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(Securities Code 7575)

June 8, 2018

To Shareholders with Voting Rights:

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

NOTICE OF THE 38TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 38th Ordinary General Meeting of Shareholders of Japan Lifeline Co., Ltd. (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by no later than 5:30 p.m. on Tuesday, June 26, 2018, Japan time.

- 1. Date and Time:** Wednesday, June 27, 2018 at 10 a.m. Japan time (Reception starts at 9 a.m.)
- 2. Place:** WILLARD, 5F, InterContinental Tokyo Bay
1-16-2, Kaigan, Minato-Ku, Tokyo
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company's 38th Fiscal Year (April 1, 2017 - March 31, 2018) and results of audits concerning the Consolidated Financial Statements by the Accounting Auditor and the Board of Corporate Auditors
 2. Non-Consolidated Financial Statements for the Company's 38th Fiscal Year (April 1, 2017 - March 31, 2018)
 - Proposals to be resolved:**
 - Proposal No. 1:** Distribution of Surplus
 - Proposal No. 2:** Election of One Vice President
 - Proposal No. 3:** Election of Two Corporate Auditors

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - ◎ Please refer to "Disclosure on the Internet" on page 2 of this Notice regarding information disclosure on the Internet.
 - ◎ Should circumstances arise whereby revisions are required after the dispatch of this Notice and prior to the day before the meeting date of the General Meeting of Shareholders, shareholders shall be notified by posting on the Company's website.

Guide to Exercising Voting Rights

Shareholders attending the General Meeting of Shareholders

Submission at the reception desk

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

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

Shareholders who are unable to attend the General Meeting of Shareholders

Submission by mail

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

Voting Deadline

5:30 p.m., Tuesday, June 26, 2018 Japan time

Input via the Internet

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

Website for exercise of voting rights

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

Please refer to the following page for details.

Voting Deadline

5:30 p.m., Tuesday, June 26, 2018 Japan time

Treatment of Voting Rights Exercised Multiple Times

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

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

If you exercise your voting rights via the Internet multiple times

- ▶ The vote cast last shall be deemed valid.

Disclosure on the Internet

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

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

Guide to Exercising Voting Rights

Guide to Exercising Voting Rights via the Internet

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

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

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



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

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

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

Contact for inquiries in relation to systems, etc.

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

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

0120-173-027

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

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Distribution of Surplus

Items Related to the Year-end Dividend

The Company proposes a year-end dividend for the 38th fiscal year as follows, taking into consideration business performance in the fiscal year under review, funding demands for future business development, and other factors.

- (1) Type of dividend property
Cash
- (2) Items related to the allocation of dividend property to shareholders and its total amount
The Company proposes a dividend of 28.75 yen per common share.
Furthermore, the total dividend amount in this case will be 2,315,242,100 yen.
- (3) Date the distribution of surplus comes into effect
June 28, 2018

Effective October 1, 2015, December 1, 2016 and January 1, 2018, the Company conducted two-for-one stock splits of its common share.

The amounts shown from the 34th fiscal year to the 37th fiscal year are the amounts prior to these stock splits.

Proposal No. 2: Election of One Vice President

In order to further strengthen the structure of management, the Company proposes the election of one Vice President, increasing the number of Vice Presidents by one.

Furthermore, as stipulated in the Articles of Incorporation of the Company, the term of office of the newly elected Vice President shall be until the expiry of the term of office of other incumbent Vice Presidents.

The candidate for Vice President is as follows.

Name (Date of birth)	Past experience, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
<p>Yumiko Hoshiba (March 3, 1962) (age 56)</p> <p>New candidate</p>	<p>April 1992 Joined the Company</p> <p>April 2008 General Manager, Administration Division</p> <p>April 2011 General Manager, General Affairs Division</p> <p>July 2014 Operating Officer, General Manager, General Affairs Department</p> <p>April 2015 Operating Officer, General Manager, General Affairs Control Division</p> <p>April 2018 Executive Officer, General Manager, Human Resources & General Affairs Department</p> <p>To the present</p> <p>Reasons for nomination as Vice President: Ms. Yumiko Hoshiba has overseen Human Resources and General Affairs and Information Systems departments, and has taken measures to strengthen various functions in line with corporate growth. As she possesses abundant experience and advanced insight in these areas, the Company has judged that she is an appropriate person to realize the sustainable growth of the Company and the improvement of corporate value, and has therefore nominated her as a candidate for Vice President.</p>	<p>0</p>

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

Proposal No. 3: Election of Two Corporate Auditors

The terms of office of Corporate Auditors Yasunori Kamiya and Daizo Asari will expire at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the election of two Corporate Auditors is proposed.

Furthermore, the Board of Corporate Auditors has given its consent to this proposal.

The candidates for Corporate Auditor are as follows.

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
1	Yasunori Kamiya (June 27, 1954) (age 63) Reelection	February 1992 Joined the Company April 2002 General Manager, Information Systems Division April 2013 Senior Adviser, General Affairs Division June 2014 Full-time Corporate Auditor To the present Term of office at the conclusion of this General Meeting of Shareholders: 4 years Attendance at Board of Directors meetings: 100% (13/13 meetings) Attendance at Board of Corporate Auditors' meetings: 100% (13/13 meetings) Reasons for nomination as Corporate Auditor: Mr. Yasunori Kamiya is well versed in the Company's businesses, from experience over many years in the administration departments of the Company, and appropriately executes his duties as Full-time Corporate Auditor. In order to continue to maintain an advanced supervisory function, the Company proposes his election as Full-time Corporate Auditor.	97,440

(Note) There are no special interests between Mr. Yasunori Kamiya and the Company.

No.	Name (Date of birth)	Past experience, positions and significant concurrent positions	Number of shares of the Company held
2	Daizo Asari (June 7, 1959) (age 59) Reelection Outside Auditor Independent Auditor	<p>August 1987 Joined O-HARA Gakuen O-HARA Bookkeeping School Incorporated Educational Institution</p> <p>September 1990 Joined Ishiwatari, Nishimura, Kushida, Nakane Joint Certified Public Accountant Office (current SeishinShisei & Co.)</p> <p>December 1992 Registered as certified public tax accountant</p> <p>November 1993 Joined Hiroshi Asari Certified Public Tax Accountant Office</p> <p>July 2002 Established Tax Accountant Corporation Seiwa, appointed Representative Partner To the present</p> <p>June 2014 Corporate Auditor, the Company To the present</p> <p>Term of office at the conclusion of this General Meeting of Shareholders: 4 years</p> <p>Attendance at Board of Directors meetings: 100% (13/13 meetings)</p> <p>Attendance at Board of Corporate Auditors' meetings: 100% (13/13 meetings)</p> <p>Reasons for nomination as Outside Auditor: Mr. Daizo Asari has specialist knowledge and experience as a certified public tax accountant, and appropriately executes his duties as Outside Auditor of the Company. In order to continue to maintain an advanced supervisory function, the Company proposes his election as Outside Auditor.</p>	0

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

Business Report

(April 1, 2017 - March 31, 2018)

[1] Overview of the Company Group

1. Business Progress and Results

In regard to domestic healthcare and insurance systems, the diminishing number of children and aging population are progressing, owing to increasing average life expectancy, a declining birthrate, and other factors, thereby ensuring the sustainability of the insurance system is thus becoming an issue, in addition to extending healthy life expectancy. Amid these conditions, the efficient distribution of healthcare resources is being promoted through the proper use and evaluation of drugs, medical devices, etc. as a complete overhaul of the NHI price system, while measures are also being taken to promote innovation, aimed at enhancing the quality of medical care and strengthening international competitiveness in the healthcare field.

In response to these conditions, medical device manufacturers are required to provide products with low invasiveness and excellent health economics, in addition to excellent therapeutic effects, as fundamentally expected, and therefore all companies are strengthening initiatives aimed at developing new products and bringing them to market as soon as possible. Furthermore, as companies look to expand the scope of their businesses and secure highly novel, excellent products, M&A activity is increasing on a global scale and competition is becoming fiercer.

In the cardiovascular field, the Company's mainstay business area, the number of cases are increasing at a high level, owing to factors including an ability to treat cases that were previously difficult to treat, owing to advancements in medical devices, in addition to a rising number of disorders as the population ages.

In this market environment, while focusing on sales of existing products, the Company also prepared to introduce excellent medical devices from overseas to the domestic market in its trading company function, and intends to begin sales of endoscopic ablation systems in July of this year, after acquiring regulatory approval in July 2017, in addition to beginning sales of drug-eluting stents in March of this year. In addition, the Company implemented new initiatives in its manufacturing function, including entering the gastrointestinal field, a new area for the Company, by bringing to market colonic stents, developed with the application of technology from in-house products.

In regard to sales results during the fiscal year under review, in Cardiac Rhythm Management, sales of MRI (magnetic resonance imaging) – safe cardiac pacemakers were robust, while in EP / Ablation, sales increased for atrial fibrillation therapy-related products, especially the “BeeAT” internal atrial cardioversion system, a unique product of the Company, as the number of cases of atrial fibrillation ablation continued to increase at a high level.

In Cardiovascular Surgery related products, sales of abdominal stent grafts grew, while use of open stent grafts, a unique product of the Company, further spread as it was highly praised as a medical device that contributes to making procedures less invasive. Furthermore, in Transvascular Intervention, peripheral balloon catheters and atrial septal defect closures contributed to sales, and the Company also succeeded in entering a major market in the Transvascular Intervention area, with sales of “Orsiro” drug-eluting stent commenced in March of this year.

As a result, net sales in the fiscal year under review were 42,298 million yen (+13.8% YoY).

In regard to profit, gross margin improved by 3.6 points year on year, owing partly to growth in sales of items with high margins along with imported and in-house products, in addition to the positive effect on gross profit of 1,170 million yen from adjusting unrealized gain, after an absorbing type merger with the Company's consolidated subsidiary on April 1, 2017.

Operating income in the fiscal year under review was 10,671 million yen (+38.9% YoY), owing to factors including year on year increases in traveling and transportation expenses, development expenses, commission fees, and other SG&A expenses. The Company also recorded non-operating income, including interest income and dividend income, of 259 million yen, in addition to recording interest paid, etc. and foreign exchange losses as non-operating expenses of 200 million yen, and as a result, ordinary income for the fiscal year under review was 10,730 million yen (+34.0% YoY). Furthermore, the Company recorded a gain on sales of non-current assets as extraordinary income of 1 million yen, in

addition to recording extraordinary losses, including factory transfer expenses related to the factory of its subsidiary and a loss on retirement of non-current assets, of 116 million yen, and as a result, net income attributable to owners of the parent for the fiscal year under review was 7,478 million yen (+39.8% YoY).

Sales by item were as follows.

Classification	The 35th fiscal year (April 1, 2014 to March 31, 2015)	The 36th fiscal year (April 1, 2015 to March 31, 2016)	The 37th fiscal year (April 1, 2016 to March 31, 2017)	The 38th fiscal year (April 1, 2017 to March 31, 2018) (Fiscal year under review)
	Million yen	Million yen	Million yen	Million yen
Cardiac Rhythm Management	4,173	5,557	6,617	7,247
EP / Ablation	11,448	14,371	17,528	20,364
Cardiovascular Surgery related	7,456	8,358	10,251	11,464
Transvascular Intervention	2,617	2,252	2,783	3,221
Total	25,696	30,540	37,181	42,298

(Note) Blood purification equipment and other products sold by JUNKEN MEDICAL Co., Ltd., which was a consolidated subsidiary until the previous consolidated fiscal year, were included in the “Other” classification until the previous consolidated fiscal year, but as the Company conducted an absorbing type merger with JUNKEN MEDICAL Co., Ltd., effective April 1, 2017, this classification has been revised, and from the 38th consolidated fiscal year, these products are included in the “Cardiovascular Surgery related” classification. In line with this change, data for the 35th, 36th, and 37th consolidated fiscal years has also been adjusted, to enable comparison.

Cardiac Rhythm Management (implantable medical devices for treating arrhythmia)

Percent of net sales: 17.1%

Main products: • Cardiac pacemakers

• ICDs (implantable cardioverter defibrillators)

• CRT-Ds (cardiac resynchronization therapy defibrillators)

In cardiac pacemakers, sales were robust for “KORA250,” an MRI (magnetic resonance imaging)-conditional pacemaker that the Company began selling in March 2016. In addition, in June 2017, the Company introduced “VEGA” pacemaker leads, and an expanded line-up of MRI-safe pacemaker leads also contributed to increased sales volume of pacemakers.

In ICD (implantable cardioverter defibrillators) related products, the Company launched “PLATINIUM 4LV” CRT-D (cardiac resynchronization therapy defibrillators) compatible with quadripolar left ventricular leads in July 2017, and has been endeavoring to increase sales, but net sales for ICD-related products as a whole declined year on year owing to the impact of MRI-safe devices sold by competitors. Furthermore, in CRT-Ds, the Company aims to begin sales of “PLATINIUM SonR,” a new product with an automatic pacing rate adjustment function in the second half of next fiscal year, and is preparing for its introduction.

As a result, net sales in the Cardiac Rhythm Management product category were 7,247 million yen (+9.5% YoY)

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

Percent of net sales: 48.1%

Main products: • Electrophysiological (EP) catheters

• Ablation catheters

• Internal atrial cardioversion systems

• Esophageal temperature monitoring catheters

• Radio-frequency transseptal needles

In EP catheters, sales volume increased, especially for the “BeeAT” internal atrial cardioversion

system, a unique product of the Company, as the number of cases of atrial fibrillation ablation is on an increase. In addition, sales volume declined slightly for the “Esophastar” esophageal temperature monitoring catheter, owing to the impact of competitive products, but the Company is endeavoring to increase sales, having begun sales of a new model in December 2017. In addition, sales volume increased year on year for the “RF Needle” radio-frequency transseptal needle, an imported product for which the Company is the sole domestic seller, owing to an increase in the number of cases.

In ablation catheters, net sales declined year on year, owing partly to the effect of the increasing use of balloon catheters for cryoablation sold by competitors. Furthermore, in July 2017, the Company obtained regulatory approval for “HeartLight,” an endoscopic ablation system that similarly uses balloon catheter technology. This product has the feature of enabling precision treatment with lasers while confirming the procedure on endoscopic images, and the Company is thus continuing preparations for its launch in July of this year.

As a result, net sales in the EP / Ablation product category were 20,364 million yen (+16.2% YoY).

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

Percent of net sales: 27.1%

Main products:

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

In vascular graft related products, sales volume increased significantly for the “AFX stent graft system” for abdominal use, a stent graft that uses a catheter to treat aortic disorders percutaneously. The Company began full-fledged sales of the “AFX2 stent graft system,” with an improved delivery system, in January of this year, and began sales of the “VELA” extension, which is capable of use in a variety of cases in combination with the main body, in March of this year, and will endeavor to further increase sales. In addition, sales volume increased for “J-Graft FROZENIX,” the Company’s unique open stent graft, a device for treating thoracic aortic diseases that require open surgery, as its use further increased as a medical device that contributes to making treatments less invasive.

In heart valve related products, net sales from tissue valves and mechanical valves sold by the Company declined slightly year on year, as the use of TAVI (transcatheter aortic valve implantation) and other less invasive treatment increased. Furthermore, in tissue valves, the Company is continuing preparations for the introduction of “PERCEVAL,” a sutureless tissue valve that does not require suture to an annuloplasty ring and thus reduces surgery time, as it aims for its launch in the second half of the next fiscal year.

As a result, net sales in the Cardiovascular Surgery Related product category were 11,464 million yen (+11.8% YoY).

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

Percent of net sales: 7.6%

Main products:

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

In balloon catheters, net sales increased year on year, partly owing to a contribution from “MASTULY,” a peripheral product that the Company began selling in June 2017. In addition, sales volume for guide wire increased only slightly year on year, amid a fierce competitive environment.

In terms of other products, sales volume increased year on year for “Figulla Flex II” an atrial septal defect closure, as use of this product increased in medical institutions, while sales volume for “Guideliner” a penetration catheter declined owing to the impact of competitive products.

Furthermore, in March of this year, the Company began sales of the “Orsiro” drug-eluting stent, a major device for treating coronary artery diseases, and the first product of its type that the Company has handled. The Company will endeavor to take market share by promoting the excellent performance of

this product.

As a result, net sales in the transvascular intervention product category were 3,221 million yen (+15.7% YoY).

2. Capital Investments

The total amount of capital investments conducted in the consolidated fiscal year under review was 3,630 million yen. The main item was investment related to a new building and facilities at the Company's research facility (Toda-shi, Saitama), and required funds were allocated from funds on hand and borrowing.

3. Financing

In December 21, 2017, the Company issued Second and Third Series Share Acquisition Rights subject to exercise value change by the method of third-party allotment, with Nomura Securities Co., Ltd. as the allottee. In the consolidated fiscal year under review, all 30,000 Second Series Share Acquisition Rights were exercised, and the Company raised funds totaling 13,815 million yen.

4. Trends in Assets and Income of the Corporate Group

Classification	The 35th fiscal year (April 1, 2014 to March 31, 2015)	The 36th fiscal year (April 1, 2015 to March 31, 2016)	The 37th fiscal year (April 1, 2016 to March 31, 2017)	The 38th fiscal year (April 1, 2017 to March 31, 2018) (Fiscal year under review)
Net sales (million yen)	25,696	30,540	37,181	42,298
Operating income (million yen)	1,845	3,700	7,685	10,671
Ordinary income (million yen)	2,037	3,574	8,010	10,730
Net income attributable to owners of the parent (million yen)	1,124	2,804	5,350	7,478
Earnings per share (yen)	13.01	36.70	71.91	98.51
Total assets (million yen)	33,163	36,165	40,427	60,980
Net assets (million yen)	15,385	15,890	20,750	41,090

- (Notes)
- Earnings per share are calculated using the average number of outstanding shares for the fiscal year.
 - Effective October 1, 2015 and December 1, 2016 and January 1, 2018, the Company conducted two-for-one stock splits of its common stock. The amount of earnings per share is calculated by deeming stock splits to have occurred at the beginning of the 35th fiscal year.

5. Issues to be Addressed

In the domestic medical devices industry, the number of surgeries and examinations is increasing as the population ages, and sales volume for medical devices continues to trend upward. However, as national healthcare finances face mounting pressure owing to the diminishing number of children and the aging population, NHI prices, official prices for medical devices, are being lowered on an ongoing basis in order to enhance the sustainability and security of the healthcare insurance system. On the other hand, from the perspective of promoting enhanced quality and innovation in healthcare, there are arguments being made to ensure that medical devices with favorable therapeutic effects that contribute to health economics are appropriately valued, and encourage product development and use, while medical device manufacturers cannot rely solely on increasing the sales volume of existing products, and instead must respond to the social issue of combining a higher quality of healthcare with cost performance, by constantly developing and introducing new medical devices.

In these circumstances, the Company has expanded its businesses by pursuing its role as a trading company, introducing excellent medical devices from state-of-the-art manufacturers overseas to the Japanese market as soon as possible, while also utilizing its abundant experience in the cardiovascular field in Japan and its network of physicians active on the frontlines to pursue its role as a manufacturer engaging in the in-house development and manufacturing of products required in actual healthcare settings.

In its trading company function, regulatory affairs departments, which have abundant experience of

introducing medical devices, have obtained regulatory approval in Japan and ensured the smooth introduction of medical devices to the domestic market in place of overseas manufacturers, which have proprietary technology but lack sales channels in Japan. In these circumstances, the Company has taken its trading company function to a new level, including beginning joint research and development with Endologix, Inc. in September 2017, and thereby building a partnership that goes beyond the traditional relationship between manufacturer and trading company. In addition, in March of this year, the Company began sales of “Orsiro,” a drug-eluting stent that is a large-scale product, and the first of its kind that the Company has sold. Looking ahead, the Company will continue utilizing its unique characteristics as an independent company that does not belong to any specific manufacturer’s group, to further expand its product line-up, while also fulfilling its role and duty as a trading company by introducing state-of-the-art medical devices from overseas to the domestic market.

In addition, in its manufacturer function, as in-house products continue to grow rapidly, especially the Company’s unique products, the Research Center moved to a new building and began operations in April of this year. Moreover, the space that became available following this move was allocated to the expansion of the Toda Factory. Having expanded the core research and development and manufacturing sites of the Group, the Company will implement measures to upgrade its foundational technology, in order to further enhance the competitiveness of in-house products.

Furthermore, the Company is focusing on expanding sales of in-house products into overseas markets, as a medium- to long-term issue. In April of this year, an open stent graft was used in an overseas case in Taiwan, the first case of an implantable medical device of this kind in the body, and the Company is building a track record overseas as it looks to begin sales in Europe, where it is also making preparations. Furthermore, in terms of manufacturing, the Company has begun construction of a factory in Malaysia, and is making preparations as it targets the full-fledged overseas expansion of in-house products. Additionally, in June 2017, the Company began sales of the “JENTLLY” colonic stent, thereby successfully newly entering the gastrointestinal field, as part of measures to expand into therapeutic fields outside the cardiovascular field with the application of technology from in-house products, an issue that, as with overseas expansion, it positions as a medium- to long-term issue.

The Company shall endeavor to make sound investments aimed at the medium- to long-term and further strengthen its functions as both a trading company and manufacturer, thereby ensuring solid foundations for growth, and enabling it to provide excellent medical devices to patients and actual healthcare settings.

6. Material Parent Companies and Subsidiaries

1) Relationship with Parent Company

There are no significant relationships with any parent company.

2) Subsidiaries

Company name	Capital	The Company’s percentage of equity participation (%)	Principal business
Synexmed (Hong Kong) Limited	15 million HKD	100	Import and sale of medical devices
Synexmed (Shenzhen) Co., Ltd.	16 million RMB	100	Manufacture and sale of medical devices
JLL Malaysia Sdn. Bhd.	2 million MYR	100	Manufacture and sale of medical devices

- (Notes)
- The Company’s percentage of equity participation includes indirect holdings by subsidiaries.
 - Effective April 1, 2017, the Company conducted an absorption-type merger of JUNKEN MEDICAL Co., Ltd.
 - JLL Malaysia Sdn. Bhd. was established on July 31, 2017.

7. Principal Business

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

8. Principal Business Locations and Plants

1) The Company

Headquarters	2-2-20, Higashishinagawa, Shinagawa-ku, Tokyo
Education facility	Tennoz Accademia (Shinagawa-ku, Tokyo)
Logistics center	Haneda Logistics Center (Ota-ku, Tokyo)
Factories	Toda Factory (Toda-shi, Saitama) Oyama Factory (Oyama-shi, Tochigi) Ichihara Factory (Ichihara-shi, Chiba)
Research facility	Research Center (Toda-shi, Saitama)
Branches and sales offices	Sapporo Sales Office, Hokkaido Branch (Chuo-ku, Sapporo-shi, Hokkaido) Sendai Sales Office, Tohoku Branch (Aoba-ku, Sendai-shi, Miyagi) Aomori Sales Office (Aomori-shi, Aomori) Akita Sales Office (Akita-shi, Akita) Koriyama Sales Office (Koriyama-shi, Fukushima) Urawa Sales Office, Kitakanto Branch (Urawa-ku, Saitama-shi, Saitama) Gunma Sales Office (Maebashi-shi, Gunma) Tokyo Sales Office I, Tokyo Branch (Toshima-ku, Tokyo) Tokyo Sales Office II (Shinagawa-ku, Tokyo) Ibaraki Sales Office (Tsukuba-shi, Ibaraki) Tama Sales Office (Fuchu-shi, Tokyo) Chiba Sales Office (Mihama-ku, Chiba-shi, Chiba) Yokohama Sales Office, Yokohama Branch (Naka-ku, Yokohama-shi, Kanagawa) Hamamatsu Sales Office (Naka-ku, Hamamatsu-shi, Shizuoka) Nagoya Sales Office, Tokai Branch (Naka-ku, Nagoya-shi, Aichi) Hokuriku Sales Office, Hokuriku Shinshu Branch (Kanazawa-shi, Ishikawa) Matsumoto Sales Office (Matsumoto-shi, Nagano) Osaka Sales Office, Osaka Branch (Kita-ku, Osaka-shi, Osaka) Kyoto Sales Branch (Shimogyo-ku, Kyoto-shi, Kyoto) Kobe Sales Office (Chuo-ku, Kobe-shi, Hyogo) Okayama Sales Office, Chugoku Branch (Kita-ku, Okayama-shi, Okayama) Hiroshima Sales Office (Naka-ku, Hiroshima-shi, Hiroshima) Yonago Sales Office (Yonago-shi, Tottori) Takamatsu Sales Office, Shikoku Branch (Takamatsu-shi, Kagawa) Matsuyama Sales Office (Matsuyama-shi, Ehime) Fukuoka Sales Office, Kyushu Branch (Hakata-ku, Fukuoka-shi, Fukuoka) Kitakyushu Sales Office (Kokurakita-ku, Kitakyushu-shi, Fukuoka) Nagasaki Sales Office (Nagasaki-shi, Nagasaki) Kumamoto Sales Office (Chuo-ku, Kumamoto-shi, Kumamoto) Kagoshima Sales Office (Kagoshima-shi, Kagoshima)

2) Subsidiaries
(Overseas)

Company name	Locations
Synexmed (Hong Kong) Limited	Hong Kong
Synexmed (Shenzhen) Co., Ltd.	Shenzhen, China
JLL Malaysia Sdn. Bhd.	Penang, Malaysia

9. Employees

1) Employees of the Corporate Group

Classification	Number of employees (number)	Change from previous fiscal year end (number)	Average age (age)	Average years' employment (years)
Male	648	+38	39.8	9.2
Female	258	+39	34.2	5.2
Total / average	906	+77	38.2	8.1

2) Employees of the Company

Classification	Number of employees (number)	Change from previous fiscal year end (number)	Average age (age)	Average years' employment (years)
Male	631	+106	40.0	9.4
Female	183	+47	35.0	5.7
Total / average	814	+153	38.9	8.5

- (Notes) 1. The number of employees includes persons seconded to the Company, and does not include persons seconded from the Company.
2. Effective April 1, 2017, the Company conducted an absorption-type merger of JUNKEN MEDICAL Co., Ltd.

10. Principal Lenders

Lender	Amount outstanding (million yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,303
Sumitomo Mitsui Banking Corporation	2,265
Resona Bank, Limited.	1,940
Mizuho Bank, Ltd.	1,901
The Chiba Bank, Ltd.	300
Nippon Life Insurance Company	50

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd., effective April 1, 2018.

[2] Status of Shares

- Total number of shares authorized to be issued** 346,400,000 shares
- Total number of shares outstanding** 90,419,976 shares
- Number of shareholders** 12,481 persons

4. Major shareholders

Shareholder name	Number of shares	Shareholding ratio
	thousand shares	%
MT Shokai	9,860	12.24
KS Shoji	8,768	10.89
Japan Trustee Services Bank, Ltd. (Trust Account)	4,087	5.08
Keisuke Suzuki	2,650	3.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,221	2.76
BBH FOR MATTHEWS JAPAN FUND	1,930	2.40
Japan Lifeline Employee Holdings	1,236	1.54
State Street Bank and Trust Company	1,226	1.52
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,072	1.33
Katsuhiko Ueda	1,072	1.33

(Note) The shareholding ratio is calculated excluding treasury shares (10,005,616 shares). Furthermore, 115,800 shares of the Company held by the "BIP (Board Incentive Plan) trust" are included in treasury shares.

5. Other Important Information Concerning Shares

At a meeting of the Board of Directors held on November 30, 2017, the Company resolved to conduct a two-for-one stock split of its common stock with an effective date of January 1, 2018, and increase the total number of shares authorized to be issued, as provided for in Article 5 of the Company's Articles of Incorporation, from 173,200,000 shares to 346,400,000 shares, and the total number of shares outstanding was thereby increased by 45,209,988 shares.

[3] Status of Share Acquisition Rights

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

There are no relevant matters to report.

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

There are no relevant matters to report.

3. Other Important Information Concerning Share Acquisition Rights

At the meeting of the Board of Directors held on November 30, 2017, the Company resolved to issue Second Series Share Acquisition Rights and Third Series Share Acquisition Rights (hereinafter referred to individually or collectively as the “Share Acquisition Rights”) by third-party allotment as described below, and allotted the Share Acquisition Rights to Nomura Securities Co., Ltd. on December 21, 2017.

	Second Series Share Acquisition Rights	Third Series Share Acquisition Rights
Issuance resolution date	November 30, 2017	November 30, 2017
Number of share acquisition rights (Note 1)	30,000	10,000
Of the share acquisition rights, the number of treasury share acquisition rights	—	—
Type of shares underlying the share acquisition rights	Common shares	Common shares
Number of shares underlying the share acquisition rights (Note 2)	3,000,000 shares	1,000,000 shares
Amount of payment when exercising the share acquisition rights (Note 3)	The property to be contributed when exercising the Share Acquisition Rights shall be cash, and the amount of property to be contributed when exercising one (1) Share Acquisition Right shall be the amount of cash per common share of the Company to be contributed upon exercise (the “exercise price”) multiplied by the number of shares underlying one (1) share acquisition right (the “number of shares to be delivered”), and any fractions of less than one (1) yen generated as a result of the calculation will be rounded up.	The property to be contributed when exercising the Share Acquisition Rights shall be cash, and the amount of property to be contributed when exercising one (1) Share Acquisition Right shall be the amount of cash per common share of the Company to be contributed upon exercise (the “exercise price”) multiplied by the number of shares underlying one (1) share acquisition right (the “number of shares to be delivered”), and any fractions of less than one (1) yen generated as a result of the calculation will be rounded up.
Exercise period of the share acquisition rights (Note 4)	January 5, 2018 to December 30, 2020	January 5, 2018 to December 30, 2020
Issue price of shares and amount to be incorporated into capital if shares are issued owing	1. Issue price per share if shares are issued owing to the exercise of share acquisition rights	1. Issue price per share if shares are issued owing to the exercise of share acquisition rights

<p>to the exercise of share acquisition rights (Note 5)</p>	<p>The issue price per common share of the Company to be delivered owing to the exercise of the Share Acquisition Rights shall be the total amount of property contributed when exercising each Share Acquisition Right pertaining to the request to exercise, plus the total payment amount for the Share Acquisition Rights pertaining to the request to exercise, divided by the number of shares to be delivered in relation to the request to exercise.</p> <p>2. Increase in capital stock and legal capital surplus if shares are issued owing to the exercise of share acquisition rights</p> <p>The amount of the increase in capital stock if shares are issued owing to the exercise of the Share Acquisition Rights shall be the maximum amount of increase in stated capital calculated in accordance with the provisions of Article 17 of the Rules of Corporate Accounting multiplied by 0.5, and any fractions of less than one (1) yen generated as a result of the calculation shall be rounded up. The amount of the increase in legal capital surplus shall be the maximum amount of increase in stated capital minus the amount of the increase in capital stock.</p>	<p>The issue price per common share of the Company to be delivered owing to the exercise of the Share Acquisition Rights shall be the total amount of property contributed when exercising each Share Acquisition Right pertaining to the request to exercise, plus the total payment amount for the Share Acquisition Rights pertaining to the request to exercise, divided by the number of shares to be delivered in relation to the request to exercise.</p> <p>2. Increase in capital stock and legal capital surplus if shares are issued owing to the exercise of share acquisition rights</p> <p>The amount of the increase in capital stock if shares are issued owing to the exercise of the Share Acquisition Rights shall be the maximum amount of increase in stated capital calculated in accordance with the provisions of Article 17 of the Rules of Corporate Accounting multiplied by 0.5, and any fractions of less than one (1) yen generated as a result of the calculation shall be rounded up. The amount of the increase in legal capital surplus shall be the maximum amount of increase in stated capital minus the amount of the increase in capital stock.</p>
<p>Main exercise conditions of the share acquisition rights</p>	<p>Partial exercise of any Share Acquisition Right shall not be permitted.</p>	<p>Partial exercise of any Share Acquisition Right shall not be permitted.</p>
<p>Matters related to the transfer of the share acquisition rights (Note 6)</p>	<p>—</p>	<p>—</p>
<p>Matters related to substitute payment</p>	<p>—</p>	<p>—</p>
<p>Matters related to the delivery of share acquisition rights in line with organizational restructuring</p>	<p>—</p>	<p>—</p>

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

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

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

In addition, effective January 1, 2018, the Company conducted a two-for-one stock split of its common stock. As a result, the number of shares underlying the share acquisition rights is 6,000,000 shares for the Second Series Share Acquisition Rights and 2,000,000 shares for the Third Series Share Acquisition Rights.

(Note 3) Revisions and Adjustments to the Exercise Price

1. Revisions to the Exercise Price

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

2. Adjustments to the Exercise Price

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

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

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

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

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

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

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

gratis allotment of the Company's common shares, if there is a record date for granting the right to receive the allotment to holders of the Company's common shares, it shall be applied from the day after this record date.

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

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

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

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

The above notwithstanding, if the exercise price is adjusted as described in (Note 3) 2. (2) 3) or 5) before adjustment related to shares with acquisition clauses or share acquisition rights with acquisition clauses (including those attached to bonds with share acquisition rights), as described above, then in cases: (i) when the fully diluted number of common shares after the above delivery has been conducted exceeds the number of common shares outstanding immediately prior to the above delivery, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula, with the number of shares by which the fully diluted number of common shares exceeds the number of common shares outstanding used as the "number of common shares to be delivered" in the exercise price adjustment formula; and (ii) when the fully diluted number of common shares after the above delivery has been conducted does not exceed the number of common shares outstanding immediately prior to the above delivery, the adjustment described in this item 4) shall not be conducted.

- 5) Cases when a downward revision, etc. is made to the consideration per common share of the Company ("acquisition price, etc." in this item 5)) (excluding cases when an adjustment is made based on a clause preventing dilution, in a similar manner to the descriptions in (Note 3) 2. or (Note 3) 2. (4)), in accordance with the issuance terms of the shares with put options, etc., and the acquisition price, etc. after the downward revision, etc. is made is an amount below the market value on the day the revision is made (the "acquisition price, etc. revision date") (however, this excludes cases when the exercise price of the Share Acquisition Rights other than these is revised)

- (i) If adjustment to the exercise price as described in (Note 3) 2. (2) 3) for the shares with put options, etc. is not conducted before the acquisition price, etc. revision date, the

adjusted exercise price shall be calculated by applying the provisions of (Note 3) 2. (2) 3), with the number of the Company's common shares that will be delivered if all of the shares with put options, etc. remaining on the acquisition price, etc. revision date are converted, exchanged, or exercised at the terms on the acquisition price, etc. revision date used as the "number of common shares to be delivered" in the exercise price adjustment formula, and applied from the day after the acquisition price, etc. revision date.

(ii) If adjustment to the exercise price as described in (Note 3) 2. (2) 3) or the above item (i) for the shares with put options, etc. is conducted before the acquisition price, etc. revision date, and the fully diluted number of common shares when it is deemed that all shares with put options, etc. remaining on the acquisition price, etc. revision date are converted, exchanged, or exercised at the terms on the acquisition price, etc. revision date and the Company's common shares are delivered exceeds the number of common shares outstanding when the revision is not made, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula, with the number of shares by which the fully diluted number of common shares exceeds the number of common shares outstanding used as the "number of common shares to be delivered" in the exercise price adjustment formula, and applied from the day after the acquisition price, etc. revision date. Furthermore, if multiple revisions are made to the acquisition price, etc. over a one (1) month period, the adjusted exercise price shall be calculated by applying the exercise price adjustment formula for the lowest of the revised acquisition prices, etc., and applied from the day after the final day of that month.

6) In each type of transaction from (Note 3) 2. (2) 1) through 3), when a record date is established for granting the right to receive the allotment to holders of the Company's common shares, and the effectiveness of each transaction requires the approval of the General Meeting of Shareholders, Board of Directors, or other body of the Company on or after the record date, the adjusted exercise price shall be applied from the day after this approval is granted, the provisions of (Note 3) 2. (2) 1) through 3) notwithstanding.

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

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

Any fractions of less than one (1) share generated in this case shall be rounded down, and there shall be no adjustment with cash.

7) In cases when a security or right similar to the securities and rights defined in (Note 3) 2. (2) 1) through 5) is delivered, the adjusted exercise price shall be calculated by applying the provisions related to the security or right that is similar to the security or right, from the provisions of (Note 3) 2. (2) 1) through 6).

(3) Even in cases other than those when an adjustment to the exercise price as defined in (Note 3) 2. (2) is necessary, the Company shall make the necessary adjustment to the exercise price in the following cases.

1) When an adjustment to the exercise price is necessary owing to a share consolidation, reduction in capital stock, merger with the Company as the surviving company, succession of all or part of the rights and obligations of another company owing to an absorption-type company split by the other company, or the acquisition of all of the issued shares of another stock company owing to a share exchange conducted by the other stock company

2) When an adjustment to the exercise price is necessary owing to a gratis allotment of another type of share to holders of the Company's common shares

3) When an adjustment to the exercise price is necessary owing to circumstances where there is a change or possibility of a change to the number of common shares of the

Company (however, this excludes cases when the exercise price of Share Acquisition Rights other than these is adjusted)

4) When two (2) or more circumstances that require an adjustment to the exercise price arise together, and it is necessary to consider the effect of the other circumstances on the market value to be used in calculating the adjusted exercise price based on one of the circumstances

(4) Other provisions of this paragraph notwithstanding, in cases when the day the adjusted exercise price based on this paragraph will be first applied matches the Revision Date of the exercise price based on (Note 3) 1., the Company shall make the necessary adjustment to the exercise price. However, in this case, the minimum exercise price shall be adjusted in this way.

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

(Second Series Share Acquisition Rights)

The Company may designate any period between January 5, 2018 and November 30, 2020 as a period when the allottee may not exercise all or part of the Second Series Share Acquisition Rights (the "Period Designated for Suspension") ("Suspension Order"). Furthermore, the Company may cancel a Suspension Order that it has issued pertaining to the Second Series Share Acquisition Rights at any time.

(Third Series Share Acquisition Rights)

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

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

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

(Note 5) All shares to be delivered to the holders of share acquisition rights when share acquisition rights are exercised shall be treasury shares, and no new shares shall be issued as a result of the exercise of share acquisition rights. Furthermore, there shall be no incorporation into capital when treasury shares are allocated.

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

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

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

The number of shares underlying the Share Acquisition Rights is fixed at 3,000,000 shares for the Second Series Share Acquisition Rights and 1,000,000 shares for the Third Series Share Acquisition Rights (the number of shares underlying one (1) Share Acquisition Right shall be 100 shares), and this shall not change even if the exercise price is revised for

the reason of either an increase or decline in the share price. However, the number of shares to be delivered may be adjusted. Furthermore, effective January 1, 2018, the Company conducted a two-for-one stock split of its common stock. As a result, the number of shares underlying the share acquisition rights is 6,000,000 shares for the Second Series Share Acquisition Rights and 2,000,000 shares for the Third Series Share Acquisition Rights.

(2) Amount of Funds to be Procured

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

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

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

(4) Frequency of Revisions

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

(5) Maximum Number of Shares to be Delivered

The number of shares underlying the Share Acquisition Rights is 3,000,000 shares for the Second Series Share Acquisition Rights and 1,000,000 shares for the Third Series Share Acquisition Rights, and the number of shares to be delivered per Share Acquisition Right is fixed at 100 shares in either case.

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

Second Series Share Acquisition Rights 9,196,560,000 yen

Third Series Share Acquisition Rights 3,065,520,000 yen

2. Matters related to the corporate bond certificates, etc. with share options subject to exercise value change are as follows.

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

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

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

(2) Details of the Agreement Concluded with the Allottee in Regard to the Sale or Purchase of the Company’s Share Certificates

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

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

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

(4) Matters Required to Protect Other Investors

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

[4] Company Officers

1. Vice Presidents and Corporate Auditors

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

- (Notes)
1. Vice Presidents Fumihiko Sasaki and Yoshiaki Ikei are Outside Directors as provided for in Article 2, Item 15 of the Companies Act, and the Company has registered them as Independent Directors with the Tokyo Stock Exchange.
 2. Corporate Auditors Masahiko Nakamura and Daizo Asari are Outside Company Auditors as provided for in Article 2, Item 16 of the Companies Act, and the Company has registered them as Independent Auditors with the Tokyo Stock Exchange.
 3. Corporate Auditor Daizo Asari is qualified as a Certified Public Tax Accountant, and possesses a considerable level of knowledge in regard to finance and accounting.
 4. At the 37th Ordinary General Meeting of Shareholders held on June 28, 2017, Mr. Toru Takamiya, Mr. Tadashi Idei, and Mr. Yoshiaki Ikei were newly elected and appointed as Vice Presidents.
 5. At the conclusion of the 37th Ordinary General Meeting of Shareholders held on June 28, 2017, Mr. Takeshi Masumoto retired as Vice President owing to the expiration of his term of office as Vice President.
 6. XYMAX ACCOUNTING PARTNER Corporation changed its legal name to XYMAX WITH Corporation, effective April 1, 2018.

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

Classification	Number of people	Total amount of compensation (million yen)
Vice Presidents	12	454
Corporate Auditors	3	18
Total (inc. Outside Officers)	15 (4)	472 (15)

- (Notes) 1. The total amount of compensation includes 39 million yen in provision for directors' bonuses and 3 million yen in provision for directors' retirement benefits reported in the fiscal year under review.
2. In addition to the total amount of compensation above, the Company paid 54 million yen of directors' retirement benefits to one (1) Vice President who retired, based on a resolution at the 37th Ordinary General Meeting of Shareholders held on June 28, 2017.

3. Outside Officers

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

3) Main Activities in the Fiscal Year Under Review

Title	Name	Main activities
Vice President	Fumihiro Sasaki	Participated in all 13 meetings of the Board of Directors during the fiscal year under review; appropriately made statements, mainly from the perspective of a manager.
Vice President	Yoshiaki Ikei	Participated in all 10 meetings of the Board of Directors held after assuming office as Outside Vice President; appropriately made statements, mainly from the perspective of a manager.
Corporate Auditor	Masahiko Nakamura	Participated in all 13 meetings of the Board of Directors during the fiscal year under review, and also participated in all 13 meetings of the Board of Corporate Auditors during the fiscal year under review; appropriately made statements, mainly from his specialist position as an attorney.
Corporate Auditor	Daizo Asari	Participated in all 13 meetings of the Board of Directors during the fiscal year under review, and also participated in all 13 meetings of the Board of Corporate Auditors during the fiscal year under review; appropriately made statements, mainly from his specialist position as a Certified Public Tax Accountant.

4) Summary of the Agreement on Limitation of Liability

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

[5] Accounting Auditor

1. Accounting Auditor's Name

Ernst & Young ShinNihon LLC

2. Accounting Auditor's Compensation, etc.

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

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

3. Description of Non-Audit Services

There are no relevant matters to report.

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

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

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

[6] System to Ensure Proper Business Execution

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

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

- 1) Vice Presidents and employees shall act in compliance with laws and regulations, social ethics, the Articles of Incorporation, and other internal regulations, with their standards comprising the "Code of Ethics," "Action Policy," and the "Compliance Guidelines."
- 2) The Company shall engage in the creation of internal compliance systems, centered on the Chief Compliance Officer and Compliance Committee, in accordance with the "Compliance Promotion Regulations."
- 3) The Company shall distribute handbooks related to compliance to all Vice Presidents and employees, in addition to conducting training, to ensure thorough awareness of compliance.
- 4) A helpline shall be established at an external institution to provide a contact point where compliance issues can be easily reported and discussed.
- 5) All relations with antisocial forces shall be blocked in accordance with the "Compliance Guidelines" and the "Regulations Regarding the Elimination of Antisocial Forces," and in the event that there is a fear of relations with antisocial forces, it shall be promptly reported to the responsible department, and the Company shall respond with a resolute stance, while collaborating with the police and other external institutions.
- 6) The Internal Audit Division shall conduct audits regarding the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations, in accordance with the "Internal Audit Regulations."

[Summary of Operational Status]

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

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

- 1) The Company stores and manages minutes of the General Meeting of Shareholders, the Board of Directors, and other important meetings, approval documents and applications where Vice Presidents are approvers, and other important documents pertaining to the execution of duties by Vice Presidents (including electronic records), in accordance with the Document Management Regulations.
- 2) Vice Presidents and Corporate Auditors may view the above documents at any time.

[Summary of Operational Status]

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

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

- 1) In accordance with the Risk Management Regulations, the Company shall endeavor to create a company-wide risk management system, centered on the Chief Risk Management Officer and the Risk Management Committee.
- 2) In the event that a significant risk is discovered and a company-wide response is required, a division for responding shall be established with the President as General Manager, and the loss shall be minimized through a prompt response.

[Summary of Operational Status]

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

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

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

[Summary of Operational Status]

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

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

- 1) Systems related to reports to the Company on matters pertaining to the execution of duties by Vice Presidents, etc. of subsidiaries
 - a. In accordance with the Affiliate Management Regulations, the Company shall receive reports on matters pertaining to the execution of duties by Vice Presidents, etc., in addition to financial

- reports, minutes of meetings, and other documents.
- b. The Company's Vice Presidents and employees also serve concurrently as Vice Presidents or Corporate Auditors of subsidiaries, and the Company receives reports as appropriate on the status of the execution of duties at these subsidiaries from these Vice Presidents, etc.
- 2) Regulations or any other systems for management of risk of loss at subsidiaries
 - a. In accordance with the Risk Management Regulations, the Company shall endeavor to create a system for managing risk at subsidiaries, centered on the Chief Risk Management Officer and the Risk Management Committee.
 - b. In the event that a significant risk is discovered at a subsidiary, a prompt response shall be implemented, centered on the President of the subsidiary and the loss shall be minimized through the assistance of the Company, as necessary.
 - 3) System to ensure efficiency of execution of duties by Vice Presidents, etc. of subsidiaries
 - a. The responsible department of the Company manages business in accordance with the Affiliate Management Regulations, and also supports the creation of systems for appropriate business execution, including establishing Regulations on the Assignment of Business Operations and Regulations on Administrative Authority at subsidiaries.
 - 4) System to ensure that Vice Presidents, etc. and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation
 - a. The Company provides advice, guidance, and assistance as necessary to ensure that compliance systems are created at subsidiaries, in accordance with the Affiliate Management Regulations.
 - b. The Internal Audit Office conducts audits regarding the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations at subsidiaries, in accordance with the Internal Audit Regulations.

[Summary of Operational Status]

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

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

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

[Summary of Operational Status]

- There are no relevant matters to report.

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

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

[Summary of Operational Status]

- There are no relevant matters to report.

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

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

[Summary of Operational Status]

- There are no relevant matters to report.

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

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

[Summary of Operational Status]

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

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

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

[Summary of Operational Status]

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

11. Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of Expenses Incurred in Connection with the Execution of Duties by the Company's Corporate Auditors and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members

If any Corporate Auditor requests the advance payment of expenses arising in regard to the execution of their duties or reimbursement, etc. of expenses paid, etc., the Company shall promptly respond to these requests, excluding cases when it is recognized that these expenses, etc. are not necessary for the execution of the Corporate Auditor's duties.

[Summary of Operational Status]

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

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

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

[Summary of Operational Status]

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

13. System to Ensure Reliability of Financial Reporting

- 1) The Company shall develop internal control systems to ensure the reliability of financial reporting and evaluate the status of their implementation based on the "Basic Policy on Internal Controls Related to Financial Reporting," and shall determine a responsible department, which shall lead these initiatives.

- 2) If any deficiency is discovered in internal control systems or their implementation, it shall be reported to managers and the Board of Directors, and prompt efforts shall be made to rectify these deficiencies.

[Summary of Operational Status]

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

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

Consolidated Financial Statements

(April 1, 2017 – March 31, 2018)

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Description	Fiscal year under review	(Reference) Previous fiscal year	Description	Fiscal year under review	(Reference) Previous fiscal year
(Assets)			(Liabilities)		
Current assets	40,821	29,025	Current liabilities	15,452	13,421
Cash and deposits	6,732	6,148	Notes and accounts payable - trade	2,278	1,830
Notes and accounts receivable - trade	12,331	10,999	Short-term loans payable	6,600	5,600
Securities	5,999	—	Current portion of long-term loans payable	1,043	1,164
Inventories	13,579	10,272	Accounts payable - other	1,269	947
Deferred tax assets	562	695	Income taxes payable	1,801	1,883
Other current assets	1,614	910	Provision for bonuses	—	67
Non-current assets	20,159	11,401	Provision for directors' bonuses	39	33
Property, plant and equipment	9,914	7,234	Other current liabilities	2,419	1,893
Buildings and structures	4,865	2,719	Long-term liabilities	4,438	6,255
Machinery, equipment and vehicles	530	529	Long-term loans payable	1,117	3,339
Land	3,201	3,041	Provision for directors' retirement benefits	—	245
Leased assets	612	376	Provision for directors' share-based compensation	43	—
Construction in progress	111	60	Net defined benefit liability	2,351	2,161
Other property, plant and equipment	591	506	Other long-term liabilities	926	510
Intangible assets	576	492	Total liabilities	19,890	19,676
Other intangible assets	576	492	(Net assets)		
Investments and other assets	9,668	3,675	Shareholders' equity	41,088	20,869
Investment securities	4,227	214	Capital stock	2,115	2,115
Long-term loans receivable	3,522	1,843	Capital surplus	15,572	2,327
Long-term prepaid expenses	645	415	Retained earnings	25,091	18,729
Deferred tax assets	808	753	Treasury shares	(1,691)	(2,301)
Other investments and other assets	472	455	Accumulated other comprehensive income	(11)	(119)
Allowance for doubtful accounts	(7)	(7)	Valuation difference on available-for-sale securities	(19)	(12)
			Foreign currency translation adjustment	141	32
			Remeasurements of defined benefit plans	(132)	(140)
			Share acquisition rights	13	—
			Share acquisition rights	13	—
			Total net assets	41,090	20,750
Total assets	60,980	40,427	Total liabilities and net assets	60,980	40,427

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

Consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Millions of yen)

Description	Fiscal year under review		(Reference) Previous fiscal year	
Net sales		42,298		37,181
Cost of sales		15,722		15,182
Gross profit		26,576		21,998
SG&A expenses		15,904		14,313
Operating income		10,671		7,685
Non-operating income				
Interest paid	159		94	
Dividend income	1		1	
Foreign exchange gains	—		72	
Other non-operating income	98	259	236	405
Non-operating expenses				
Interest expenses	55		49	
Foreign exchange losses	102		—	
Other non-operating expenses	41	200	30	79
Ordinary income		10,730		8,010
Extraordinary income				
Gain on sales of non-current assets	1	1	1	1
Extraordinary losses				
Loss on sales of non-current assets	0		9	
Loss on retirement of non-current assets	7		9	
Loss on valuation of investment securities	3		—	
Subsidy repayments	—		35	
Factory transfer expenses	104	116	—	54
Net income before tax		10,615		7,957
Income taxes – current	3,059		2,689	
Income taxes – deferred	78	3,137	(82)	2,607
Net income		7,478		5,350
Net income attributable to owners of the parent		7,478		5,350

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

Non-Consolidated Financial Statements

(April 1, 2017 – March 31, 2018)

Non-Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

Description	Fiscal year under review	(Reference) Previous fiscal year	Description	Fiscal year under review	(Reference) Previous fiscal year
(Assets)			(Liabilities)		
Current assets	40,721	28,356	Current liabilities	15,402	13,126
Cash and deposits	6,558	5,551	Accounts payable - trade	2,289	1,909
Notes receivable - trade	3,008	2,870	Short-term loans payable	6,600	5,600
Accounts receivable - trade	9,298	7,669	Current portion of long-term loans payable	1,043	1,164
Securities	5,999	—	Accounts payable - other	1,207	933
Merchandise	7,037	6,974	Accrued expenses	1,125	969
Finished goods	3,474	2,045	Income taxes payable	1,800	1,761
Raw materials	1,111	575	Accrued consumption taxes	4	624
Work in process	1,550	1,027	Deposits received	125	58
Supplies	308	122	Provision for directors' bonuses	39	33
Prepaid expenses	518	282	Other current liabilities	1,167	71
Short-term loans receivable	342	88	Long-term liabilities	4,227	5,888
Deferred tax assets	550	479	Long-term loans payable	1,117	3,342
Other current assets	961	667	Long-term accounts payable - other	190	—
Non-current assets	20,047	11,398	Provision for retirement benefits	2,160	1,955
Property, plant and equipment	9,635	5,695	Provision for directors' retirement benefits	—	241
Buildings	4,679	1,683	Provision for directors' share-based compensation	43	—
Structures	186	45	Other long-term liabilities	716	348
Machinery and equipment	352	302	Total liabilities	19,630	19,014
Tools, furniture and fixtures	530	357	(Net assets)		
Land	3,201	3,041	Shareholders' equity	41,145	20,752
Construction in progress	11	1	Capital stock	2,115	2,115
Other property, plant and equipment	672	262	Capital surplus	15,573	2,328
Intangible assets	576	486	Legal capital surplus	2,133	2,133
Telephone subscription right	21	19	Other capital surplus	13,439	194
Software	487	67	Gain on disposal of treasury shares	13,439	194
Software in progress	60	392	Retained earnings	25,147	18,611
Other intangible assets	7	7	Legal retained earnings	528	528
Investments and other assets	9,835	5,216	Other retained earnings	24,618	18,082
Investment securities	4,161	214	Reserve for advanced depreciation of non-current assets	44	45
Shares of subsidiaries and associates	65	908	General reserve	6,000	6,000
Long-term loans receivable	4,238	2,899	Retained earnings brought forward	18,574	12,036
Long-term prepaid expenses	631	415	Treasury shares	(1,691)	(2,301)
Deferred tax assets	750	690	Valuation and translation adjustments	(19)	(12)
Lease and guarantee deposits	460	435	Valuation difference on available-for-sale securities	(19)	(12)
Other investments and other assets	8	8	Share acquisition rights	13	—
Allowance for doubtful accounts	(480)	(355)	Share acquisition rights	13	—
Total assets	60,769	39,755	Total net assets	41,139	20,740
			Total liabilities and net assets	60,769	39,755

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

Non-Consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(In millions of yen)

Description	Fiscal year under review		(Reference) Previous fiscal year	
Net sales		42,236		35,952
Cost of sales		16,995		15,138
Gross profit		25,240		20,814
SG&A expenses		15,729		13,386
Operating income		9,511		7,428
Non-operating income				
Interest paid	166		101	
Dividend income	1		1	
Foreign exchange gains	—		43	
Other non-operating income	93	260	228	374
Non-operating expenses				
Interest expenses	57		45	
Foreign exchange losses	148		—	
Other non-operating expenses	37	244	17	63
Ordinary income		9,528		7,739
Extraordinary income				
Gain on sales of non-current assets	1		1	
Gain on extinguishment of tie-in shares	1,220	1,221	—	1
Extraordinary losses				
Loss on sales of non-current assets	0		—	
Loss on retirement of non-current assets	6		6	
Loss on sales of investment securities	3		—	
Provision of allowance for doubtful accounts	124		282	
Other	—	135	35	324
Net income before income taxes		10,614		7,415
Income taxes – current	3,056		2,537	
Income taxes – deferred	(94)	2,962	(40)	2,496
Net income		7,652		4,918

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

Independent Auditor's Report
(English Translation)

May 21, 2018

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

Ernst & Young ShinNihon LLC

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

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Japan Lifeline Co., Ltd. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2017 to March 31, 2018.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Japan Lifeline Co., Ltd. and its consolidated subsidiaries as of March 31, 2018 and the consolidated result of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Relationship of Interest

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

Notice to Readers:

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

Independent Auditor's Report

(English Translation)

May 21, 2018

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

Ernst & Young ShinNihon LLC

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

We have audited, pursuant to Article 436, Paragraph 2-1 of the Companies Act, the non-consolidated financial statements, which consist of the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the supplementary schedules thereof of Japan Lifeline Co., Ltd. (hereinafter referred to as the "Company") for the 38th fiscal year from April 1, 2017 to March 31, 2018.

Management's Responsibility for Non-Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Auditors' Opinion

In our opinion, the financial statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

Relationship of Interest

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

Notice to Readers:

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

Audit Report (English Translation)

The Board of Corporate Auditors deliberated and prepared this Audit Report regarding the execution of duties by the Vice Presidents for the 38th fiscal year from April 1, 2017 to March 31, 2018, based on the Audit Reports prepared by each Corporate Auditor, and hereby submits it as follows.

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

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

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

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

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

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

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

2. Results of Audit

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

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

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

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

related to such internal controls system.

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

May 24, 2018

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

Full-Time Corporate Auditor
Outside Auditor
Outside Auditor

Yasunori Kamiya
Masahiko Nakamura
Daizo Asari

End