-added business model rather than a turnover-oriented business model that generally comes to mind when we hear the word "wholesale".

Developing products by fully understanding the needs of the market

Our major strength as a manufacturer lies in our high-quality products that meet the specialized needs of the medical field.

When we first embarked on manufacturing, the experience that we originally gained as a distributor was extremely useful. Since we were constantly in contact with the market through our sales activities, we were able to identify the market needs and use them in product development. As is often the case that we fall for producer-driven solutions too much created on the development side and look for applicable needs, that is the typical approach that often ends up in failure. In contrast, we only apply engineering ideas to where there are needs for them.

In order to accurately understand the needs of the medical field, it is important to know what is happening there. To that end, not only our sales representatives but also our marketing and development personnel go to medical facilities to communicate directly with medical experts. In doing so, we are thoroughly committed to grasping their specific concerns or identifying latent demands. This led to the creation of Internal Atrial Cardioversion Catheter BeeAT and Open Stent Graft FROZENIX, two of our one-of-a-kind products. These products were the growth drivers that largely drove our growth during the second half of the 2010s.

Review of FY3/2023 and Revision of the Medium-term Management Plan

On achieving a record operating profit

In FY3/2023, we posted a record operating profit.

One of the reasons for this is that the market is becoming robust again. The number of atrial fibrillation ablation cases, which had temporarily experienced negative growth due to the impact of the COVID-19 pandemic, increased by about 6% YoY, and strong sales of EP/Ablation and Cardiovascular products led to improved business performance.

We also moved forward with the liquidation of our coronary intervention business, which had become unprofitable.

We terminated an exclusive distribution agreement for the distribution of a drug-eluting coronary stent earlier than originally planned and sold a Chinese subsidiary that fabricated guidewires and other products. As a result, losses on inventory disposal and revaluation decreased significantly YoY, contributing to an improvement in the profit margin.

In addition, we have successfully launched two new businesses, the neurovascular and the gastrointestinal, which also helped improve our business performance.

Revision of the medium-term management plan

The medium-term management plan, which we announced in November 2020 and was supposed to end in FY3/2025, was revised due to large gaps between actual results and planned targets due to a major reorganization of our business portfolio and other factors. The new medium-term management plan covers the five-year period from FY3/2024 to FY3/2028.

In the new plan, "Expansion into new business areas" is one of the priority measures. While securing stable growth in our current cardiovascular business, we will focus on our neurovascular and gastrointestinal businesses to grow them into new earnings pillars over the medium- to long-term. By FY3/2028, we aim to achieve net sales of 8 billion yen from these new businesses boosting company-wide net sales to 63 billion yen. Our unique way to advance into new fields represents us well as we fully take advantage of both our distribution and manufacturing capabilities. The

development of our neurovascular business is based on a long-term exclusive distribution agreement. Although we do not have experience in this field, our experience and achievements in the cardiovascular were highly evaluated by the suppliers and led to the conclusion of a new contract.

In the gastrointestinal business, we are working to expand it by applying our special technologies developed through the in-house manufacturing of catheters and vascular grafts in the cardiovascular field. We launched a new bile-duct tube stent in the previous fiscal year with sales getting off to a better start than anticipated. During the period of the medium-term management plan, we will launch more products to increase our presence in this field.

Medium-term Growth Strategy

Securing profitability in existing business domains and refining our capital policy

"Continuously introducing competitive products" is our priority measure for our existing cardiovascular business. We will focus on investing in products possessing various strengths to enhance our competitiveness in order to respond to the harsh business environment such as revision of insurance reimbursement prices and intensifying competition.

The most important effort will be the reinforcement of our atrial cardioversion catheter and open stent graft products. Although we have sold these products for a long time as one-of-a-kind products, some competitors launched comparable products in FY3/2024. With the pride in being a frontrunner for these products, we will continuously add new models and develop differentiated products to overcome such a competition.

Regarding the third priority measure, which is "Improving capital efficiency management," we disclosed the concept of cash allocation for the first time and announced a policy to explore the most appropriate balance between investments and returns during the period of the medium-term plan.

For R&D and other growth investments, we plan to allocate 4 to 5 billion yen each year. For shareholder returns, we plan to secure about 25 billion yen over the five-year period for dividends and share buybacks. As return on invested capital (ROIC) for FY3/2023 was 11.9% and our estimated cost of capital was around 8%, we have self-analyzed our performance that we're currently able to fulfill the expected levels of return required by investors.

In the future, however, since our capital will increase along with the business growth, ROIC is expected to decrease unless we take special measures. Therefore, we will aim to keep to the current 12% level of ROIC. The underlying idea is to continuously provide attractive returns to investors.

Long-term issues

Over the long term, expanding overseas sales channels for our in-house products is a major theme. Japan has long relied on imports of highly controlled medical devices from overseas. In this context, JLL has played a certain role in the market as we have provided highly controlled medical devices that are made in Japan. On the other hand, our overseas sales are still very weak. This is an issue that we must address. Products that are recognized for their value by Japanese patients and medical professionals have the potential to be widely adopted in overseas markets. Looking at overseas strategies as a way to generate long-term value, we will accelerate the building of systems for product development, manufacturing systems, and compliance with the laws and regulations of each target country.

Sustainability Initiatives

Code of Conduct embodies our values

With regard to sustainability, we believe it is important to first define the values on which all employees should base their work in order to promote company-wide efforts. As a result, we have revised the content of the Code of Conduct based on our former compliance code.

In our Code of Conduct, we focused on using very simple phrases that would associate positive impressions about the Company.

We will work to instill these values within the Company and put them into practice in our daily operations so that all of our stakeholders, not only medical professionals, who are our direct customers, but also patients, business partners, local residents, shareholders, and employees, will be able to feel grateful.

Promoting seven materialities

JLL has identified seven materialities as sustainability issues.

In addition, the following were selected as materialities to be addressed in strengthening our business foundation based on an ESG framework:

- Solve medical issues through innovative medical devices
- Reduce environmental impact
- Create a workplace where employees can work with comfort
- Develop human resources and provide opportunities for them to play an active role
- Secure product quality and stable supply
- Strengthen corporate governance
- Promote compliance

At this time, all materiality initiatives are generally progressing well.

With regard to "Solve medical issues through innovative medical devices," cross-organizational members are leading a brisk discussion on future R&D and intellectual property strategies, and taking concrete measures that lead to the introduction of products that will have an impact.

In addition, with regard to "Develop human resources and provide opportunities for them to play an active role," the ratio of female managers is still insufficient. We will carefully work on this issue.

In Closing

Message for our stakeholders

We will continue to refine our unique business model and take on challenges in the Japanese and overseas markets. I also believe that it is not enough for a company involved in the medical device business to simply provide superior products and pursue economic value.

We will continue to question what medical devices are truly useful and needed for society from the perspective of medical professionals, patients, and medical economics. By contributing to the realization of a healthy society, which is part of our Management Philosophy, we aim to increase social value and improve corporate value.

I would like to thank all of our stakeholders for their continued support.

Value Creation Process

Management Philosophy | Contributing to the realization of healthy society through the latest and optimal medical device technologies

External Environment

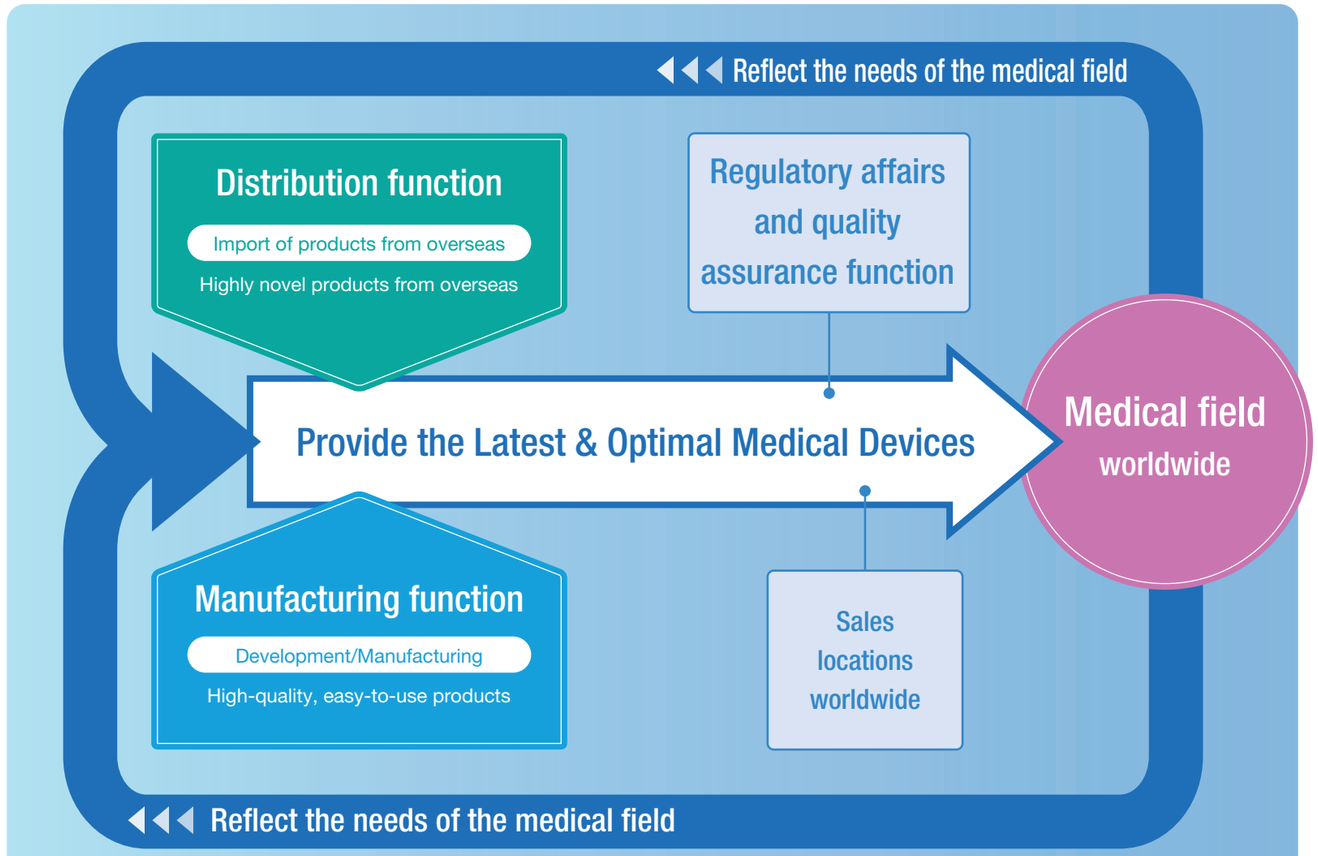
- Demographic changes
- Longer lifespans
- Increasing healthcare costs
- Climate changes
- Stricter laws and regulations
- Technological innovation
- Work style reforms in the medical field

Invested capital P.15

- Financial capital
- Manufacturing capital
- Intellectual capital
- Human capital
- Social Capital
- Natural capital

Business Model P.17

Japan Lifeline Business Model



Medium-term management plan P.21

Materiality P.35

Value Provided to Stakeholders

- **Patients**
  Improve patients' quality of life
- **Medical professionals**
  Contribute to high-quality medical care
- **Employees**
  Provide opportunities for human resource development and an environment where employees can work with peace of mind
- **Business Partners**
  Mutual development through fair trade
- **Shareholders and Investors**
  Stable growth and shareholder returns
- **Local Community**
  Contribution as a member of the local community
- **Natural Environment**
  Reduce environmental impact caused by our business activities

Sustainably increase corporate value by reinvesting the value created into capital

Six Capitals

Note: All figures are current as of FY3/2023

Financial capital

Description
The Company has established a stable financial base through a highly profitable business model that possesses both a distribution and a manufacturing function. The capital-to-asset ratio for FY3/2023 was 75.3%, and cash and cash equivalents at the end of the period were 18,357 million yen.

Relationship to value creation
While focusing on capital efficiency, the Company allocates stably generated cash flows to R&D, capital expenditures, clinical trials, and other growth investments, and strives to enhance shareholder return while taking into account capital needs.

Capital-to-Asset Ratio
75.3%

Cash and cash equivalents
¥18,357 million

Manufacturing capital

Description
In developing and manufacturing in-house products, we are working to solve various issues through the collaboration with business partners. Our strength lies in our ability to work flexibly with companies with high technological capabilities, regardless of whether they possess experience with medical devices.

Relationship to value creation
For product development, in addition to using in-house technologies, we collaborate with companies that possess various technological capabilities to create products that reflect the needs of the medical field. In manufacturing, we maintain the quality of our products and realize a stable supply through cooperation with partner companies.

R&D and manufacturing bases
4 in Japan, 1 overseas

Number of suppliers
360 in Japan, 31 overseas

Intellectual capital

Description
Our regulatory affairs team has extensive experience in obtaining regulatory approval required for the sale of highly controlled medical devices. In development departments, we actively recruit people from different industries to secure diverse human resources.

Relationship to value creation
Our deeply experienced regulatory affairs team ensures the smooth introduction of highly novel medical devices that require clinical trials. In addition, having diverse human resources in our development departments allows for the generation of new ideas, leading to the resolution of technical issues and the acquisition of patents for product commercialization.

Number of Regulatory Affairs and Quality Assurance Department staff
36

Number of R&D-related staff
106

Human capital

Description
The Company is actively recruiting new graduates and mid-career hires, especially mid-career hires from different industries, leading to the diversity of our human resources. We are working to develop human resources by providing extensive education and training so that employees can steadily acquire specialized knowledge in handling medical devices after joining the Company.

Relationship to value creation
Through the collaboration of our highly specialized employees in the series of processes from product exploration and development to delivery to customers in the medical field, we can provide the latest, most suitable medical equipment.

Ratio of mid-career hires
78.6%

Number of employees who have obtained CDR* certification
353
(as of June 30, 2023)

* Cardiac Device Representative (CDR): An expert who possesses specialized knowledge and skills that provides information on medical devices and medical technology including cardiac pacemakers and implantable cardioverter defibrillators (ICD). The certifying body for CDR certification is the Japanese Heart Rhythm Society.

Social Capital

Description
We have established sales bases that cover major medical facilities throughout Japan and have provided a meticulous level of support to our customers. This is how we have built up a differentiated corporate brand and trust with the medical field.

Relationship to value creation
Having a strong sales network leads to opportunities for entering contracts with overseas manufacturers that are considering expanding their business to the Japanese market. In addition, we look at the diverse needs of the medical field and take these needs into account when developing new products.

Sales locations
48 in Japan, 1 overseas

Number of business partner facilities
2,528 facilities

Natural capital

Description
As a manufacturer, we focus on reducing environmental impact, mainly at our factories, and promote the reduction of greenhouse gas emissions and the improvement of the waste recycling rate.

Relationship to value creation
Recognizing that tackling environmental issues is a corporate responsibility, we are working to grow business while reducing environmental impact based on the JLL Group Environmental Conservation Policy.

Greenhouse gas emissions reduction rate (compared to FY3/2021)
-4.9%

Industrial waste recycling rate
96%

Business Model

We will continue to adhere to a unique business model that combines the functions of a distributor and a manufacturer. This combination is the source of our competitive advantage and serves as the foundation of business growth.

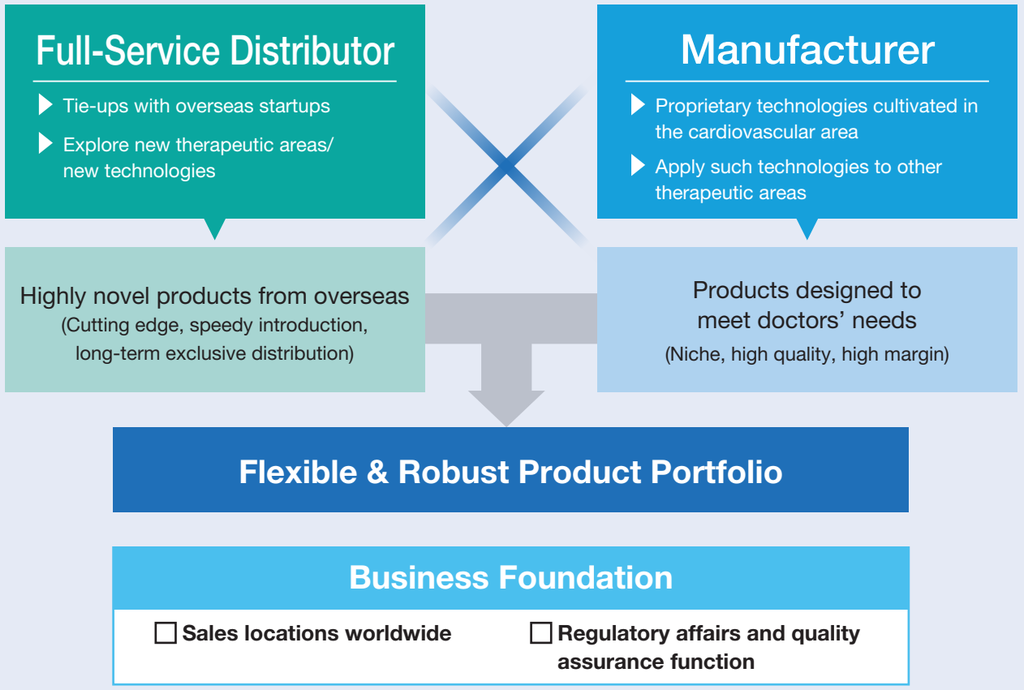
Our Business Model

If there are excellent medical devices that can solve problems faced by the medical field, we will promptly introduce them, regardless of whether it is a third-party product or an in-house product.

Combining highly novel third-party products with our in-house offerings that meet the detailed needs of our customers allows us to provide a variety of options for doctors.

Being a distributor and manufacturer enables us to build a flexible and robust product portfolio that is highly responsive to changes in the business environment, which is one of our strengths.

In order to realize our Management Vision, we will keep streamlining this business model to continuously enhance our corporate value.



Strengths of Our Business Model

We have gained a strong market share in the cardiovascular (aortic) field by having a product portfolio that leverages both a distributor and a manufacturer function.

Our history in the cardiovascular (aortic) field

We began purchasing and selling vascular grafts in 1991, and we have been offering J Graft, our own vascular graft product since 2009. Thanks to product improvements, J Graft has been provided with both the hemostatic property and flexibility required for vascular grafts, which has earned high praise from the medical field. J Graft sales volume has steadily increased over the 14 years since the product was launched.

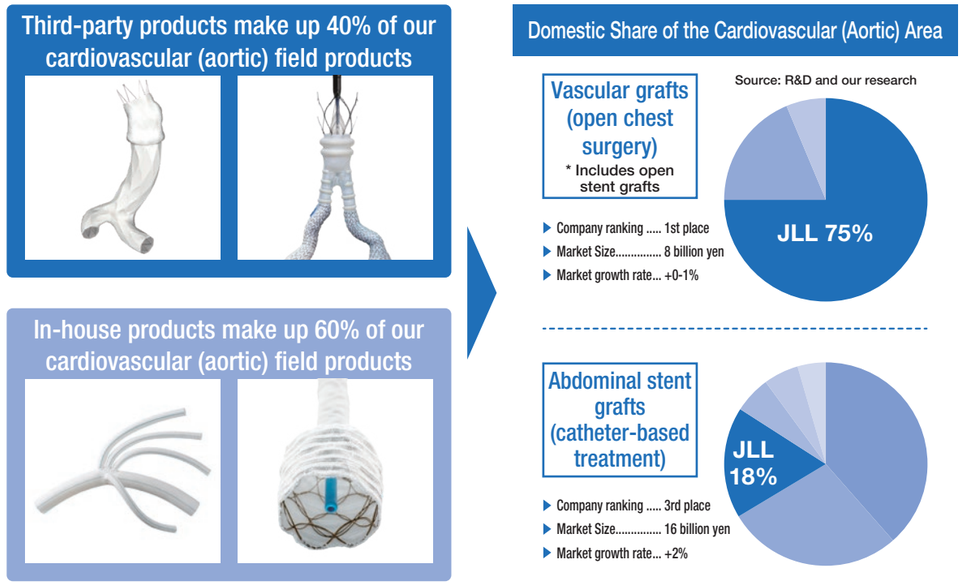
In 2014, we launched the first open stent graft in Japan. This product reduces the physical burden placed on patients by requiring only one surgery instead of two, and also resolves problems faced by surgeons during the surgical procedure. These features led to the discovery of latent needs in the medical field, and surgical procedures utilizing this product have become widespread.

ALL in for AORTA

In 2016, we entered into an exclusive distribution agreement for the distribution of abdominal stent grafts. As a result, our product lineup now includes important devices used in the aortic field. By combining third-party products and in-house products to create a product portfolio that other companies do not possess, we developed a sales strategy that highlights our superiority in covering a wide range of aortic diseases under the slogan "ALL in for AORTA". By training every one of our sales reps to be able to handle abundant cases, we have built a relationship of trust with surgeons, which has led to an increase in market share.

In order to maintain and enhance the strength of our product lineup, we launched Alto, a new abdominal stent graft product, in July 2021. Adding to our FROZENIX open stent graft product lineup, we introduced FROZENIX 4 Branched in December 2022 and FROZENIX Partial ET in August 2023.

We will continue to strengthen our product portfolio in order to maintain our competitive position.



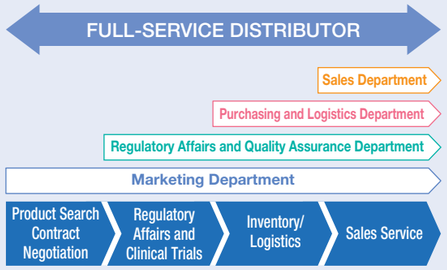
Strengths as a Distributor

Advantages of being a full-service distributor

As a distributor, our strength lies in our ability to perform a series of functions necessary from product introduction to sales. In particular, we are able to obtain regulatory approval necessary for the sale of medical devices by ourselves and have a nationwide sales network, making us attractive as a strong partner candidate for overseas manufacturers that are considering entering the Japanese market.

As a full-service distributor, we have acquired exclusive distribution rights and accumulated experience in doing business on the same standpoint as manufacturers. This has led to a virtuous cycle that also leads to opportunities to acquire new contracts.

Distributor Value Chain



Strength No. 1: Experience and know-how in introducing high-novelty products

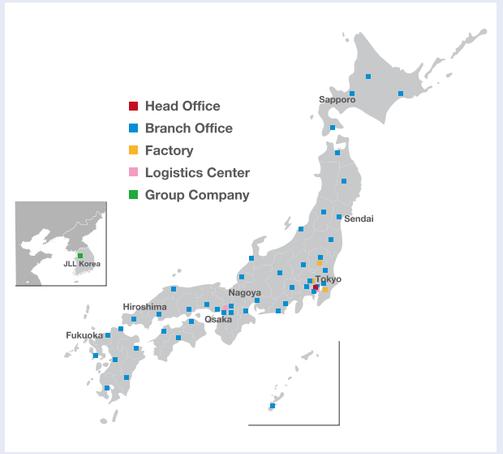
In many cases, overseas companies are leading the development of medical device industry, so we believe that our mission as a distributor is to quickly deliver highly novel medical devices from overseas to the medical field in Japan. Since our founding, we have acquired sales rights for many overseas products and introduced them in Japan.

In order to explore new products, the Marketing Department collects the latest information on medical devices and treatments through consultants and participation in overseas conferences. In addition, we constantly receive contacts from overseas manufacturers seeking to expand their business into Japan because they are convinced with our broad experience and capabilities in the introduction and distribution of a wide range of products. In order to sell medical devices in Japan, it is necessary to obtain regulatory approval. In particular, highly novel medical devices often require numerous documents to be submitted to prove their safety and efficacy. Clinical trials may be required as well. Our regulatory affairs team, utilizing a wealth of experience, smoothly handles these application procedures in cooperation with foreign medical startups.

Strength No. 2: A sales network that builds trust

We have established a sales system that covers all major medical facilities nationwide, and have built trustful relationships with these facilities. Our sales reps that possess specialized knowledge provide detailed support and closely work with doctors. This sales system is what makes us different from overseas rival companies we are competing with in Japan.

In addition, information on issues in the medical field obtained through the sales network is utilized to explore new products and to improve already launched products.



Strengths as a Manufacturer

Develop high-quality, easy-to-use products

JLL was able to also grow as a manufacturer despite the fact that we started in business as a distributor. We believe the reasons for this was our ability to accurately reflect the needs of the Japanese medical field in our products and provide them as a domestic manufacturer in the medical device industry, where there are many overseas products.

The establishment of our proprietary technologies in the course of developing products to meet various needs has become a strength, leading to the creation of new product ideas and further expansion into new fields.

Strength No.1: Ability to grasp the needs in the medical field

We believe that our strength lies in the ability to accurately grasp the needs of the medical field based on information obtained through our sales network and by engineers who directly engage with doctors.

Let's take our esophageal temperature monitoring catheter as an example. Since the product is inserted through the nose, the electrodes of our product is made thinner to conform to the Japanese body type. This results in the less occurrence of bleeding from the nose compared to products manufactured overseas. Also, we commercialized treatment devices that physicians used to make themselves in the medical field. These devices include atrial cardioversion catheters and open stent grafts, which have become de-facto standard, with proven safety and effectiveness.

Strength No. 2: Close collaboration between our product development and manufacturing teams

Our product development bases are located in Toda City, Saitama Prefecture, and Ichihara City, Chiba Prefecture, each of which is within the factory premises. Both product development and production teams work hand-in-hand to improve quality and achieve a high yield by reviewing designs from the initial stage of product development with the later mass production process in mind. After the start of mass production, cost reduction, process improvement, and other activities are also performed though the cooperation of the product development and manufacturing sections. In addition, as other related departments are also located in the same location, we believe that one of our strengths is that product-related operations are performed with a sense of unity.

Strength No. 3: Application and expansion of proprietary technologies

The accumulation of technologies that we have established through product development has led to the realization of ideas designed to differentiate our products from those of other companies. Furthermore, some of our exclusive technologies have been applied to products in fields different from those we are familiar with, contributing to business development in new fields.

With the extruded shaft processing technology established in our EP/Ablation business, it is possible to mass produce catheter shafts at low cost while achieving a design with complex internal structures, hardness inclination, and a mix of materials. These high-performance shafts are used in a variety of products, including our bile-duct tube stent, a gastrointestinal field product. It demonstrates excellent performance through the molding of dissimilar materials such as PTFE and polyurethane in one piece, and has been highly evaluated at the medical field.

Medium-term Management Plan

JLL published its revised medium-term management plan in May 2023. We will proceed toward realizing our Management Philosophy and Management Vision by steadily achieving the targets set in the medium-term management plan.

Review of the Previous Medium-term Management Plan and Basic Details about the New Medium-term Management Plan

Review of the Previous Medium-term Management Plan

In November 2020, we published the previous medium-term management plan (FY3/2021 to FY3/2025) in which net sales CAGR and operating profit CAGR were provided as KPIs. We worked on the plan based on our medium- to long-term policies that aim to achieve both stable sales growth and a shift to a growth path that underlines profit and efficiency. However, the gap between actual results and planned targets became significant due to revisions to our business portfolio, including the gradual downsizing of the coronary intervention business, the termination of an exclusive distribution agreement for a major product in the EP/Ablation business, and the divestment of the blood purification business.

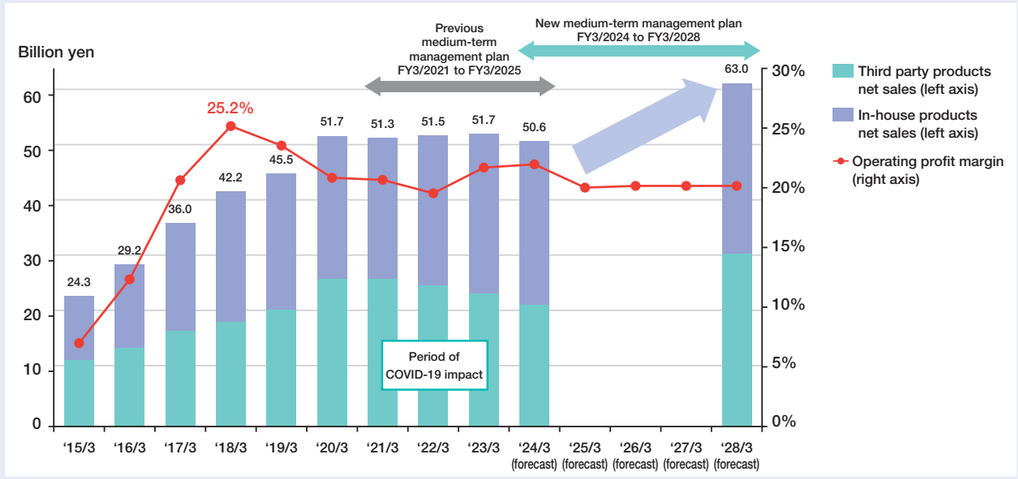
Furthermore, results for the past three years (FY3/2021 to FY3/2023) under the previous medium-term management plan fell short of targets for both net sales and operating profit due to the impact of the external environment, including a slowdown of cases in the growth of the number of COVID-19 infections and a significant drop in insurance reimbursement prices due to intensified price competition in the market.

Progress of the Previous Medium-term Management Plan

Previous medium-term management plan (FY3/2021 to FY3/2025)	Target (to FY3/2025)	Result (as of FY3/2023)
Net sales CAGR	+10%	+0%
Operating profit CAGR	+15%	+2%

New Medium-term Management Plan

Since we have reached a point where we could shift our resources to the neurovascular field, where the number of treatment cases for which therapeutic devices are used is expected to grow, and to the gastrointestinal field, where we can develop products through the application and expansion of proprietary technologies, we withdrew the previous plan set in May 2023 and formulated a new plan that reflects our latest strategy. We will steadily carry out the initiatives of the new plan (FY3/2024 to FY3/2028) starting in FY3/2024.



Medium-term KPI Targets

Five Quantitative Targets

We have established five quantitative targets that serve as KPIs to measure progress of the medium-term management plan.

Implementing both aggressive and protective measures, we aim to achieve steady top-line growth, an operating profit margin of 20%, and a return on invested capital (ROIC) of 12%.

We plan to review the progress of each target during each fiscal year and disclose the outlook for achievement of the quantitative targets for the remaining periods of the plan, taking into account the various upside/downside factors that have emerged over time.

Net Sales ¥63 billion (FY3/2028)

Net sales serves as an indicator to confirm steady business growth. The net sales target that the Company must achieve by FY3/2028 has been set at 63 billion yen.

FY3/2023 result: ¥51.75 billion
FY3/2024 forecast: ¥50.68 billion

Net Sales in New Business Areas* ¥8 billion (FY3/2028)

* Neurovascular and gastrointestinal Businesses

We are focusing on the expansion of the neurovascular and gastrointestinal area, our new business areas, as a specific strategy to boost net sales. The net sales target for new business areas that the Company must achieve by FY3/2028 has been set at 8 billion yen. Looking at each business individually, the net sales target for the neurovascular is 4.5 billion yen and for the gastrointestinal is 3.5 billion yen.

FY3/2023 result: ¥0.88 billion
FY3/2024 forecast: ¥1.81 billion

Operating Profit Margin 20% level (each fiscal year)

We have set operating profit margin as a quantitative target to secure resources for medium- to long-term growth investment by continuously introducing competitive products with high profit margin potential.

FY3/2023 result: 20.9%
FY3/2024 forecast: 21.6%

EPS ¥120 (FY3/2028)

We have set EPS as a quantitative target to prioritize capital efficiency management. The EPS target that the Company must achieve by FY3/2028 has been set at 120 yen.

FY3/2023 result: ¥88.22
FY3/2024 forecast: ¥103.81

ROIC 12% (FY3/2028)

We have set ROIC as a quantitative target to strengthen management that prioritizes capital efficiency, including investment efficiency, inventory efficiency, and funding efficiency. The ROIC target that the Company must achieve by FY3/2028 has been set at 12%.

FY3/2023 result: 11.9%
FY3/2024 forecast: Approx. 12%

Medium-term Management Plan Strategies

In order to realize our Management Philosophy, we aim to achieve long-term business growth and sustainable enhancement of corporate value. As a specific strategy, we will focus on achieving the targets of the medium-term management plan.

Long-term Growth Strategy

As indicated in our Management Vision, we believe that serving as both a distributor and a manufacturer, and providing the latest and optimal options to the medical field in Japan and overseas, will lead to maximizing the value that we can provide to the medical field. Therefore, we will focus on the following three points.

- Strengthen product portfolio
- Expand our business areas by leveraging our strengths
- Provide in-house products overseas

We will respond to various needs in the medical field by strengthening our product portfolio, such as strengthening our product lineup in existing fields and introducing superior products that are expected to have synergies with our in-house products. As part of our efforts to expand our business areas by leveraging our strengths, we will develop new business areas through the introduction of highly novel products and the application and development of our proprietary technologies.

In addition, by expanding our in-house products overseas, which are highly evaluated in Japan, we will expand opportunities for realizing a healthy society through the latest and optimal medical devices both in Japan and overseas.

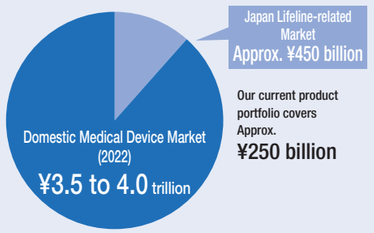
Japan Lifeline-related Market Conditions in Japan

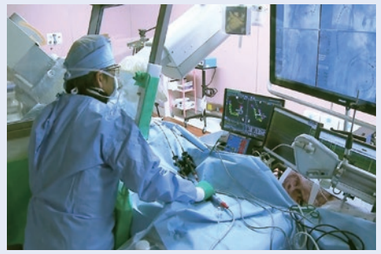
The size of the medical device market in Japan is estimated to be 3.5 to 4 trillion yen. With the growth of the elderly population and longer lifespans, the Japan Lifeline-related market is expected to continue to grow at a stable CAGR of 2 to 3%.

Domestic (Japan) Market Size

Product Category	Diseases	Market Size	Market Growth (forecast for the next few years)	Net Sales (FY3/2023)
Cardiac Rhythm Management	Cardiac/ Arrhythmias	¥75.0 billion	+0%	¥12.4 billion
EP/Ablation	Cardiac/ Arrhythmias	¥75.0 billion	+4 to 5%	¥26.2 billion
Cardiovascular (Aortic)	Cardiac/Aortic Aneurysms	¥38.0 billion	+0%	¥10.4 billion
Cardiovascular (Neurovascular)	Brain/Strokes, Brain Aneurysms	¥30.0 billion	+5 to 6%	¥0.2 billion
Gastrointestinal	Gastrointestinal diseases/ Cancer, etc	¥34.0 billion	+3 to 5%	¥0.6 billion (gastrointestinal only) ¥1.7 billion (other sales in the category)
Total		¥252.0 billion	—	¥51.7 billion

Source: Market research by R&D and Japan Lifeline





Medium-term Growth Strategy: Growth as both a distributor and a manufacturer

In light of our long-term growth strategy and future market environment, we will work to strengthen our functions as both a distributor and a manufacturer under our medium-term growth strategy.

In the capacity of a distributor, we have identified medical devices that are valuable to the medical field, introduced excellent medical devices to the domestic market at an early stage, and provided products through our sales network. Taking advantage of these strengths, we will contribute to the medical field by introducing highly novel products such as neurovascular and other products that have synergies with existing products. In addition, as work style reforms for physicians progress, we will focus on introducing medical devices that will lead to solving a wide range of issues in the medical field, such as improving the work efficiency of medical professionals.

In the capacity of a manufacturer, we will strengthen the BeeAT and FROZENIX product lineup, our major products. Although these products have contributed significantly to our earnings as one-of-a-kind products to this point, our competitors have launched similar products. As a pioneer in the market, we will maintain our market share by offering a product lineup that meets diverse needs. At the same time, we will focus on expanding our business in the gastrointestinal field and developing new one-of-a-kind products by focusing on R&D investments. During the period of the medium-term management plan, although the in-house sales ratio is expected to decline due to business expansion in the neurovascular field, we will steadily proceed with preparations for expanding in-house products overseas.

Although we expect stable cash flow from operating activities going forward, we plan to allocate funds to investments and returns in a well-balanced manner while ensuring financial stability and prioritizing capital efficiency. Based on the medium-term management plan, we will continue to work toward the continuous growth of our business and further improvement of our corporate value.

Risks and Assumptions Associated with the Medium-term Management Plan

The following risks are assumed to be associated with the implementation of measures and achievement of KPIs under the medium-term management plan. Although we have incorporated assumptions into the plan, we will work to minimize risks and maximize business opportunities in the future.

Risks	Explanation	Assumptions factored into the plan
Unexpected loss of market share for major products	● Sales of Internal Atrial Cardioversion Catheter BeeAT and Open Stent Graft FROZENIX (our major products) accounted for more than 30% of total net sales in FY3/2023. ● We expect competition from these products to emerge from FY3/2024 onwards.	Expect certain market share loss, but maintain dominant market share after 5 years
Slower-than-expected growth in both case numbers and market size	● Incorporate market growth data by product category into sales plans using market reports, etc. ● Specifically, net sales of in-house products are highly dependent on the growth rate of atrial fibrillation (AF) cases.	Growth rate of AF case numbers: CAGR 6% (FY3/2024 to FY3/2028)
Greater-than-expected decline in insurance reimbursement prices	● Insurance reimbursement prices are revised once every two years, which may result in a decline in prices. ● The year of revision can have a significant impact on net sales and gross profit.	Assume reasonable declines based on past declines
Launch delays or cancellations due to failure to meet product introduction milestones	● There are various milestones before a product is launched, including development, clinical trials, and obtaining regulatory approval. ● Failure to meet milestones or schedule delays lead to launch delays or cancellations.	Product milestones for each product
Soaring costs/expenses due to high inflation and the weak yen	● Increasing costs of raw materials procurement, product purchases, and SG&A expenses due to inflation and yen depreciation => putting pressure on gross and operating profit	Expect an annual inflation rate of 2 to 3% and an FX rate of 1 USD to 130 JPY

Priority Measures

Under the medium-term management plan, we will focus on three priority measures to promote management that gives priority to capital efficiency in addition to the steady growth of net sales and operating profit.

Priority Measure 1: Expand into new business areas

Neurovascular Business　Net sales target for FY3/2028: ¥4.5 billion

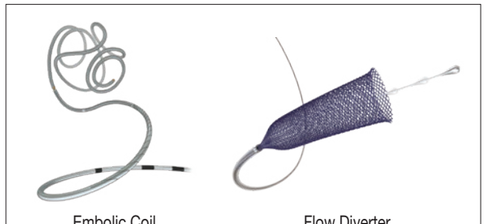
The market for neurovascular diseases is expected to grow in the future due to treatment guideline revisions and other factors. In August 2022, JLL entered into an exclusive distribution agreement with Wallaby Medical to distribute eleven neurovascular products in Japan, including flow diverters, which are highly novel treatment devices. By launching these products, we will build a top-class product lineup in Japan and establish our presence in the neurovascular business.

Products for Acute Ischemic Stroke Treatment
Market Size: ¥11 billion　Expected Growth Rate: CAGR +8%

Aspiration Catheter
(launched in May, 2023)

Stent Retriever (planned for launch in March 2025)

Products for Brain Aneurysm Treatment
Market Size: ¥15 billion　Expected Growth Rate: CAGR +6%



Embolic Coil
(launched in April, 2022)

Flow Diverter
(planned for launch in March, 2028)

Gastrointestinal Business　Net sales target for FY3/2028: ¥3.5 billion

In the gastrointestinal field, since the launch of our colonic stent in 2017, we have launched our in-house products based on stent-weaving, radiofrequency ablation, and other technologies that we have cultivated in the cardiovascular business. In August 2022, we started selling products in the biliary-pancreatic field by utilizing our high-performance shaft manufacturing technology. Going forward, we will continue to apply our own technologies to develop differentiated products, thereby promoting the penetration of our brand.

Application and Expansion of Proprietary Technologies in the Gastrointestinal Field

Time of Release	Product	Proprietary Technology
Jun. 2017	Colonic stent	Stent-weaving technology for vascular grafts
Dec. 2019	RF needle for liver cancer treatment	Ablation catheter radiofrequency ablation technology
Aug. 2022	Bile-duct tube stent	High-performance shaft manufacturing technology for catheters

Priority Measure 2: Continuously introduce competitive products

Address the Business Environment

While the number of cases involving the use of medical devices has increased with the growth of the elderly population and longer lifespans, unit prices of products have continued to decline due to the revision of insurance reimbursement prices once every two years in accordance with the Japanese government's policies designed to reduce healthcare costs. We will continue to introduce differentiated products to the market in order to respond to price declines and increase market share.

Strengthen Major Products

Although competitors have entered the market with products which compete with Internal Atrial Cardioversion Catheter BeeAT and Open Stent Graft FROZENIX, we will maintain our market share by strengthening our product lineup.

BeeAT is a catheter used to perform intra-cardiac defibrillation to facilitate procedures during atrial fibrillation (AF) ablation surgery. Demand for the products has exceeded our initial expectations. We have been selling BeeAT as a de facto standard product used in more than 80% of AF cases in Japan and as a one-of-a-kind in-house product. We are expanding our product lineup to meet the needs of customers, such as IVC BeeAT for IVC approach via the femoral vein, which differs from the conventional approach, and Lumen BeeAT, a catheter with which a guidewire can be used for accurate catheter placement.

FROZENIX has also gained broad recognition as a product that reduces the physical burden on patients compared to conventional ways of surgery. We are strengthening our product portfolio so that our devices can be used for new cases. These products include FROZENIX Partial ET, an added version of open stent graft which helps reduce the risk of complications, and FROZENIX 4 Branched, another type of open stent graft which includes vascular grafts in its design.

We will also focus on the development of new one-of-a-kind products by utilizing our experience and know-how in product development, which has cultivated markets by identifying latent needs in the medical field.

Atrial Cardioversion Catheter

Open Stent Graft

Hemostasis Device for Femoral Vein

Introduction of Third-party Products that Create Synergies

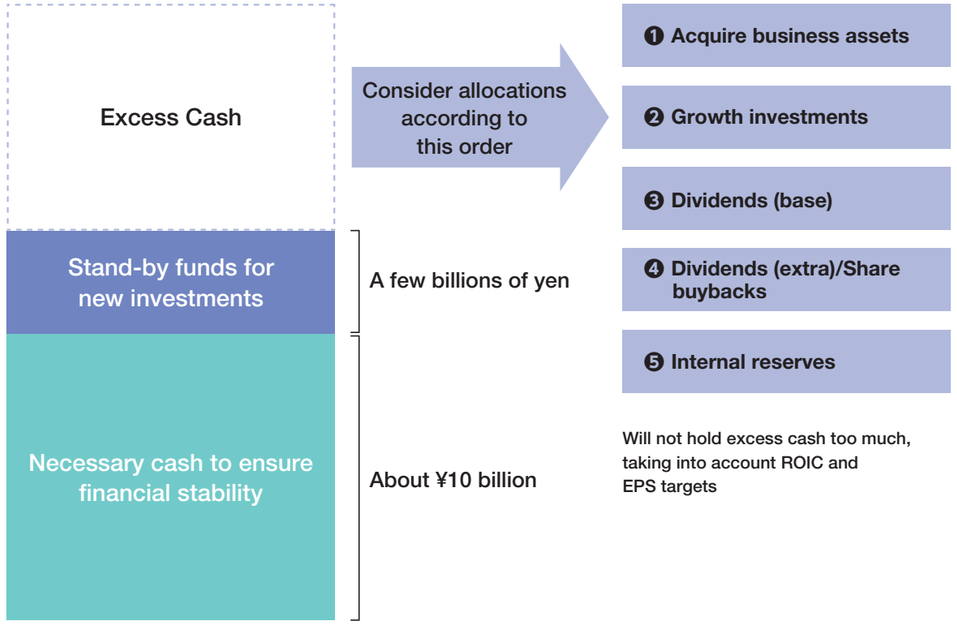
We will continue to explore third-party products that create high synergies with in-house products by utilizing our distribution function. VASCADE MVP, a hemostatic device for femoral vein, launched in October 2023 under an exclusive distribution agreement in Japan, is used to stop thigh puncture bleeding after ablation surgery. It is a product that can allow patients to be released from the hospital soon after surgery, contributes to reducing the workload of medical professionals, and is expected to generate synergy with our main EP/Ablation products. We will continue to meet the needs of the medical field by introducing products that are expected to generate synergies with existing products.

Priority Measure 3. Improve capital efficiency management

Cash Allocation

We expect to generate a stable cash flow during the period of the medium-term management plan. After ensuring financial stability, cash will be prioritized for investment in growth, dividends, and other uses. The source of the required funds will be cash on hand from operating cash flows with appropriate funds procured as necessary.

Although we will allocate according to the following basic order, we will invest flexibly depending on the expected return on investment.



Growth Investments

We plan to invest between 4 billion and 5 billion yen for growth annually, mainly in R&D, capital expenditure, clinical trials, etc. Recently, in addition to renovating our core systems to respond to changes in the business environment and improve the efficiency of business processes, we are working to strengthen and improve the efficiency of our business foundation through digital marketing and other measures.

(1) R&D

R&D expenses are expected to be between 2.5 and 3 billion yen annually.

R&D activities are carried out at two Company locations: the Research & Development Department (Toda City, Saitama Prefecture) and Ichihara Factory (Ichihara City, Chiba Prefecture). By leveraging our strengths in technology, we are working on product development in existing fields and the biliary-pancreatic field, which is a new business field for the Company. We are also focusing on new technologies such as pulsed field ablation and regenerative medicine. In light of these activities, we expect that R&D expenses will increase around 4% to 5% annually.

(2) Capital Expenditure

Capital expenditure are expected to be between 1.5 and 2 billion yen annually.

Our new core systems went into operation in November 2023. We will continue to invest in core systems to improve operations (sales efficiency and inventory efficiency). Since we currently do not anticipate making large-scale investments in manufacturing facilities, we expect depreciation expenses to be in the range of 1.6 to 1.8 billion yen per year.

(3) Clinical Trials

In order to sell highly novel products in Japan, it is necessary to conduct clinical trials. We expect to invest 100 to 200 million yen annually in clinical trials in order to introduce newly developed in-house products and new products from overseas manufacturers in Japan.

(4) Others

Other investments are expected to total between 100 to 200 million yen annually. Investments may be made to form capital tie-ups with companies including foreign manufacturers with promising products.

Item	Annual Investment Amount
(1) R&D	¥2.5 to 3 billion/year
(2) Capital Expenditure	¥1.5 to 2 billion/year
(3) Clinical Trials	¥0.1 to 0.2 billion/year
(4) Others	¥0.1 to 0.2 billion/year
Total	¥4 to 5 billion/year

Shareholder Return Policy

Our basic policy for shareholder return is to return profits to shareholders once a year via a year-end dividend, taking into consideration the business performance of each fiscal year and the demand for funds for future business development. The results of past dividends and share buybacks and the return forecast for FY3/2024 are as follows.

Unit: million yen	FY3/2021 Actual	FY3/2022 Actual	FY3/2023 Actual	FY3/2024 Forecast
Total Dividends (DPS in parentheses; Unit: one yen)	3,945 (49)	3,041 (38)	2,965 (38)	3,147 (42)
Share buybacks	-	539	1,948	4,000
Total	3,945	3,580	4,913	7,147

Column

Strengthen Shareholder Return

In the future, we will pay a stable base dividend with a target payout ratio of around 40% or DOE of 5% and then add to the dividend and repurchase shares as appropriate. The treasury shares held by the Company will be allocated to remuneration for Directors, with an upper limit of approximately 1% of the total number of issued shares, and any portion exceeding this limit will be canceled. Over the next five years, we expect the total shareholder return amount, including dividends and share buybacks, to be around 25 billion yen.

Takeyoshi Egawa
Vice President Senior Manager of Business Administration Department

Business Strategy

Cardiac Rhythm Management

Handling implantable devices to treat arrhythmias

Takashi Ito
Senior Operating Officer and Executive General Manager of Arrhythmia Business Unit

Market Growth Forecast for the Medium-term Management Plan Period (monetary value basis)		Sales Growth Target for the Medium-term Management Plan Period	
CAGR	+0% (Brady -1 to -2%, Tachy +1 to +2%)	CAGR	+0%

FY3/2023 Overview

In FY3/2023, Cardiac Rhythm Management net sales decreased 4.4% YoY to 12,403 million yen. The sales were sluggish because the negative impact of the insurance reimbursement revision that took place in April 2022 was more than expected, on top of the prolonging impact of the COVID-19 pandemic.

Cardiac Pacemaker
Artificially stimulates the heart using electrical stimulation for patients with arrhythmia (bradycardia), a condition where the heart beats too slowly, to keep the pulse at a steady rate.

Medium-term Business Conditions

We expect the cardiac rhythm management market to basically remain flat during the period of the medium-term management plan. However, we will aim to achieve sales growth that exceeds the market. Firstly, with regard to business conditions, the market on an implanted-unit basis will continue to expand against the backdrop of a gradual increase in the elderly population. However, the monetary value-based market growth rate is expected to remain flat as insurance reimbursement prices are on a downward trend, reflecting intensifying price competition in the market. In this matured market, product differentiation and sales efficiency are the keys to survival. In the bradycardia field, other companies have introduced leadless pacemaker technology, an innovative technology which defies conventional wisdom. As a result, it goes without saying that we are likely to face an uphill battle in terms of product competitiveness in this area.

T-ICD
Detects the occurrence of ventricular fibrillation, a fatal arrhythmia among arrhythmias (tachycardia) in which the heart beats faster, and provides an electrical shock to bring the heartbeat back to normal.

Medium-term Strategy: Perform actions that utilize our strengths

On the other hand, the devices that we handle have unique strengths such as long battery life, accessories that help conduct surgeries smoothly, and a sales system with multiple locations throughout Japan. We believe that it is possible to use these strengths to our advantage in order to beef up our overall appeal to customers and achieve tenacious growth.

In the tachycardia field, we will make every effort to further popularize our unique S-ICD product. Since switching the supplier of our cardiac rhythm management products to Boston Scientific Japan in 2019, we have focused on S-ICD seminars and study sessions for medical professionals. Although it took longer than expected due to the COVID-19 pandemic, S-ICD sales have been increasing steadily recently. I'm confident that it is the result of our efforts. Going forward, we will strive to establish a stronger position in the market by further improving sales efficiency and increasing the S-ICD's repeat adoption rate.

S-ICD
Like the T-ICD, the S-ICD delivers an electric shock when ventricular fibrillation occurs, but since the lead wire is implanted subcutaneously, there is no foreign body implanted in the blood vessel or in the heart.

EP/Ablation

Handling electrode-embedded catheters used for diagnosis and treatment of arrhythmias

Naohiro Nakada
Operating Officer and General Manager of EP Department

Market Growth Forecast for the Medium-term Management Plan Period (monetary value basis)		Sales Growth Target for the Medium-term Management Plan Period	
CAGR	+4 to 5%	CAGR	+5%

FY3/2023 Overview

In FY3/2023, EP/Ablation net sales increased 4.8% YoY to 26,292 million yen. The number of atrial fibrillation (AF) ablation cases increased by about 6% from the previous fiscal year, resulting in strong sales of AF-related in-house products.

EP Catheter
Used during examinations to diagnose arrhythmia and determine the appropriate treatment method.

Medium-term Business Conditions

The medium-term management plan is premised on the assumption of a major change—the emergence of a new technology called pulsed field ablation (PFA). Conventional radiofrequency ablation, which uses thermal energy, has the potential to damage adjacent organs other than the lesion, such as the esophagus, but the greatest advantage of PFA is that the risk of such damage is low. This technology is also expected to shorten surgery times. Since our competitors are quickly moving forward in the PFA field, the technology is expected to be introduced in Japan at some point in 2024. We are preparing to enter the PFA market in order to follow suit. On the other hand, the spread of PFA is expected to have a negative impact on our business, such as a decrease in demand for esophageal temperature monitoring catheters, one of our major products.

Endoscopic Laser Ablation Catheter
Laser irradiates from inside a balloon section of the catheter to isolate abnormal excitation from the pulmonary veins that cause atrial fibrillation. An endoscope inside the catheter allows for accurate catheter placement and ablation.

Medium-term Strategy: Strengthen Product Lineup

During the period of the plan, we aim to grow sales at a CAGR of 5% through to the final year of the plan, the fiscal year ending March 2028, after bottoming out in FY3/2024, when we expect a decline in sales due to the termination of our exclusive distribution of RF needles. The number of AF cases is expected to grow steadily over the medium term. By taking advantage of this growth, we intend to increase AF-related product sales.

We will also focus on our largest growth driver, Internal Atrial Cardioversion Catheter Bee-AT. Although our competitors recently entered the market with competing products, we will maintain a dominant market share by strengthening our product lineup. In addition to VASCADE MVP, a hemostatic device for femoral vein launched in October 2023, we will steadily launch products that are planned to be introduced in the future to achieve the targets of the medium-term management plan.

Atrial Cardioversion Catheter
This device can perform atrial cardioversion for atrial fibrillation that occurs mainly during ablation treatment.

Cardiovascular

Aortic: Medical devices for treating aortic disease
Neurovascular: Medical devices for treating ischemic stroke or brain aneurysms

Tatsuya Murase
Senior Vice President Executive Manager of General Business HQ

Market Growth Forecast for the Medium-term Management Plan Period (monetary value basis)			
CAGR	Aortic **+0 to 1%**	Ischemic stroke related products **+8%**	Brain aneurysm related products **+6%**

Sales Growth Target for the Medium-term Management Plan Period
Aortic CAGR +3 to 4% **Neurovascular Net sales target for FY3/2028: ¥4.5 billion**

FY3/2023 Overview

In FY3/2023, cardiovascular net sales increased 8.6% YoY to 11,006 million yen. Sales of aortic-related products in our existing business area were firm. Sales of neurovascular-related products, our new business area, also got off to a good start.

Vascular Graft
This device is used to treat aneurysms by replacing damaged blood vessels through open chest surgery.

Medium-term Strategy

Under the medium-term management plan, we aim to achieve a net sales CAGR of 3% to 4% for aorta-related products while targeting 4.5 billion yen (FY3/2023 net sales: 0.23 billion yen) in net sales for neurovascular-related products by FY3/2028.

In the aorta-related business, our main strategy is to expand our open stent graft business, a major product type. Since FROZENIX Partial ET, launched in August 2023, is an open stent graft featuring a design that is expected to reduce the risk of complications, we will focus on expanding sales with the aim of replacing conventional surgical procedures with those that use open stent grafts.

We decided to enter the neurovascular-related field because the market growth rate is high at 6% to 8% and we could leverage Wallaby Medical's excellent product portfolio. The current product lineup of neurovascular-related consists of embolic coils and aspiration catheters. However, we plan to expand this to 11 products within five years. The challenge to our success in this area is to survive the fierce competition on the sales front. Although the current sales progress rate is well enough, we will further strengthen our sales structure by hiring external personnel, enhancing internal training, and building relationships with customers.

Open Stent Graft
This device is inserted into the aorta to hold it in place through expanding force. As the distal side doesn't need suturing, the surgery is less invasive.

New Business Development

Although it is not included in the medium-term management plan, JLL entered into a long-term exclusive distribution agreement with Meril Life Sciences and decided to move into the TAVI (Transcatheter Aortic Valve Implantation) field for the first time. In Japan, this field is large with a market size of 56 billion yen with a CAGR of 5%. Although several competitors have already playing in the market, the products we handle are competitive. Therefore, we aim to establish a market presence as soon as possible by leveraging the know-how and customer base we have developed through sales of prosthetic heart valves in the past.

Embolic Coil
This device is placed in a brain aneurysm to stop blood flow and prevent it from bursting (subarachnoid hemorrhage).

Gastrointestinal

Handling medical devices for treating gastrointestinal diseases of the liver, colon, etc.

Yasuaki Takeda
General Manager of GI Department, CVG Business Unit

Market Growth Forecast for the Medium-term Management Plan Period (monetary value basis)	
CAGR	**+3 to 4%**

Sales Growth Target for the Medium-term Management Plan Period
Net sales target for FY3/2028: ¥3.5 billion (Reference: ¥0.65 billion in FY3/2023)

FY3/2023 Overview

In FY3/2023, Gastrointestinal net sales decreased 37.2% YoY to 2,048 million yen. Net sales of gastrointestinal-related products, which is an area of business that we are focusing on, increased 44.2% YoY to 654 million yen. Although sales were strong in line with the launch of new products, we withdrew from the unprofitable coronary intervention business, resulting in a significant decline in net sales in the fiscal year under review.

Colonic Stent
This device is used to treat a blocked colon caused by cancer. A thin wire is inserted through the blockage and then the stent is placed along the wire to open up the colon.

Medium-term Strategy

In accordance with the policy of "Expanding into new business areas" provided in the medium-term management plan, we aim to enter the gastrointestinal field in a full-fledged manner and expand business by tapping into the biliary-pancreatic market. However, because the gastrointestinal field is different from what we have experienced in the cardiovascular, from products to customers, it was necessary to first establish a sales structure. By shifting personnel from other departments, we were able to build up our sales staff, and through time-consuming and systematic training, we were able to put in place a solid business foundation. In regard to products, we are working to develop competitive products by utilizing our in-house technologies such as high-performance shafts and stents established that are widely used in the cardiovascular field. Taking advantage of our strengths as a Japanese manufacturer, we are actively engaged in activities out on the field, such as having product engineers conduct interviews with doctors directly. In the future, we would like to steadily establish a position in the market by launching unique proprietary devices.

RF Needle for Liver Cancer Treatment
A needle-shaped electrode is percutaneously inserted into the liver cancer tissue and radiofrequency heat is generated around the electrode to ablate and treat the lesion as monitoring is provided via an ultrasound or CT.

Product Development Using In-house Technologies

The future growth of the Gastrointestinal business will require the enhancement of our biliary-pancreatic products. The bile duct tube stent, launched in 2022, captured approximately 10% of the market share in just one year. This product uses the catheter shaft manufacturing technology that is widely used for EP products, and has been highly evaluated for its excellent passability and endurance. At present, we have four products in our product pipeline, and we are working on a re-launch of our cholangioscope, which had been positioned as our main product in the biliary-pancreatic field but found necessary for re-development at the initial clinical phase. Although we are a late comer into the market, we aim to achieve steady growth by introducing competitive products through innovative ideas that lead to solutions.

Bile-duct tube stent
This device is used to widen a narrowed bile duct, which can be caused by stones or tumors, and restore the normal flow of bile.

Sustainability Management

Guided by our management philosophy, the JLL Group will achieve sustainable growth by working to solve social issues through our business activities of providing the latest and optimal medical device technologies while meeting the expectations of our stakeholders.

Sustainability Policy

In order to respond to changes in the environment surrounding the JLL Group and the diversification of values, we established the Code of Conduct in December 2022 as action guidelines for directors and employees. This is based on the belief that in order to put our management philosophy into practice, each and every one of us must think about our stakeholders and take actions that meet their expectations. The Company aims to have all stakeholders say, "I am grateful that I chose Japan Lifeline." Since we believe that this type of approach is also important for our sustainability initiatives, the Code of Conduct will serve as guidelines in this area as well.

Code of Conduct

Grateful for Japan Lifeline (JLL)

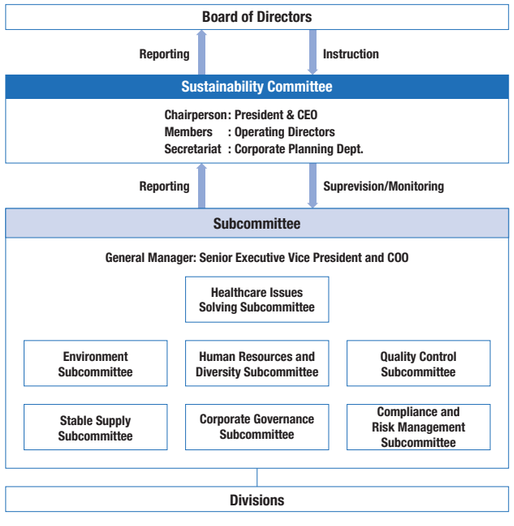
1. "I'm grateful for JLL's products." by every patient
2. "We're grateful that JLL people have come." by medical professionals
3. "We're grateful that we could do business with JLL." by business partners
4. "We're grateful that JLL people are here." by local communities
5. "We're grateful to be a shareholder of JLL." by shareholders
6. "We're grateful to work for JLL." by employees

Sustainability Promotion Structure

Sustainability Committee

The Sustainability Committee, which is chaired by the president and CEO and composed of operating directors, plays a central role in determining and promoting company-wide action policies related to our sustainability efforts. Seven subcommittees have been established under the committee for each materiality, and specific activities are carried out under the instructions of the committee. The Sustainability Committee receives quarterly activity reports from each subcommittee and monitors the progress toward targets.

The Board of Directors regularly receives reports from the Sustainability Committee, oversees the Committee, and decides on important matters related to sustainability.



Identifying Materiality

In June 2021, we identified the seven materialities (important issues) using the process shown below. Moving forward, we will promote sustainability initiatives by monitoring and managing the annual progress of the KPIs set for each materiality.

Materiality Identification Process

STEP. 01 Identifying Social Issues

Identified social issues by referring to evaluation items in international sustainability guidelines (GRI, SASB, SDGs).
Created a comprehensive long list of social issues and organized the items to create a short list of social issues (27 items).

STEP. 02 Prioritizing Social Issues

Evaluated and prioritized individual social issues by using the two axes of "importance to the company" and "importance to stakeholders." Created a social issue evaluation matrix and selected candidates for the materialities that should be prioritized and initiated by the company.

STEP. 03 Validation

The selected materiality candidates were discussed by the directors to confirm their validity.

STEP. 04 Identifying Materiality

We identified the seven materialities as issues that the Company needs to address, organizing them into 2 categories: issues to be resolved through business and issues to be addressed to strengthen the business foundation.

Identified Materialities

Issues to be Resolved through Business

Area	Materiality	Major Themes
Philosophy Realizing a Healthy Society	Solve medical issues through innovative medical devices	• Improve technology for in-house products • Introduce medical devices with high clinical value

Issues to be Addressed to Strengthen the Business Foundation

Area	Materiality	Major Themes
Environment Consideration for the Global Environment	Reduce environmental impact	• Use resources effectively • Reduce greenhouse gases • Reduce waste / Process waste properly
Social Creating a Rewarding Workplace Supply of Safe and Reliable Products	Create a workplace where employees can work with comfort	• Create a comfortable work environment • Respect human diversity • Respect human rights
	Develop human resources and provide opportunities for them to play an active role	• Support employees to achieve specialized skills and personal goals • Strengthen education and training
	Secure product quality and stable supply	• Strengthen the quality control system • Secure stable supply of products
Governance Acts as a Responsible Company	Strengthen corporate governance	• Strengthen auditing and supervisory functions • Execute management decisions and operations with objectivity and transparency • Strengthen risk management initiatives
	Promote compliance	• Ensure fairness and transparency in corporate activities

Materiality and KPIs

Area		Materiality and SGDs	KPIs	Major Medium-Term Targets (to be achieved by FY3/2025)	Major FY3/2023 Results
Issues to be Resolved through Business	Philosophy	Solve medical issues through innovative medical devices	R&D expense	Bring about increases in R&D expenses	R&D expenses (non-consolidated) of 2,316 million yen (year-on-year increase of 7.3%)
			Number of patent applications	Number of patent applications: 100 (total for FY3/2023-FY3/2025)	34 patents (non-consolidated)
			Exploring new areas of business from Intellectual Property	Planning and implementation of measures	—
			Introduction of user-friendly products	• Identify needs of the medical field and develop products that meet those needs • Explore highly novel products	—
			Application and Expansion of proprietary technologies to other fields		
Issues to be Addressed to Strengthen the Business Foundation	Environment	Reduce environmental impact	Establishment of an environmental policy and promotion system	• Establish an environmental promotion system	Formulation of Environmental Conservation Policy
			CO_2 emissions	• Reduce CO_2 emissions by 50% by FY3/2031 (compared to FY3/2021 levels)	Scope 1 & 2 Emissions (consolidated): 6,612 t (year-on-year decrease of 1.6%)
			Industrial waste recycling rate	• Achieve 90% industrial waste recycling rate	96% (non-consolidated)
	Social	Create a workplace where employees can work with comfort	Assessment on the current status and implementation of measures to improve work-life balance	• Monitor and improve of actual working hours	Grasped the actual working hours per person per year (1941.7 hrs.) (non-consolidated)
			Ratio of female managers	• Achieve a female manager ratio 15% by FY3/2031 • Increase ratio of female employees / Study and implement measures to support women	2.6% (non-consolidated)
			Reinforcement on efforts to reduce human rights risks	• Conduct risk assessments on human rights	Formulation of human rights policy
		Develop human resources and provide opportunities for them to play an active role	Formulation of human resources policy and establishment of human resources development promotion system	• Formulate a human resources policy and promote human resources development	Establishment of human resources development promotion system
			Improvement of employee satisfaction	• Improve employee satisfaction	• Conducted employee satisfaction surveys • Analyzed survey results and formulated measures to improve employee satisfaction
			Education and training expenses per employee	• Increase education and training expenses per employee by 5% year-on-year	Education and training expenses per employee (non-consolidated): 97,142 yen (year-on-year increase of 39.8%)
		Secure product quality and stable supply	Compliance with global regulatory requirements (Acquire MDSAP certificate)	• Obtain MDSAP* certificate • Improve our surveillance evaluation	• Completion of MDSAP application
			Maintain and improve the quality of our in-house products	• Analyze complaint reports and conduct surveys for doctors	—
			Promotion of production line duplication	• Promote the use of multiple production lines • Promote multifunctional workforce	• Commenced production line duplication work for multiple items
			Diversification and internalization of outsourcing of critical components and subcontracted processing	• Increase coverage of multiple production lines and in-house production by 5% (compared to FY3/2024 results)	—
	Governance	Strengthen corporate governance	Implementation of measures to comply with the Corporate Governance Code	• Comply with the Corporate Governance Code	• Appointment of one additional outside director to the Nomination and Remuneration Advisory Committee
			Promotion of risk management	• Reassess company-wide risks, determine countermeasures, verify and implement reviews continuously	• BCP development at all sites • Creation of company-wide risk list
			Reinforcement on information security measures	• Create and implement a five-year roadmap based on the results of company-wide risk analysis	Conducted training for all employees (2 times)
		Promote compliance	Strengthening of the compliance system	• Implement various training programs and raise awareness of compliance	• Conducted various training programs designed for employees as well as job-specific training programs
			Promotion of efforts to improve understanding of the whistleblower system	• Establish a whistleblower system that complies with the Whistleblower Protection Act • Ensure that the whistleblower system is known throughout the Company to promote its appropriate use	• Established a whistleblower system that complies with the Whistleblower Protection Act • Conducted whistleblower system-related training programs and awareness surveys for employees

* Medical Device Single Audit Program
MDSAP is a program that verifies the conformity and adequacy of a manufacturer's QMS to the regulatory requirements of regulatory authorities in five countries (the United States, Australia, Brazil, Canada, and Japan) in a single survey by an accredited survey organization.

Environment

In response to serious environmental problems such as global warming and environmental pollution, the JLL Group is working to reduce the environmental impact of our business activities in order to realize a sustainable society that can achieve a balance between global environmental conservation and economic development.

Reduce environmental impact

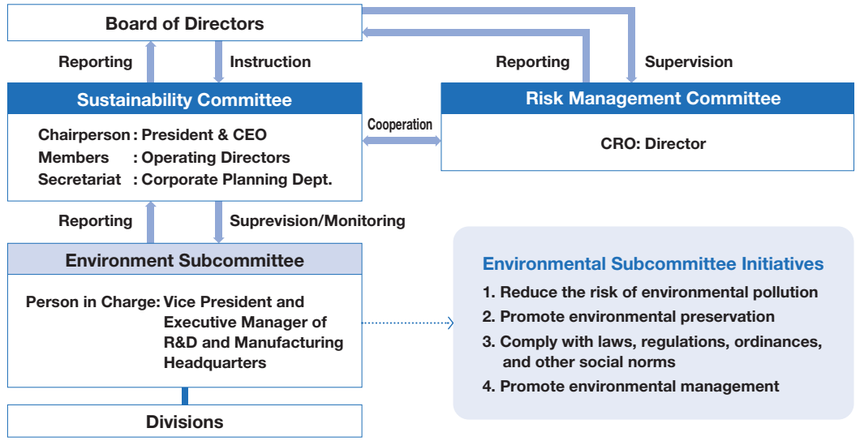
JLL Group Environmental Conservation Policy

Since we regard efforts to preserve the global environment as an important management issue, we established the JLL Group Environmental Conservation Policy, which is provided below, in February 2023 in order to promote initiatives throughout the Group. Based on this policy, we will fulfill our responsibilities as a member of society by promoting environmental conservation initiatives throughout the Group.

1. Reduce the risk of environmental pollution
   - We are committed to providing environmentally friendly products throughout the entire process of design, development, production, sales, use, and disposal of medical devices.
   - In all of our business activities, we will not use prohibited hazardous chemicals and will manage the chemical substances contained in our products.
2. Promote environmental preservation
   - To cope with climate change, we will work to reduce greenhouse gas emissions through the use of renewable energy and the promotion of energy conservation.
   - To create a recycling-oriented society, we will work toward zero emissions by efficiently using and reusing limited resources.
   - To coexist in harmony with nature, we will engage in responsible procurement that takes into account the conservation and sustainability of water resources and biodiversity.
3. Comply with laws, regulations, ordinances, and other social norms
   - We will comply with domestic and international environmental laws, regulations, ordinances, and agreements we have agreed to in all of our business activities.
4. Promote environmental management
   - We will fulfill our accountability by proactively disclosing information on our environmental initiatives.

Environmental Promotion System

Under the direction of the Sustainability Committee, the Environment Subcommittee plays a central role in considering specific measures and promoting activities for environmental conservation. The Environment Subcommittee reports quarterly to the Sustainability Committee on the progress of activities, risk assessments, and countermeasures, and receives instructions as appropriate. In addition, with regard to climate change risks, the Sustainability Committee works together with the Risk Management Committee to share information and take other actions.



Specific Initiatives

Controls for Hazardous Substances

We manage chemical substances in accordance with the laws and regulations of each country to ensure that products do not contain chemical substances that have a negative impact on the environment or the human body.

In addition, the Oyama Factory and Ichihara Factory use EOG (ethylene oxide gas) for product sterilization. Although EOG-based sterilization is highly effective even at low temperatures and is widely used for the sterilization of medical devices, EOG is highly toxic. Therefore, we aim to reduce environmental impact by using a combustion apparatus to decompose the gas containing EOG emitted from the sterilizer, purify it to a harmless level, and release it into the atmosphere.

Utilization of Renewable Energy

We installed solar power generation systems at the Toda Factory in 2017 and the Ichihara Factory in 2021. The total estimated annual power generation of both factories is 286.2 MWh, resulting in a reduction of 126.2 tons of CO_2 emissions. We will also promote the use of renewable energy at other factories.

Solar panels at Ichihara Factory

Recycling of Industrial Waste

In addition to our initiatives to reduce and reuse waste, we also focus on recycling in order to contribute to the realization of a recycling-oriented society. We will strive to increase the recycling rate by expanding the scope of waste to be recycled, such as waste generated in the product manufacturing process and products that are no longer usable after their sterilization expiration date.

Non-consolidated	FY3/2021	FY3/2022	FY3/2023
Industrial waste recycling rate	90%	92%	96%

Effective Use of Water Resources

Since there are many processes in which clean water is used for the production of our products, we are working to reduce the amount of water used at each factory. Specifically, we are working to conserve water resources by installing chillers (cooling water circulation systems) in facilities that require a large amount of tap water for cooling, etc. to recirculate and reuse water once it has been used.

(Non-consolidated) R&D and manufacturing departments	FY3/2021	FY3/2022	FY3/2023
Amount of water used	12,584 m²	16,821 m²	13,184 m²

Disclosure based on TCFD Recommendations

The JLL Group recognizes that climate change brings about significant risks and opportunities that will affect our business continuity and sustainable growth. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), we will actively promote the disclosure of our climate change initiatives according to four disclosure items.

Governance

Under the direction of the Sustainability Committee, the Environment Subcommittee plays a central role in considering specific measures and promoting activities related to climate change. The Environmental Subcommittee reports quarterly to the Sustainability Committee on the progress of activities, risk assessment and countermeasures, and receives instructions as appropriate. In addition, with regard to climate change risks, the Sustainability Committee works together with the Risk Management Committee to share information and take other actions.

Strategy

To identify risks and opportunities from climate change, we have set 1.5°C/2°C and 4°C scenarios based on information published by the Intergovernmental Panel on Climate Change (IPCC), and the International Energy Agency (IEA). The Environmental Subcommittee analyzed the scenarios and evaluated the financial impact on our business based on temporal perspective, likelihood of occurrence, and scope of impact.

● Transition Risk

Category	Risk factors	Impact on our Company 1.5°C/2°C	Impact on our Company 4°C	Countermeasures
Policy/ Regulations	Pricing progression of GHG emissions	Medium	Low	• Promote energy-saving activities in a systematic manner • Utilize renewable energy
Technologies	Replacement of existing products and services with low-carbon options	Low	Low	• Develop environmentally friendly products (low carbon emissions during manufacturing and use) • Develop products that contribute to the efficiency of medical institutions (e.g., reduced operation time)
Markets	Changes in Consumer Behavior	High	Low	• Develop environmentally friendly products (low carbon emissions during manufacturing and use) • Develop products that contribute to the efficiency of medical institutions (e.g., reduced operation time) • Proactively address and disclose information in response to climate change-related requests
	Soaring raw material costs	Low	Low	• Develop a collaborative climate change plan with supply chain constituents

● Physical Risk

Category	Risk factors	Impact on our Company 1.5°C/2°C	Impact on our Company 4°C	Countermeasures
Acute	Increased severity and frequency of extreme weather events such as cyclones and floods	Medium	High	• Establish BCP plans for typhoons, floods, and other disasters • Decentralize development and manufacturing functions • Promote multiple procurement of raw materials and consider alternatives • Study alternatives for logistics and early recovery plans • Promote efficiency in the development and manufacturing verification process
Chronic	Changes in rainfall patterns, extremes in weather patterns	Low	Medium	

● Opportunities

Category	Opportunity factors	Impact on our Company 1.5°C/2°C	Impact on our Company 4°C	Countermeasures
Resource Efficiency	Use of efficient means of transportation/ efficient production and distribution processes	Medium	Low	• Promote efficiency in transportation • Promote efficiency in manufacturing processes • Promote recycling of industrial waste
	Use of recycling	Low	Low	
Products and Services	Develop and expand low-carbon products/ services Changing consumer preferences	Medium	Low	• Develop environmentally friendly products (low carbon emissions during manufacturing and use) • Develop products that contribute to the efficiency of medical institutions (e.g., reduced operation time)
Markets	Access to new markets	Low	Low	• Develop medical devices to treat new diseases
Resilience	Participation in renewable energy programs, adoption of energy conservation measures Resource substitution/ diversification	Low	Medium	• Promote multiple procurement of raw materials and consider alternatives • Study alternatives for logistics and early recovery plans

Risk Management

The Environmental Subcommittee plays a central role in assessing risks related to climate change and regularly reviews risk assessments based on temporal perspective, likelihood of occurrence, and scope of impact, and responds according to priority level. The Sustainability Committee receives quarterly reports from the Environmental Subcommittee to check the status of risk management and works together with the Risk Management Committee to share information and take other actions.

Evaluation Axis	Overview
Temporal Perspective	The extent to which climate change impacts are expected to affect Group business (long term, medium term, short term)
Likelihood of Occurrence	The extents to which climate change impacts may affect Group business (high, medium, or low)
Scope of Impact	The extent to which climate change impacts will affect Group business (large, medium, or small scale)

Indicators and Targets

We have set CO_2 emissions as a KPI for “Reduce environmental impact,” which is one of the materialities, and progress is being managed. The targets and results over the past three years are as follows.

CO_2 emissions reduction target

50% reduction in CO_2 emissions by 2030 (compared to FY3/2021)
(Scope 1 and 2 emissions*, consolidated)

*** Scope 1 & 2 emissions: Direct and indirect greenhouse gas emissions through the company's operations**

Actual CO_2 emissions (Scope 1 and 2, consolidated) Unit: t-CO_2

	FY3/2021	FY3/2022	FY3/2023
Actual CO_2 emissions (Scope 1 and 2, consolidated)	6,950	6,720	6,612
Base year comparison	-	-3.3%	-4.9%

Social

Amid the diverse relationships between companies and society, we consider human capital to be an issue that needs to be addressed through our business activities and strive to create workplaces where employees find their work to be challenging and rewarding. At the same time, we have positioned "product liability" as another issue and will work to ensure a stable supply of products that can be used with peace of mind.

Develop human resources and provide opportunities for them to play an active role

Policies and Systems for Human Resource Development

Policies for Human Resource Development

In order to realize our management philosophy, we have set our vision of the ideal human resources as "people who can think and act on their own, people who are sincere and never lie". We also want employees to grow, always having a mindset to learn new things proactively, a mindset to improve their insight as professionals, and a mindset that is not individualistic and respects teamwork. Fostering such human resources will, we believe, lead to sustainable growth that leverages our strengths.

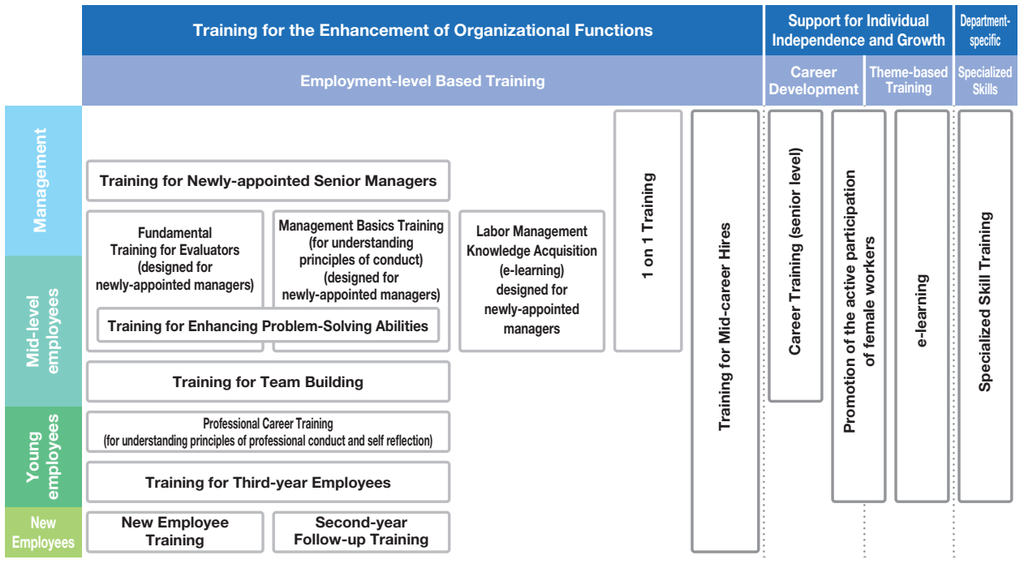
Systems for Human Resource Development

We provide training to provide employees with the abilities and skills that they are required to possess as well as career-specific training based on how many years they have worked for the company, their position, age, and other factors in order to promote the growth of each employee and support career development. In addition to providing each employee with the opportunity to take training courses to acquire skills relevant to his or her work, the program also allows for self-directed learning through e-learning.

For new graduates that join the Company, not only on-the-job training but also follow-up training is provided on a regular basis, and job rotation is conducted around three years after joining the Company with the aim of fostering their development by providing them with a variety of experiences.

In addition, we are working to realize autonomous career development by providing opportunities to take on new challenges through our internal recruitment system and self-application system.

Education and Training System



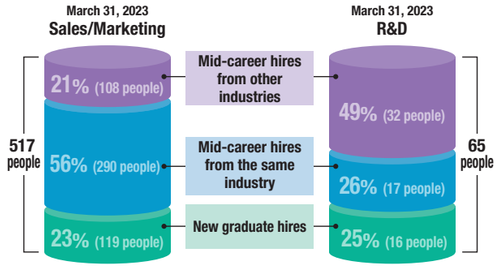
Specific Initiatives

Ensuring Diversity in Recruitment

When hiring employees, we are conscious of the balance between hiring new graduates, mid-career hires from the same industry, and mid-career hires from other industries. In particular, we are actively hiring people from other industries.

Although expertise in handling medical devices is essential, this specialized knowledge can be acquired through education and training after joining the Company. What is more important is that diverse human resources work together to revitalize the organization and encourage the growth of each employee.

Composition Ratio of New Graduates and Mid-career Hires



Investment in Human Resource Development

In order to ensure continuous human resource development by investing in education and training, we have set "Education and training expenses per employee" as a KPI. We have established an annual plan with the goal of increasing education and training expenses per employee by 5% year-on-year, and centrally manage the progress of the plan. By responding flexibly, such as holding training sessions as necessary that were not planned at the beginning of the fiscal year and additional study sessions that were in high demand, the results for human resource development investment for the fiscal year ended March 31, 2023 far exceeded the target.

Education and training expenses per employee

Education and training expenses per employee per year (non-consolidated)		
FY3/2021	FY3/2022	FY3/2023
62,701 yen	69,495 yen	97,142 yen
YoY 5.2% decrease	YoY 10.8% increase	YoY 39.8% increase

Support for Specialized Knowledge Acquisition

As we handle highly controlled medical devices, our employees, who sell and develop products, need to acquire specialized knowledge.

In particular, employees involved in the sale and marketing of implantable medical devices such as cardiac pacemakers and implantable cardioverter defibrillators (ICD), which are our core products, are required to obtain CDR* certification. We maintain a high certification test pass rate by having established a systematic in-house education system and providing follow-up training that corresponds to the level of each examinee. As of June 30, 2023, 353 employees (37% of the Company's employees) have obtained CDR certification to provide support for the proper and safe use of products at medical sites throughout Japan.

* Cardiac Device Representative (CDR): An expert who possesses specialized knowledge and skills that provides information on medical devices and medical technology including cardiac pacemakers and implantable cardioverter defibrillators (ICD). The certifying body for CDR certification is the Japanese Heart Rhythm Society.

In-house training center (Tennoz Accademia)

Training using a surgery simulator

Create a workplace where employees can work with comfort

Respecting Human Diversity and Work Environment Establishment

We believe that a company can only create new value when diverse human resources feel that their work is rewarding and can play an active role. To this end, we are working to eliminate all prejudice and discrimination to create a workplace where employees have respect for each other. In addition, we recognize that diversification of work styles is an important issue, and we will review related systems.

Specific Initiatives

Conduct employee satisfaction surveys

In the fiscal year ended March 31, 2023, we started conducting an employee satisfaction survey for all employees in order to grasp their awareness of work and the workplace environment. In addition to questions about engagement related to their work, the workplace, and the Company, we also asked questions about work and human relationship burdens. The survey response rate was over 90%. The survey results are analyzed to identify issues that are high priorities for the Company and to make improvements. By conducting this survey annually, we will continuously work to improve issues and measure the effectiveness of improvement results.

Promotion of Active Participation of Female Workers

As we work to promote diversity, we recognize that expanding opportunities for women to play an active role is an issue. The percentage of female employees in managerial positions is very low, at 2.6%, compared with the ratio of female employees, which is 25.2%. We have always employed and evaluated our employees in an impartial, gender-neutral manner, and we also implemented lectures by outside instructors and in-house training programs and forums to support the career development of women. We will continue to focus on initiatives to promote the advancement of women with the goal of increasing the ratio of female managers to 15% by the fiscal year ending March 31, 2031.

Forum for the promotion of the active participation of female workers

Column Improving Work-Life Balance

In order to provide an environment where employees can balance work and personal life, we are expanding systems and measures, such as introducing flextime and remote work, and encouraging employees to take paid leave and childcare leave. We also provide support to maintain mental health, such as stress checks and counseling with industrial physicians. Improving work-life balance is also important for respecting human diversity. We will continue this initiative as part of our efforts to improve productivity and encourage the creation of ideas.

Yumiko Hoshiba
Vice President and General Manager of Human Resources & General Affairs Department

Secure product quality and stable supply

Product Quality Management

Based on our management philosophy, we have established a quality policy and comply with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and related laws and regulations, and maintain as well as improve our quality management system in compliance with ISO 13485 (global standard for medical device quality management systems). Through these efforts, we work to ensure product quality and safety in a series of processes including design, development, manufacturing, sales, and post-marketing safety management. ISO 13485 certification has been acquired by Headquarters and all domestic and overseas factories.

In May 2023, we also obtained MDSAP (Medical Device Single Audit Program) certification since we are looking at expanding our in-house products overseas in the future. MDSAP is a single audit program that certifies compliance with the quality management system regulations of the member countries (U.S.A., Australia, Brazil, Canada, and Japan).

Secure stable supply of products

As a company that handles medical devices that are critical to the lives of patients, the stable supply of products is a major responsibility. Therefore, we are taking various measures to achieve this.

In addition to efforts to secure multiple production lines for the manufacture of in-house products, we are building a system that enables us to substitute the manufacture of all products at our domestic plants in the event of an emergency, based on our experience during the COVID-19 pandemic, since we are highly dependent on our overseas plants and those of our business partners. We also conduct risk assessments of suppliers in the procurement of parts and materials, and take measures such as securing multiple suppliers for important parts and high-risk parts.

In addition, we will always keep a certain number of inventories of products. If supply difficulties are expected due to disruptions in manufacturing and distribution, we will respond by accumulating inventories to the largest extent possible.

Furthermore, we have formulated a business continuity plan (BCP) to prepare for business interruptions caused by large-scale natural disasters.

Malaysia Factory

Column Procurement Policy

In March 2023, we formulated a Procurement Policy for the procurement of goods, materials, and services. Based on this policy, we will work on supply chain management to improve product quality and ensure a stable supply.

Fairness	Global opportunities for fair transactions
We will provide fair opportunities for competition to all suppliers globally.	

Compliance	Abide by laws, regulations, and social norms
We will comply with relevant laws and regulations. We do sound and fair procurement activities with social norms.	

Advanced	Secure the latest technological capabilities and product safety
We will constantly explore the latest and most appropriate technology that makes our products different. We aim to ensure product safety through cooperative relationships with our suppliers.	

Win-Win	Coexistence and co-prosperity with our suppliers based on trusting relationships
We will build long-term relationships of trust with our suppliers and strive for mutual development through hard work and cooperation.	

Governance

In order to fulfill our responsibilities as a company that handles medical devices and achieve sustainable growth in the midst of a drastically changing business environment, we believe that strengthening corporate governance is indispensable and that promoting compliance is particularly important. Therefore, we have set each of them as a materiality to take actions.

Strengthening Corporate Governance

Basic Views on Corporate Governance and Corporate Governance Structure

Basic Views on Corporate Governance

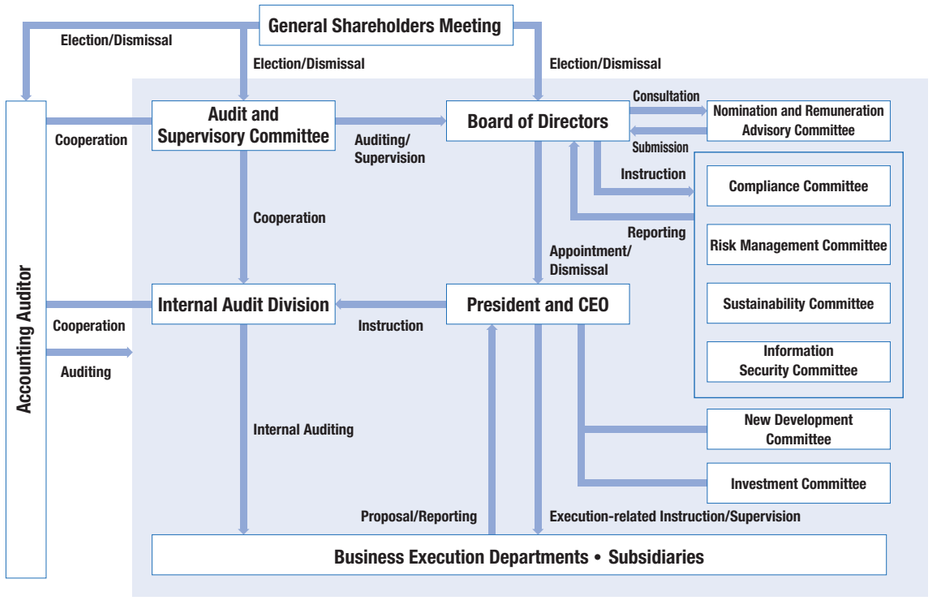
We recognize the importance of establishing effective corporate governance in order to put our management philosophy into practice, meet the expectations and demands of stakeholders, and aim for the sustainable enhancement of corporate value.

The Company will ensure the transparency and objectivity of management by strengthening corporate governance, one of our materialities, and realize effective corporate governance that can respond quickly and accurately to changes in the business environment.

Corporate Governance Structure

For our organizational form, we have chosen to be a company with an Audit and Supervisory Committee. We are strengthening the Audit and Supervisor Committee's function for supervising the Board of Directors meetings. In addition to establishing the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors, the Compliance Committee, Risk Management Committee, Sustainability Committee, and Information Security Committee have been established to strengthen corporate governance under the direction of the Board of Directors.

Corporate Governance Structure



Board of Directors

Composition and Operation of the Board of Directors

The Board of Directors consists of a total of 15 members: 11 directors (excluding those who are members of the Audit and Supervisory Committee) (including 3 outside directors) and 4 directors who are members of the Audit and Supervisory Committee (including 3 outside directors). In principle, the Board of Directors holds regular meetings once a month and extraordinary meetings as needed. Also, in order to provide sufficient information to outside directors, the Company conducts preliminary briefings on Board of Directors meeting proposals.

Matters Deliberated by the Board of Directors

In the Board of Directors meeting for the fiscal year ending March 2023, we deliberated and decided on important matters such as budget, financial statements, significant organizational and personnel issues, investment and financing projects, important contracts, transfer of subsidiary shares, and important matters related to sustainability, all following laws, articles of incorporation, and Board of Directors regulations. We have reviewed financial statements, the status of directors' duties, and important matters related to compliance on the monthly basis. Additionally, we received reports from the Investment Committee and the Sustainability Committee, and held abundant discussions.

Evaluation on the Effectiveness Regarding the Board of Directors

To further enhance the effectiveness of the Board of Directors, we analyze and evaluate the effectiveness of the Board of Directors every year and disclose an overview of the results. A summary of the evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2023 is provided below.

Process for Evaluating the Effectiveness of the Board of Directors

Conducted anonymous self-evaluation questionnaire for all directors and analyzed and evaluated the effectiveness of the Board of Directors based on the opinions of outside consultants.

Major Items of the Self-evaluation Questionnaire

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

Outline of the Analysis/Evaluation Results and Future Issues

The Board of Directors is appropriately fulfilling its roles and functions, and we have analyzed and evaluated it as being effective. We also confirmed that there has been a significant improvement in the evaluation of our efforts to promote constructive dialogue with shareholders (such as institutional investors), which was identified as an issue in last year's effectiveness evaluation. In addition, we agreed that there is still a need for further enhancement of director training (providing training opportunities when directors take office and continuously afterwards) to further improve the effectiveness of the Board of Directors.

Audit and Supervisory Committee

The Audit and Supervisory Committee consists of one director who is a Full-time Audit and Supervisory Committee Member well versed in the Company's business, and three outside directors who are highly independent from the Company. In principle, the Audit and Supervisory Committee holds regular meetings once a month and extraordinary meetings as needed. In addition to attending meetings of the Board of Directors and important meetings as necessary, the Audit and Supervisory Committee members hold regular meetings with the President and CEO to exchange opinions and maintain close communication on issues to be addressed by the company, the status of the environment for the audit by the Audit and Supervisory Committee, and important audit-related issues. In addition, the Audit and Supervisory Committee receives reports from the Internal Audit Division from time to time, discusses the audit plan of the Internal Audit Division in advance, cooperating together to carry out audit procedures as necessary.

Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee consists of five members (two directors and three outside directors (one of whom is an Audit and Supervisory Committee Member)) and is chaired by an outside director. As an advisory body to the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates on the remuneration system for directors and director candidates, reports to the Board of Directors, and determines individual remuneration for directors (excluding those who are Audit and Supervisory Committee members).

Directors

Keisuke Suzuki

President and CEO
1981 Vice President of the Company
1997 Executive Vice President
2005 President and CEO

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate)
Chairperson / Attended 5 meetings of the Nomination and Remuneration Advisory Committee (100% attendance rate)

Atsuhiro Suzuki

Senior Executive Vice President & COO
1984 Joined the Company
2005 Vice President of the Company
2007 Senior Vice President
2011 Executive Vice President
2013 Executive Vice President
2015 Representative Director and Executive Vice President

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 5 meetings of the Nomination and Remuneration Advisory Committee (100% attendance rate)

Kenji Yamada

Senior Vice President
Executive Manager of Corporate Administration Headquarters
1998 Joined the Company
2015 Vice President of the Company
2020 Senior Vice President

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate)

Tatsuya Murase

Senior Vice President
Executive Manager of General Business Headquarters
2009 Joined the Company
2022 Vice President of the Company
2024 Senior Vice President

Attendance at Board of Directors meetings
Attended 10 meetings of the Board of Directors (100% attendance rate) from time of appointment in June 2022

Toru Takamiya

Vice President
Executive Manager of R&D and Manufacturing Headquarters
2006 Joined the Company
2017 Vice President of the Company

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate)

Tadashi Idei

Vice President
Executive Manager of Regulatory Affairs Headquarters
2009 Joined the Company
2017 Vice President of the Company

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate)

Yumiko Hoshiba

Vice President
General Manager of Human Resources & General Affairs Department
1992 Joined the Company
2018 Vice President of the Company

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate)

Takeyoshi Egawa

Vice President
Senior Manager of Business Administration Department
2018 Joined the Company
2023 Vice President of the Company

Attendance at Board of Directors meetings
Appointed as a member of the Board of Directors in June 2023

Fumihiro Sasaki

Outside Director Independent
2012 Outside Director of the Company

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 5 meetings of the Nomination and Remuneration Advisory Committee (100% attendance rate) Chairperson

Yoshiaki Ikei

Outside Director Independent
2017 Outside Director of the Company

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 5 meetings of the Nomination and Remuneration Advisory Committee (100% attendance rate)

Yusuke Naiki

Outside Director Independent
2021 Outside Director of the Company

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate)

Shogo Takahashi

Vice President (Full-time Audit and Supervisory Committee Member)
1994 Joined the Company
2011 Vice President of the Company
2013 Senior Vice President
2022 Vice President (Full-time Audit and Supervisory Committee Member)

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 11 meetings of the Audit and Supervisory Committee (100% attendance rate) from time of appointment in June 2022 Chairperson

Masahiko Nakamura

Outside Director (Audit and Supervisory Committee Member) Independent
2012 Outside Corporate Auditor of the Company
2021 Outside Director of the Company (Audit and Supervisory Committee Member)

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 15 meetings of the Audit and Supervisory Committee (100% attendance rate)

Daizo Asari

Outside Director (Audit and Supervisory Committee Member) Independent
2014 Outside Corporate Auditor of the Company
2021 Outside Director of the Company (Audit and Supervisory Committee Member)

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 15 meetings of the Audit and Supervisory Committee (100% attendance rate)
Attended 5 meetings of the Nomination and Remuneration Advisory Committee (100% attendance rate)

Yutaka Karigome

Outside Director (Audit and Supervisory Committee Member) Independent
2006 Outside Corporate Auditor of the Company (retired from position in 2014)
2021 Outside Director of the Company (Audit and Supervisory Committee Member)

Attendance at Board of Directors meetings
Attended 12 meetings of the Board of Directors (100% attendance rate) / Attended 15 meetings of the Audit and Supervisory Committee (100% attendance rate)

Skill Matrix

In order that the Board of Directors may fulfill its roles and duties effectively, the Company aims for the Board to be composed of members who have experience and knowledge in the areas of corporate management, business promotion, and strengthening of business foundation. When nominating candidates for outside director, the Company aims to achieve a composition of people with experience such as a corporate manager and with specialist knowledge in areas such as finance and accounting, or law and compliance.

Skill Matrix

Name	Position	Corporate Management	Business Promotion			Strengthening Business Foundation			
		Management Experience	Knowledge of the Medical Device Industry	Sales Marketing	R&D/ Manufacturing/ Medical Affairs	Finance/ Accounting	Legal Affairs Compliance	Personnel Affairs/ Human resource Development	DX/IT
Keisuke Suzuki	President & CEO	○	○	○					
Atsuhiro Suzuki	Senior Executive Vice President & COO	○	○	○					
Kenji Yamada	Senior Vice President					○	○		○
Tatsuya Murase	Senior Vice President		○	○					
Toru Takamiya	Vice President		○	○	○				
Tadashi Idei	Vice President		○		○				
Yumiko Hoshiba	Vice President						○	○	○
Takeyoshi Egawa	Vice President					○	○		
Fumihiro Sasaki	Outside Director	○					○	○	
Yoshiaki Ikei	Outside Director	○				○			
Yusuke Naiki	Outside Director	○	○	○					
Shogo Takahashi	Vice President (Full-time Audit and Supervisory Committee Member)				○		○		
Masahiko Nakamura	Outside Director (Audit and Supervisory Committee Member)						○		
Daizo Asari	Outside Director (Audit and Supervisory Committee Member)					○			
Yutaka Karigome	Outside Director (Audit and Supervisory Committee Member)					○			

*1. The above table lists up to three of the skills possessed by the directors, and does not show all of the skills they possess.
2. "Management Experience" means experience and knowledge that provides the basis for strategic thinking aimed at achieving sustainable improvements in corporate value over the medium to long term.
3. "Knowledge of the Medical Device Industry" means experience and knowledge that provides the basis for comprehensive decision-making in the rapidly changing medical device industry.
4. "Sales/Marketing" means experience and knowledge that provides the basis for formulating competitive sales strategies in the medical device industry.
5. "R&D/Manufacturing/Medical Affairs" means experience and knowledge that provides the basis for formulating competitive product strategies in the medical device industry.
6. "Finance/Accounting" means experience and knowledge that provides the basis for making decisions in relation to corporate and business activities.
7. "Legal Affairs/Compliance" means experience and knowledge that provides the basis for taking advantage of opportunities and managing risk in relation to corporate and business activities.
8. "Personnel Affairs/Human Resource Development" means experience and knowledge that provides the basis for securing and utilizing management resources in relation to corporate and business activities.
9. "DX/IT" means experience and knowledge that provides the basis for reforming business processes in relation to corporate and business activities.

Appointment of Directors

After the Nomination and Remuneration Advisory Committee deliberates on director candidates based on the following appointment criteria, the Board of Directors decides on the candidates based on the report from the Nomination and Remuneration Advisory Committee and proposals for appointments are presented during the General Shareholders Meeting. For director candidates who are members of the Audit and Supervisory Committee, prior consent by the Audit and Supervisory Committee shall be obtained to be considered as a director candidate.

Appointment Criteria
- Excellent personality and insight, and high ethical standards
- Able to make appropriate decisions regarding overall management
- Able to objectively analyze and make judgments from a company-wide perspective
- Excellent foresight, insight, and leadership
- Audit and Supervisory Committee Member candidates must have the knowledge, experience, and expertise necessary for conducting audits

If during a director's term of office it is recognized that any of the predetermined criteria for dismissal are met, the Nomination and Remuneration Advisory Committee will deliberate on the matter, and upon receipt of the Committee's report, the Board of Directors will make a decision and initiate procedures for dismissal by resolution at the General Shareholders Meeting.

Succession Plan

The Nomination and Remuneration Advisory Committee discusses the succession plan for the CEO. With regard to the development of candidates for succession, the President and CEO takes the initiative in providing opportunities for candidates to accumulate knowledge and experience through personnel transfers, assignments of high managerial importance, and other measures, and the Nomination and Remuneration Advisory Committee confirms the process. In addition, the Nomination and Remuneration Advisory Committee confirms the status of candidate development by conducting a multifaceted evaluation of successor candidates annually.

Remuneration for Directors

In order to ensure objectivity and transparency in the remuneration determination process, the Nomination and Remuneration Advisory Committee deliberates on the basic policy for remuneration, composition, and amount of remuneration of directors, and the Board of Directors decides based on the report from the Nomination and Remuneration Advisory Committee.

Basic Policy of Remuneration for Directors

1. Provide appropriate incentives for achieving performance targets
2. Provide a competitive remuneration level that will lead to the recruitment of excellent human resources
3. The amount of remuneration should lead to the enhancement of corporate value over the medium- to long-term
4. The process of determining remuneration should be highly objective and transparent

Remuneration Structure and Method of Determining the Amount of Remuneration

The remuneration for directors is composed of fixed remuneration, performance-linked bonuses, and performance-linked stock remuneration (Directors' remuneration BIP trust). In addition to fixed monetary remuneration, we have adopted performance-linked bonuses as monetary remuneration linked to short-term performance and performance-linked stock remuneration as an incentive for medium- to long-term improvement of corporate value. In addition, for directors who are Audit and Supervisory Committee members and outside directors, we will only provide fixed remuneration, considering their roles and level of independence from the Company.

Following approval at the 43rd Ordinary General Shareholders Meeting held on June 28, 2023, the Company partially revised the remuneration structure and the method of determining the amount of remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors) effective July 2023. The main revisions include changing the timing of the delivery of shares in stock-based remuneration from when directors retire to when they remain in office, changing the calculation method for the Company's shares to be acquired by directors, and adding a clawback system.

Remuneration for Directors

	Fixed remuneration	Performance-linked bonus	Performance-linked stock remuneration (Directors' Remuneration BIP Trust)
Eligible Recipients	Directors	Directors (excluding those who are members of the Audit and Supervisory Committee and those who are outside directors)	Directors (excluding those who are members of the Audit and Supervisory Committee and those who are outside directors)
Method for Calculating Remuneration	Fixed remuneration is determined by the NRA Committee, which is appointed by the Board of Directors. The NRA Committee takes into account each director's position, responsibilities, and contributions to performance, as well as benchmarking against remuneration levels in outside database services. For directors who are members of the Audit and Supervisory Committee, their fixed remuneration is decided through discussions within the Audit and Supervisory Committee.	The basic bonus is calculated based on performance-linked variables and the distribution bonus is calculated based on individual contribution rates determined by the NRA Committee. The ratio between the basic bonus and the distribution bonus is set at 8:2. The basic bonus amount is calculated by multiplying the basic bonus standard amount determined for each director eligible for payment by a performance-linked variable calculated based on the individual performance achievement ratios of the three indicators of the consolidated performance forecast for a fiscal year disclosed at the beginning of each fiscal year (with 100% achievement being 1.0).	The points granted are calculated by multiplying the base points determined for each director eligible for payment by the performance-linked variable set by the degree of achievement of the three indicators of the consolidated performance forecast for a fiscal year, which is disclosed at the beginning of each fiscal year. Directors are then provided with our Company's shares and the monetary equivalent of the conversion disposal amount of our Company's shares according to the resulting points (with one point corresponding to one share).
Indicators used to measure achievement of performance goals	—	• Consolidated net sales • Consolidated operating profit (after deducting bonuses to directors upon achievement of 100% of the consolidated earnings forecast) • EPS	• Consolidated net sales • Consolidated operating profit (after deducting bonuses to directors upon achievement of 100% of the consolidated earnings forecast) • EPS
Payment method	Monthly	Paid out once a year, within three months after the end of the fiscal year	Paid out once a year after the end of the fiscal year

Policy for Determining the Ratio of Remuneration by Type of Director

The ratio of performance-linked remuneration to the total amount of remuneration is approximately 80% for fixed remuneration and 20% for performance-linked remuneration in the case of a standard level of performance achievement, as an average of the eligible directors. The ratio of non-monetary remuneration to total remuneration is, on average, 90% for monetary remuneration and 10% for non-monetary remuneration.

Remuneration by Director Category (FY3/2023)

Categories	Total amount of remuneration (Millions of yen)	Total amount by remuneration type (Millions of yen)				Number of eligible directors (Person)
		Fixed remuneration (Millions of yen)	Bonus (Millions of yen)	Performance-linked remuneration (Millions of yen)	Non-monetary remuneration (Millions of yen)	
Directors (Excluding Audit and Supervisory Committee Members and outside directors)	454	382	—	72	42	9
Directors (Audit and Supervisory Committee Members) (Excluding outside directors)	30	30	—	—	—	2
Outside Director	49	49	—	—	—	6

*1. The above includes one director who served as an AS Committee member and resigned at the conclusion of the 42nd general shareholders' meeting held on June 28, 2022.
2. For performance-linked bonuses, we have listed the amount set aside for executive bonuses for this fiscal year.
3. As performance-linked stock remuneration (Directors' Remuneration BIP Trust), we have recorded an amount of 42 million yen set aside for stock remuneration based on the number of points awarded or expected to be awarded this fiscal year.
4. In addition to the total amount of the above remuneration, based on the resolution of the 37th general shareholders' meeting held on June 28, 2017, we have paid 1 million yen as a retirement bonus to one retiring director. This amount includes 1 million yen set aside for retirement bonuses disclosed in the business report of the previous fiscal year.

Risk Management

Basic Views on Risk Management

As a Company that handles medical devices, we have a responsibility to ensure a stable supply of medical devices to patients and medical professionals. In order to reliably fulfill these responsibilities and to achieve sustainable enhancement of corporate value, we are promoting the development of a risk management system so that appropriate measures can be taken against risks that may have a significant impact on business activities.

Risk Management System

Based on the Risk Management Regulations, the Board of Directors has appointed a Chief Risk Management Officer (CRO) and the Risk Management Committee, chaired by the CRO, promotes company-wide risk management. The Risk Management Committee meets semi-annually to identify and evaluate risks, determine policies for responding to risks, and confirm response status. The committee also works with related committees such as the Sustainability Committee and the Information Security Committee to ensure effective risk management. In the event that a risk that may have a significant impact on business activities arises and requires a company-wide response, a task force headed by the President and CEO as Executive Manager will be established to take appropriate action to minimize losses.

Business Continuity Initiatives

In order to fulfill our responsibility to supply medical devices, we are promoting the establishment of a business continuity system based on the basic rules for business continuity. We have formulated a business continuity plan (BCP) for early resumption from business interruption due to a large-scale natural disaster and are continuously developing it as well as conducting drills to enhance its effectiveness.

Information Security

Basic Views on Information Security Measures

Recognizing that information security risks have a significant impact on our management, we are working to strengthen our countermeasures. In addition to technical measures such as the introduction of systems and countermeasure tools and physical measures such as office access control and restricting access to classified areas, we also focus on human measures by providing e-learning education and targeted e-mail attack training since we believe that it is important to improve the security-related awareness and knowledge of each employee.

Information Security Management System

Based on the Information Security Management Regulations, the Board of Directors has appointed a Chief Information Security Officer (CISO), and the Information Security Committee, chaired by the CISO, plays a central role in promoting company-wide information security measures. The Information Security Committee meets semi-annually to identify issues to be addressed, confirm the progress of measures, and confirm the results of training. Furthermore, in the event of an information security incident, such as unauthorized access, malware infection, or loss of storage media, the CSIRT* plays a role in responding under the instructions of the Information Security Committee in cooperation with external organizations as necessary.

* CSIRT (Computer Security Incident Response Team)
An organization that collects information on information security and takes measures in preparation for incidents that could lead to serious information security incidents, and executes and manages measures in the event of an incident

Protection of Personal Information

Personal information handled by the Company is managed and protected in accordance with the Basic Regulations for the Protection of Personal Information. In addition, by acquiring the Privacy Mark*, we confirm that the system and operations for protecting personal information are maintained in an appropriate manner.

* A system that evaluates that business operators have put in place structures or other measures to appropriately handle personal information.

Compliance Promotion

Compliance

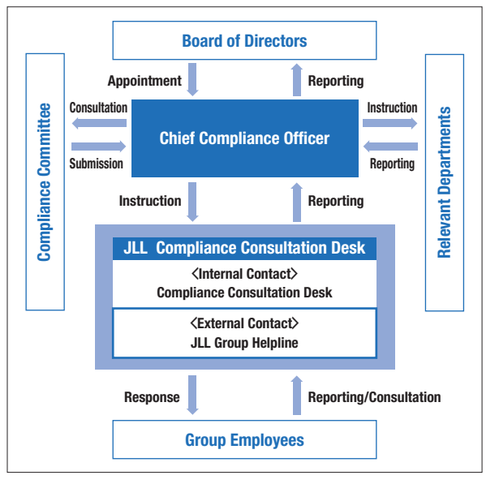
Basic Views on Compliance

As a company that handles medical devices that are critical to the lives of patients, we believe that in order to be a trusted presence at all times, we must not only comply with laws and regulations but also follow compliance policies with high ethical standards. To that end, the actions of each and every employee are important. Therefore, we strive to ensure thorough compliance awareness by disseminating the Code of Conduct so that we can meet the expectations of all stakeholders and build relationships of trust.

Compliance System

Based on the Compliance Promotion Regulations, the Board of Directors has appointed a Chief Compliance Officer (CCO) and the Compliance Committee, chaired by the CCO, plays a central role in promoting company-wide compliance activities. The Compliance Committee meets quarterly to discuss various compliance issues, including sharing information on compliance violation cases, the operation of the whistleblower system, and the status of compliance training. In addition, the CCO reports quarterly to the Board of Directors on the status of company-wide compliance and receives instructions as appropriate.

Compliance System Chart



Specific Initiatives

Formulation of the JLL Group Human Rights Policy

As the Group's business activities are supported by many people, we strongly recognize that it is necessary to respect the human rights of all people involved in our business activities. To fulfill our responsibility to respect human rights as a company, we established the "JLL Group Human Rights Policy" in December, 2022. We are promoting initiatives to reduce human rights risks not only in the Group but also in the supply chain.

Efforts to Raise Awareness of Compliance

In order to comply with compliance as a company, it is necessary for each employee to understand its importance and follow compliance regulations during daily business operations. We are taking various measures to raise awareness of compliance among employees. The President and CEO talks about the Code of Conduct online and we provide online training as well as e-learning to address various themes. We are also working to raise awareness among employees about our internal reporting system.

Internal Reporting System

The Company has established a whistleblower system to detect and respond to compliance violations at an early stage and to prevent them from occurring. We have two whistleblower system contact points: An external third-party organization that allows anonymous reporting, and an internal contact point where employees can report and also feel free to discuss compliance issues. Either contact point gives maximum consideration to the anonymity and privacy of whistleblowers, protects whistleblowers so that they are not disadvantaged by reporting, conducts investigations, and takes corrective measures as necessary.

Consolidated Financial/Non-financial Data

(1) Consolidated Profit and Loss Statement

		Scope	FY3/2018 FY2017	FY3/2019 FY2018	FY3/2020 FY2019	FY3/2021 FY2020	FY3/2022 FY2021	FY3/2023 FY2022
Net sales	Million yen	Consolidated	42,298	45,525	51,761	51,286	51,469	51,750
(Net Sales YoY)	%	Consolidated	13.8	7.6	13.7	-0.9	0.4	0.5
COGS	Million yen	Consolidated	15,722	17,703	22,570	22,622	22,634	21,855
Gross Profit	Million yen	Consolidated	26,576	27,822	29,191	28,664	28,835	29,895
Gross Profit Margin	%	Consolidated	62.8	61.1	56.4	55.9	56.0	57.8
SGA	Million yen	Consolidated	15,904	17,295	18,756	18,296	18,861	19,057
Operating profit	Million yen	Consolidated	10,671	10,526	10,434	10,367	9,973	10,837
(Operating Profit YoY)	%	Consolidated	13.8	-1.4	-0.9	-0.6	-3.8	8.7
Operating profit margin	%	Consolidated	25.2	23.1	20.2	20.2	19.4	20.9
Non-Operating Income	Million yen	Consolidated	259	571	891	1,031	316	293
Non-Operating Expense	Million yen	Consolidated	200	289	900	879	285	224
Ordinary profit	Million yen	Consolidated	10,730	10,808	10,425	10,519	10,005	10,905
Ordinary profit margin	%	Consolidated	25.4	23.7	20.1	20.5	19.4	21.1
Extraordinary Profit	Million yen	Consolidated	1	5	3	3	44	100
Extraordinary Loss	Million yen	Consolidated	116	12	4	5,982	8	1,217
Net Profit Before Tax	Million yen	Consolidated	10,615	10,801	10,425	4,540	10,041	9,789
Tax Expenses	Million yen	Consolidated	3,137	3,077	2,676	2,540	2,556	2,897
Net profit	Million yen	Consolidated	7,478	7,723	7,748	2,000	7,484	6,891
Net Profit Margin	%	Consolidated	17.7	17.0	15.0	3.9	14.5	13.3
In-house sales ratio	%	Consolidated	55.4	54.9	50.7	49.9	52.4	54.9
R&D expense	Million yen	Consolidated	1,121	1,431	1,743	1,667	2,159	2,316
Capital expenditure	Million yen	Consolidated	3,630	1,248	2,536	1,382	1,633	976
Depreciation Expenses	Million yen	Consolidated	953	1,176	1,264	1,525	1,611	1,566

(2) Consolidated Balance Sheet

		Scope	FY3/2018 FY2017	FY3/2019 FY2018	FY3/2020 FY2019	FY3/2021 FY2020	FY3/2022 FY2021	FY3/2023 FY2022
Current Assets	Million yen	Consolidated	40,821	41,665	44,077	44,522	45,153	47,130
Tangible Fixed Assets	Million yen	Consolidated	9,914	9,920	11,341	13,111	12,911	12,452
Intangible Fixed Assets	Million yen	Consolidated	576	558	493	505	1,470	2,414
Investments and Others	Million yen	Consolidated	9,668	15,638	19,089	14,822	13,662	12,643
Fixed Assets	Million yen	Consolidated	20,159	26,117	30,923	28,439	28,044	27,510
Total Assets	Million yen	Consolidated	60,980	67,783	75,000	72,962	73,197	74,641
Current Liabilities	Million yen	Consolidated	15,452	14,580	16,093	16,467	14,211	14,381
Fixed Liabilities	Million yen	Consolidated	4,438	6,709	7,500	5,190	4,418	4,063
Total Liabilities	Million yen	Consolidated	19,890	21,289	23,594	21,657	18,629	18,445
Shareholder's Equity	Million yen	Consolidated	41,088	46,496	51,618	51,267	54,362	56,265
Accumulated other comprehensive income	Million yen	Consolidated	-11	-16	-211	37	205	-69
Share Warrant	Million yen	Consolidated	13	13	—	—	—	—
Net Assets	Million yen	Consolidated	41,090	46,493	51,406	51,304	54,567	56,195
Total Liabilities and Net Assets	Million yen	Consolidated	60,980	67,783	75,000	72,962	73,197	74,641
Cash and Cash Equivalents	Million yen	Consolidated	6,732	8,018	9,555	13,708	16,058	18,357
Accounts Receivables	Million yen	Consolidated	12,331	12,178	13,762	13,145	12,437	13,223
Inventory	Million yen	Consolidated	13,579	17,071	18,187	15,987	14,850	13,142
Accounts Payables	Million yen	Consolidated	2,278	3,087	4,081	2,872	3,287	3,429
Retained Earnings	Million yen	Consolidated	25,091	30,499	35,912	35,352	38,890	42,741
Interest-bearing Debt	Million yen	Consolidated	9,396	9,987	11,538	10,396	8,352	6,883
Net Debt	Million yen	Consolidated	2,663	1,968	1,983	-3,311	-7,705	-11,473
Invested Capital*1	Million yen	Consolidated	50,484	56,484	63,156	61,663	62,714	63,148
Working Capital*2	Million yen	Consolidated	23,632	26,161	27,868	26,260	24,000	22,937

*1 A sum of interest-bearing debt (gross) and shareholder's equity
*2 Accounts receivables + Inventory - Accounts payables

(3) Financial Indicators, etc.

		Scope	FY3/2018 FY2017	FY3/2019 FY2018	FY3/2020 FY2019	FY3/2021 FY2020	FY3/2022 FY2021	FY3/2023 FY2022
Number of Shares Outstanding at Year-End (incl. treasury shares)	Thousand shares	Consolidated	90,419	90,419	85,419	85,419	85,419	82,919
Number of Treasury Shares at Year-End*1	Thousand shares	Consolidated	10,005	10,005	5,165	5,050	5,500	4,999
Average Number of Shares During the FY (excl. treasury shares)	Thousand shares	Consolidated	75,914	80,414	80,251	80,322	80,367	78,116
EPS*2	Yen	Consolidated	98.51	96.05	96.55	24.91	93.13	88.22
BPS	Yen	Consolidated	510.81	578.01	640.54	638.36	682.79	721.20
DPS	Yen	Consolidated	28.75	29.00	29.00	49.00	38.00	38.00
Payout Ratio	%	Consolidated	29.2	30.2	30.0	196.7	40.8	43.1
ROE	%	Consolidated	24.2	17.6	15.8	3.9	14.1	12.4
ROA	%	Consolidated	21.2	16.8	14.6	14.2	13.7	14.8
ROIC*3	%	Consolidated	14.7	12.9	11.5	11.7	11.0	11.9
Capital-to-Asset Ratio	%	Consolidated	67.4	68.6	68.5	70.3	74.5	75.3
Receivabes Turnover Period	Day	Consolidated	100.7	98.3	91.5	95.8	90.7	90.5
Inventory Turnover Period	Day	Consolidated	276.9	316.0	285.1	275.7	248.6	233.8
Payables Turnover Period	Day	Consolidated	47.7	55.3	58.0	56.1	49.7	56.1
Cash Conversion Cycle	Day	Consolidated	329.8	358.9	318.6	315.4	289.7	268.2
Number of Employees (Consolidated)	Person	Consolidated	906	932	1,074	1,167	1,205	1,166

*1 Company shares held by the BIP Trust for directors and Company shares held by the Trust for the Trust-type Employee Shareholding Incentive Plan (E-Ship) are included in treasury shares. (E-Ship terminated on July 29, 2021)
*2 EPS after taking into account the stock split. A 1:2 stock split was carried out in January 2018. In light of this, EPS for FY3/2018 is calculated assuming that the stock split took place at the beginning of the previous fiscal year.
*3 Denominator profit is operating profit after tax. After-tax operating profit = operating profit x (1 - effective tax rate (30.62%)

(4) Non-financial Indicators, etc.

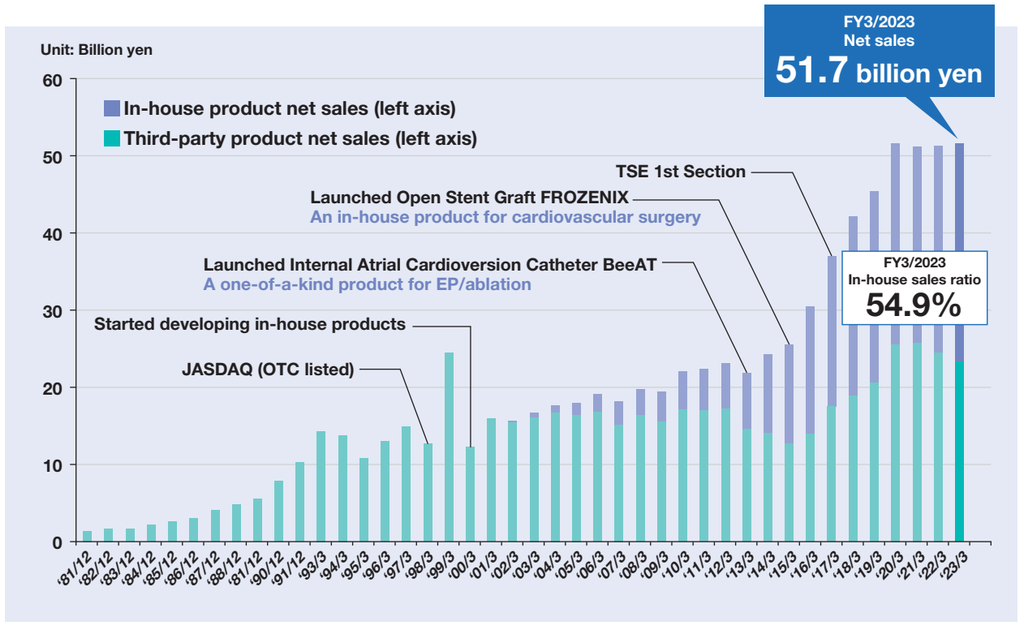
		Scope	FY3/2021 FY2020	FY3/2022 FY2021	FY3/2023 FY2022
Greenhouse gas emissions	$t\text{-}CO_2$	Consolidated	6,950	6,720	6,612
Electricity usage	Mwh	Consolidated	10,508	10,606	10,581
Gasoline use	kℓ	Non-consolidated	631	611	619
Industrial waste recycling rate	%	Non-consolidated	90	92	96
Water use	m^2	Non-consolidated	12,584	16,821	13,184
Ratio of female managers	%	Non-consolidated	1.5	2.1	2.6
Average years of service	Years	Non-consolidated	9.6	10.2	10.5
Average overtime hours (non-consolidated)	Hours	Non-consolidated	17.7	17.8	18.9
Paid leave utilization rate (non-consolidated)	%	Non-consolidated	39.2	46.3	51.0
Education and training expenses per employee (non-consolidated)	Yen	Non-consolidated	62,701	69,495	97,142
Number of Board of Directors meetings held	Number	Non-consolidated	12	12	12
Remuneration for Directors	Million yen	Non-consolidated	471	472	534
Legal violations (administrative and criminal penalties, etc.)	Incidents	Non-consolidated	0	0	0

Company Information

Company Profile

Company Name	Japan Lifeline Co., Ltd.
Company Representative	Keisuke Suzuki, President and CEO
Headquarters	Tennoz Ocean Square, 25F, 2-2-20, Higashishinagawa, Shinagawa-ku, Tokyo 140-0002 Japan
Established	February 6, 1981
Stock Exchange Listing	Tokyo Stock Exchange, Prime
Securities code	7575
Main Business	Import, production, and sales of medical devices
Paid-in Capital	2,115 Million yen
Accounting Closing Date	March 31
Employees	Consolidated: 1,166 Non-Consolidated: 962 (as of March 31, 2023)
Locations	48 Sales Offices, Haneda Logistics Center, Kansai Logistics Center, Research & Development Department, Toda Factory, Oyama Factory, Ichihara Factory, TENNNOZ ACCADEMIA (Education Center) (as of March 31, 2023)
Consolidated Subsidiary	JLL Malaysia Sdn. Bhd.

Track Record



Stock Information

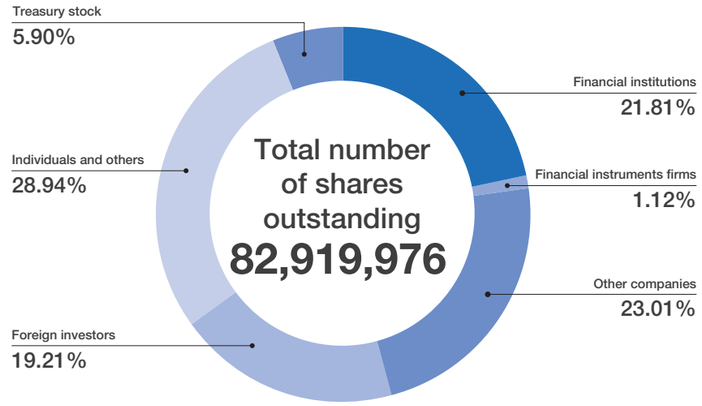
Basic Stock Information

as of March 31, 2023

Securities code	7575
Stock Exchange Listing	Tokyo Stock Exchange, Prime
Total number of shares issued by the Company	346,400,000
Total number of shares outstanding	82,919,976
Number of shareholders	14,724
Share unit	100
Base date	March 31
Shareholder registry administrator	Mitsubishi UFJ Trust and Banking Corporation

Shares by Owner

as of March 31, 2023



For inquiries regarding this report, please contact:
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