Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japan GAAP]

July 31, 2024

Company name	: Japan Lifeline Co., Ltd.
Code No.	: 7575
Stock Exchange Listing	: The Prime Market of the Tokyo Stock Exchange
URL	: https://www.japanlifeline.com/
Representative	: Keisuke Suzuki, President and CEO
Contact person	: Takeyoshi Egawa, Vice President, Business Administration Department
TEL	: +81-3-6711-5200

Scheduled date to commence dividend payment	: -
Supplementary documents to the financial results for the period	: Available
Presentation on quarterly results	: Available (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	14,010	8.2	3,194	0.6	3,215	(0.9)	2,340	0.4
Three months ended June 30, 2023	12,954	(0.1)	3,176	17.3	3,244	21.3	2,330	19.7

(Note) Comprehensive income: Three months ended June 30, 2024 : 2,519 million yen; 3.4 %
Three months ended June 30, 2023 : 2,437 million yen; 19.6 %

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	31.95	-
Three months ended June 30, 2023	30.03	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	68,280	52,260	76.5
As of March 31, 2024	73,509	58,102	79.0

(Reference) Shareholders' equity: As of June 30, 2024 : 52,260 million yen
As of March 31, 2024 : 58,102 million yen

2. Dividends

	Cash dividends per share				
	1Q End	2Q End	3Q End	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	-	0.00	-	42.00	42.00
Year ending March 31, 2025	-				
Year ending March 31, 2025 (forecast)		0.00	-	46.00	46.00

(Note) Revisions to cash dividends forecast most recently announced : None

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% represents change from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30,2024	26,600	5.8	5,300	(3.2)	5,200	(7.5)	3,800	(5.8)	53.66
Year ending March 31, 2025	54,000	5.1	11,200	2.8	11,000	4.0	8,000	6.4	113.58

(Note) Revisions to the forecast of consolidated financial results most recently announced : None

*** Notes**

(1) Changes in significant subsidiaries during the period (change in specified subsidiaries resulting in scope of consolidation): None

(2) Application of specific accounting treatments for the preparation of the consolidated quarterly financial statement: None

(3) Changes in accounting policies, changes in accounting estimates and restatements

(i) Changes in accounting policies due to the revision of accounting standards : Yes
(ii) Changes in accounting policies other than (i) : None
(iii) Changes in accounting estimates : None
(iv) Restatement : None

(Notes) For details, please refer to "2. Consolidated Financial Statements and Primary Notes (3) Notes to Consolidated Financial Statements Changes in Accounting Policies".

(4) Number of issued shares outstanding (common stock)

(i) Number of issued shares at the end of the period (including treasury stock):

Three months ended June 30, 2024 : 75,758,470 Shares
Year ended March 31, 2024 : 75,758,470 Shares

(ii) Number of shares held as treasury stock at the end of the period:

Three months ended June 30, 2024 : 5,819,379 shares
Year ended March 31, 2024 : 829,200 shares

(iii) Average number of issued shares outstanding during the period, after deducting shares held as treasury stock:

Three months ended June 30, 2024 : 73,265,877 shares
Three months ended June 30, 2023 : 77,603,344 shares

(Notes) The Company has adopted a BIP (Board Incentive Plan) trust, assuming the number of shares held by the trust are included in the number of treasury stock of “(4) Number of issued shares outstanding (common stock)”.

***Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None**

***Explanation for the appropriate use of forecast of the consolidated financial results and other special notes.**

Any forward-looking statements in the summary report, such as results forecasts, are based on the information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to “1. Overview of Financial Results, etc. (3) Explanation of Consolidated Financial Guidance”.

1. Overview of Financial Results, etc.

(1) Explanation of Business Results

Forward-looking statements below are based on our judgment at the end of the first quarter of the current fiscal year.

(Business Environment)

Japan Lifeline operates in the medical device industry, primarily focusing on cardiac devices for general hospitals in Japan. As Japan's population ages, the demand for medical care is rising, a trend expected to persist. However, the medical care supply is under strain, raising concerns about the sustainability of various medical services. To address this, the government is promoting working-style reform for doctors to reduce the chronic long working hours faced by medical professionals.

In this competitive environment, it's crucial for us not only to offer effective medical devices but also to help solve broader healthcare sustainability issues. We have been tackling these challenges by leveraging its dual role of manufacturer and distributor to build a flexible and robust product portfolio.

(Status of Business)

For the three months ended June 30, 2024, we have made excellent progress in our business exceeding our expectations. We posted a strong net sales growth of 8.2% and a strong gross profit growth of 8.8%, both achieving record-highs on a quarterly basis. This was because the number of atrial fibrillation cases has grown at a higher rate of 10% compared to the prior period (company estimate). This led to our core EP/ablation sales to grow double-digit for the period. In addition, we accelerated our key initiatives in the medium-term management plan (from the fiscal year ended March 2024 to the fiscal year ending March 2028), which enabled us to solidify our position in the target market through the introduction of new products in both new and existing areas. Such favorable results partially offset the negative impact of a downward revision of insurance reimbursement prices that took place in June 2024.

Despite the strong growth of net sales and gross profit, we posted a slight operating profit growth of 0.6%. It was due to one-time cost increases such as increased provisions for doubtful accounts in selling and general administrative expenses.

In terms of the impact from currency exchange rate, we have seen a minimal impact on our business performance despite the significant yen depreciation trend during the period. This is because our third-party product purchases made in yen accounted for approximately 70% of all transactions. Additionally, we use the moving-average method for cost of sales, which smooths out the impact of temporary cost increases over time.

(Business Performance)

The earnings for the three months ended June 30, 2024 are as follows.

Unit: Millions of yen, unless otherwise stated

Summary of Profit & Loss Statement	Three Months Ended June 30, 2023		Three Months Ended June 30, 2024		Increase/ (Decrease)	Increase/ (Decrease)%
	Amount	Vs Sales Ratio%	Amount	Vs Sales Ratio%		
① Net Sales	12,954	100.0	14,010	100.0	1,056	8.2
② Gross Profit	7,887	60.9	8,583	61.3	695	8.8
③ Operating Profit	3,176	24.5	3,194	22.8	18	0.6
④ Ordinary Profit	3,244	25.0	3,215	23.0	(28)	(0.9)
⑤ Quarterly Net Profit Attributable to Owners of Parent	2,330	18.0	2,340	16.7	10	0.4

① Net sales

We reported the record-high net sales of 14,010 million yen, an increase of 8.2%. For more details, please refer to the "Net Sales by Product" section later in this report.

② Gross profit

We reported the record-high gross profit of 8,583 million yen, an increase of 8.8%. The gross profit margin reached 61.3%, an improvement of 40 bps. We saw a continuing growth of the number of procedures, particularly in EP/ablation category, achieving a significant increase in sales volume. In addition, we moved forward our cost reduction efforts in cardiovascular and gastrointestinal product manufacturing. Such factors offset a decrease in selling prices across a wide range of products attributable to the revision of insurance reimbursement prices, which took place in June 2024.

③ Operating Profit

We reported the record-high operating profit of 3,194 million yen, an increase of 0.6%. Selling, general and administrative expenses increased by 677 million yen. The operating profit margin was 22.8%, down 170 bps. The main reasons for the change are as follows:

- An increase in provision for doubtful accounts due to the suspension of bill transactions with a business partner
- An increase in sales-related expenses due to higher business activity
- An increase in costs related to the renewed core systems
- An increase in provision for performance-linked bonuses for employees
- A one-time miscellaneous income occurred in the prior period, which is related to the transfer of inventory upon the expiration of the sales contract with Baylis Medical

④ Ordinary Profit

We reported the ordinary profit of 3,215 million yen, a decline of 0.9%. Non-operating income, including interest received and exchange gains, amounted to 131 million yen. Non-operating expenses, including fees for the public purchase of own shares and miscellaneous losses, totaled 110 million yen.

⑤ Quarterly Net Profit Attributable to Owners of the Parent

We reported the record-high net profit attributable to the owners of the parent of 2,340 million yen, an increase of 0.4%. The income tax burden was 27.4%.

(Sales by Product)

Unit: Millions of yen, unless otherwise stated

Product Category	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Increase/ (Decrease)	Increase/ (Decrease)%
Cardiac Rhythm Management	3,446	3,469	23	0.7
EP/Ablation	6,272	7,101	828	13.2
Cardiovascular	2,718	2,784	66	2.5
Neurovascular	135	347	212	157.5
Gastrointestinal	381	307	(74)	(19.6)
Total	12,954	14,010	1,056	8.2

(Note) The main products classified in each product category are as follows.
Effective from the first quarter of the current fiscal year, we have reclassified the "Neurovascular" category, which were previously included under the "Cardiovascular" category, into a new and independent category. For the year-on-year comparisons, the figures for the same period of the previous fiscal year are reorganized into the changed product categories for comparative analysis.

Cardiac Rhythm Management	Pacemaker, T-ICD (Transvascular Implantable Cardioverter Defibrillator), S-ICD (Subcutaneous Implantable Cardioverter Defibrillator), CRT-P (Cardiac Resynchronization Therapy Pacemaker), CRT-D (Cardiac Resynchronization Therapy Defibrillator), AED (Automated External Defibrillator)
EP/Ablation	Electrophysiology catheter, Ablation catheter, Endoscopic laser ablation catheter, Internal cardioversion catheter, Esophageal temperature monitoring catheter, Steerable sheath, Hemostatic device for femoral vein
Cardiovascular	Vascular graft, Open stent graft, Stent graft, Atrial septum defect closing device
Neurovascular	Embolic coil, Aspiration catheter, Microcatheter
Gastrointestinal	Bile-duct tube stent, Bile-duct dilation balloon, Cholangioscope system, ERCP guide wire, Colonic stent, Gastro-duodenal stent, Radiofrequency ablation needle for liver cancer treatment

① Cardiac Rhythm Management

Net sales in Cardiac Rhythm Management category reached 3,469 million yen, an increase of 0.7%. Our pacemaker-related product sales remained solid. It was due to a stable trend of replacement cases following the voluntary recall of older models, covering a 13% drop in the reimbursement price. The sales of S-ICD, a unique product in the market, saw a slight increase, gaining new adoptions. This partly offset the T-ICD's sluggish performance.

② EP/Ablation

Net sales in EP/Ablation category reached a new quarterly record of 7,101 million yen, an increase of 13.2%. The number of atrial fibrillation cases increased by approximately 10% year-on-year, boosting the sales of in-house products. We have ramped up the intracardiac defibrillation catheter, one of the core products of ours, with two new models that are exclusive to us. This successfully solidified our overwhelming market share against the competitor. The esophageal temperature monitoring catheter expanded its market share. Furthermore, the femoral vein hemostasis device, launched in the third quarter of the previous fiscal year, contributed to strong sales with a steady increase in adopting facilities.

③ Cardiovascular

Net sales in Cardiovascular category reached 2,784 million yen, an increase of 2.5%. The open stent graft, another core product, kept its revenue despite some impact from a competitor. Also, abdominal stent grafts and atrial septal defect closing devices saw a steady growth in sales.

④ Neurovascular

Net sales in Neurovascular category reached 347 million yen, a significant increase of 157.5%. The newly introduced models of embolic coils expanded its market share and drove the sales growth. The aspiration catheter, launched about a year ago, also expanded its market share to approximately 10%. In the first quarter of this fiscal year, we newly launched a microcatheter to further strengthen our neurovascular portfolio.

⑤ Gastrointestinal

Net sales in Gastrointestinal category reached 307 million yen, a decrease of 19.6%. This figure includes the impact of the terminated coronary intervention business. Excluding this impact, net sales were 273 million, a significant increase of 24.1%. We drove sales of the bile duct tube stent, the main product, with a higher adoption rate at more facilities. The procured ERCP guidewire, launched at the end of the previous fiscal year, also performed well.

(2) Financial Position

① Assets

The balance of Current assets was 39,311 million yen, a decrease of 3,559 million yen from the end of the previous period. This was mainly due to increases of 964 million yen in Notes and accounts receivable – trade, 996 million yen in inventories and a decrease of 5,658 million yen in Cash and deposits, primarily due to purchases of treasury stock, dividends payments and payments of income taxes.

The balance of Fixed assets was 28,968 million yen, a decrease of 1,669 million yen from the end of the previous period. This was mainly due to decreases of 803 million yen in Investment securities and 516 million yen in Deferred tax assets, which was included in “Other” of Investments and other assets.

As a result, the balance of total assets was 68,280 million yen, a decrease of 5,229 million yen from the end of previous period.

② Liabilities

The balance of Current liabilities was 14,902 million yen, an increase of 727 million yen from the end of the previous period. This was mainly due to decreases of 1,301 million yen in Income tax payable, 957 million yen in Provision for bonuses and an increase of 3,000 million yen in Short-term borrowings.

The balance of Long-term liabilities was 1,116 million yen, a decrease 114 million yen from the end of the previous period. This was mainly due to a decrease of 91 million yen in Lease liabilities, which was included in “Other”.

As a result, the balance of total liabilities was 16,019 million yen, an increase of 613 million yen from the end of the previous period.

③ Net assets

The balance of Net assets was 52,260 million yen, a decrease of 5,842 million yen from the end of the previous period. This was mainly due to the dividend of 3,154 million yen, a 5,207 million yen increase of Treasury stock, and Profit attributable to owners of parent of 2,340 million yen.

(3) Explanation of Consolidated Financial Guidance

We have made a strong progress for the three months ended June 30, 2024, exceeding our initial forecast. A higher-than-expected growth in case numbers has mainly driven the progress. We anticipate this favorable business condition to continue beyond the second quarter onward. As of now, however, there are no changes to the full-year earnings guidance for the fiscal year ending March 2025, which was disclosed on May 1, 2024. We will promptly make announcements if any revision might become necessary.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	12,669	7,010
Notes and accounts receivable - trade	13,283	14,248
Inventories	15,154	16,151
Other	1,763	1,901
Total current assets	42,871	39,311
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	7,086	7,067
Other, net	6,348	6,349
Total property, plant and equipment	13,434	13,416
Intangible assets	2,292	2,203
Investments and other assets		
Investment securities	7,601	6,797
Long-term loans receivable	2,719	2,814
Retirement benefit asset	69	90
Other	6,075	5,453
Allowance for doubtful accounts	△1,555	△1,807
Total investments and other assets	14,910	13,348
Total fixed assets	30,638	28,968
Total assets	73,509	68,280
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,254	4,017
Short-term borrowings	3,500	6,500
Current portion of long-term borrowings	416	329
Accounts payable - other	1,178	1,166
Income taxes payable	1,750	448
Provision for bonuses	1,794	837
Provision for bonuses for directors	80	20
Other	1,200	1,583
Total current liabilities	14,175	14,902
Non-current liabilities		
Long-term borrowings	120	90
Provision for director's stock based compensation	163	170
Other	947	855
Total non-current liabilities	1,231	1,116
Total liabilities	15,406	16,019
Net assets		
Shareholders' equity		
Share capital	2,115	2,115
Capital surplus	8,866	8,866
Retained earnings	47,291	46,478
Treasury stock	△756	△5,963
Total shareholders' equity	57,516	51,495
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	△34	36
Foreign currency translation adjustment	348	465
Remeasurements of defined benefit plans	271	262
Total accumulated other comprehensive income	585	764
Total net assets	58,102	52,260
Total liabilities and net assets	73,509	68,280

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

For the Three Months Ended June 30, 2023 and 2024

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	12,954	14,010
Cost of sales	5,066	5,427
Gross profit	7,887	8,583
Selling, general and administrative expenses	4,711	5,388
Operating profit	3,176	3,194
Non-operating income		
Interest income	50	60
Dividend income	4	13
Foreign exchange gains	62	40
Gain on valuation of investment securities	3	11
Other	11	4
Total non-operating income	132	131
Non-operating expenses		
Interest expenses	7	7
Provision of allowance for doubtful accounts	16	13
Commission expenses	8	60
Other	32	28
Total non-operating expenses	65	110
Ordinary profit	3,244	3,215
Extraordinary income		
Gain on sale of fixed assets	0	0
Gain on sale of investment securities	—	20
Total extraordinary income	0	20
Extraordinary losses		
Loss on sale of fixed assets	—	1
Loss on retirement of fixed assets	4	10
Total extraordinary losses	4	11
Profit before income taxes	3,240	3,224
Income taxes – current	241	389
Income taxes – deferred	668	494
Total income taxes	910	884
Profit	2,330	2,340
Profit attributable to owners of parent	2,330	2,340

(Consolidated Statements of Comprehensive Income)

For the Three Months Ended June 30, 2023 and 2024

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	2,330	2,340
Other comprehensive income		
Net unrealized holding gains or losses on securities	101	71
Foreign currency translation adjustment	0	116
Remeasurements benefit liability adjustments	5	△8
Total other comprehensive income	107	179
Comprehensive income	2,437	2,519
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,437	2,519

(3) Notes to Consolidated Financial Statements

(Notes Regarding Going-Concern Assumptions)

None

(Notes on Significant Changes in Shareholders' Equity)

(Purchase of treasury stock)

Treasury stock increased by 5,207 million yen from the end of the previous period to 5,963 million yen at the end of the first quarter of this fiscal year, mainly due to the Pursuant to a resolution at a meeting of the Board of Directors held on May 1, 2024, the Company purchased 5,000,100 shares of treasury stock.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Current Income Taxes)

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022"), etc. have been adopted from the beginning of the first quarter ended June 30, 2024.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No.28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the quarterly consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the first quarter ended June 30, 2024. This change in accounting policies was applied retrospectively.

Hence, the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year have been modified retrospectively. This change in accounting policies has no impact on the quarterly consolidated financial statements for the same quarter of the prior fiscal year and the consolidated financial statements for the prior fiscal year.

(Notes on the quarterly consolidated cash flow statement)

There is no quarterly consolidated cash flow statement for the three months ended June 30, 2024. Depreciation for the three months ended June 30, 2024 is as follows:

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	330	424

(Segment Information, etc.)

[Segment Information]

Overview of Reporting Segments

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

The business of the Company and its consolidated subsidiaries is the manufacture and sale of medical device, and its main customers are located in Japan. There are no reportable segments for which separate financial information is available among the constituent units of the Company and its consolidated subsidiaries, that should be subject to periodical reviews by the Board of Directors in order to determine allocation of management resources and evaluate business performance.

Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

The business of the Company and its consolidated subsidiaries is the manufacture and sale of medical device, and its main customers are located in Japan. There are no reportable segments for which separate financial information is available among the constituent units of the Company and its consolidated subsidiaries, that should be subject to periodical reviews by the Board of Directors in order to determine allocation of management resources and evaluate business performance.

3. Others

Current Status of Production, Orders and Sales

(1) Production

(Millions of yen, unless otherwise stated)

Product Category	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024	Increase (Decrease) %
Cardiac Rhythm Management	2	6	196.4
EP/Ablation	1,438	1,518	5.5
Cardiovascular	273	364	33.4
Gastrointestinal	112	138	22.8
Total	1,826	2,026	11.0

(Note) 1. Figures are based on Manufacturing cost.

2. Effective from the first quarter of the current fiscal year, the “Neurovascular” has been added to the product categories. However, since there was no production in this category in either the previous or current fiscal year, it has been omitted.

(2) Orders received

Since the order backlog does not occur, this information is omitted.

(3) Sales Results

Please refer to “1. Overview of Financial Results, etc. (1) Explanation of Business Results”.