

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japan GAAP]

July 29, 2022

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/>
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Scheduled date to file the Quarterly Securities Report : August 10, 2022
 Scheduled date to commence dividend payment : -
 Supplementary documents to the financial results for the period : Available
 Presentation on quarterly results : Not available

(Amounts are rounded down to million yen)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(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, 2022	12,969	2.8	2,707	16.7	2,674	10.6	1,946	14.3
Three months ended June 30, 2021	12,612	10.0	2,319	38.3	2,417	87.3	1,702	101.3

(Note) Comprehensive income: Three months ended June 30, 2022 : 2,038 million yen; 6.6 %
 Three months ended June 30, 2021 : 1,912 million yen; 122.4 %

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2022	24.73		-	
Three months ended June 30, 2021	21.18		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2022	68,930		51,658		74.9	
As of March 31, 2022	73,197		54,567		74.5	

(Reference) Shareholders' equity: As of June 30, 2022 : 51,658 million yen
 As of March 31, 2022 : 54,567 million yen

2. Dividends

	Cash dividends per share				
	1Q End	2Q End	3Q End	Year-End	Total
Year ended March 31, 2022	Yen -	Yen 0.00	Yen -	Yen 38.00	Yen 38.00
Year ending March 31, 2023	-				
Year ending March 31, 2023 (forecast)		0.00	-	38.00	38.00

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

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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, 2022	24,861	(1.1)	4,403	(6.0)	4,392	(8.7)	3,193	(11.1)	40.74
Year ending March 31, 2023	51,527	0.1	10,011	0.4	10,003	(0.0)	7,274	(2.8)	93.06

(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

(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, 2022 : 85,419,976 Shares
Year ended March 31, 2022 : 85,419,976 Shares

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

Three months ended June 30, 2022 : 7,453,141 shares
Year ended March 31, 2022 : 5,500,841 shares

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

Three months ended June 30, 2022 : 78,704,802 shares
Three months ended June 30, 2021 : 80,384,322 shares

(Notes) 1 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)".

2 The Company has adopted the trust-type employee stock ownership incentive plan (E-Ship), which was terminated on July 29, 2021. The Company's shares held by the trust were treated as treasury stock in "(4) Number of issued shares outstanding (common stock)".

***This Summary Report is out of scope for quarterly review by the external auditors.**

***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. Qualitative Information (3) Explanation of Consolidated Financial Forecasts" on page 4 of this report.

1. Qualitative Information

(1) Explanation of Business Results

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

(Business Environment)

In the first quarter of the current fiscal year (April 1, 2022 to June 30, 2022), unit selling prices fell for many products compared to the same period of the previous fiscal year due to the revision of insurance reimbursement prices in April 2022. In particular, the reduction in reimbursement prices for some of the Cardiac Rhythm Management and EP/ablation products was significant and had a certain negative impact on net sales and gross profit.

Regarding the coronavirus issue, the government lifted its emergency measures for prevention of the spread of the disease in late March 2022. In the first quarter, the number of newly reported cases of infection was on a declining trend. Such as the background, the number of outpatients at hospitals increased significantly, and lagged cases were implemented. It led to an increase in the number of cases related to our products, particularly ablation cases for atrial fibrillation (AF) exceeding our expectation.

With respect to the foreign exchange rate, the yen has weakened significantly against the U.S. dollar. However, the impact of exchange rate fluctuations on profit and loss was small as our yen-denominated purchases of merchandise accounted for approximately 70% of all.

(Business Performance)

The earnings for the first quarter of the current fiscal year are as follows.

Unit: Millions of yen

Summary of Profit & Loss Statement	Three months ended June 30, 2021		Three months ended June 30, 2022		Increase/(Decrease)	Increase/(Decrease) ratio (%)
	Amount	Vs Sales Ratio%	Amount	Vs Sales Ratio%		
① Net Sales	12,612	100.0	12,969	100.0	356	2.8
② Gross Profit	7,280	57.7	7,458	57.5	178	2.5
③ Operating Profit	2,319	18.4	2,707	20.9	387	16.7
④ Ordinary Profit	2,417	19.2	2,674	20.6	256	10.6
⑤ Quarterly Net Profit Attributable to Owners of Parent	1,702	13.5	1,946	15.0	243	14.3

① Net Sales

Net sales increased by 356 million yen year-on-year to 12,969 million yen. Details are shown in the “Sales by Product” section below.

② Gross Profit

Gross profit increased by 178 million yen year-on-year to 7,458 million yen. Despite the impact of the revision of insurance reimbursement prices, the sales ratio of in-house products increased by 3.2pts to 54.6% compared to the same period last year. As a result, the gross profit margin ratio decreased by 0.2pts to 57.5%.

③ Operating Profit

Operating profit increased by 387 million yen year-on-year to 2,707 million yen. Selling, general and administrative expenses were lower on the year-on-year basis, mainly due to a one-time clinical trial-related expense of 290 million yen, which incurred in the same period last year. As for other expenses, R&D expenses increased year-on-year and sales-related expenses such as advertising and travel expenses also increased due to increased sales activities following the temporary calming of the COVID-19 infection. As a result, the operating margin increased by 2.5pts to 20.9%.

④ Ordinary Profit

Ordinary profit increased by 256 million yen year-on-year to 2,674 million yen. Non-operating income was 72 million yen, including interest and dividends received. Non-operating expense was 105 million yen, including provision of allowance for doubtful accounts related to receivables from business partners and finance charges related to the acquisition of treasury shares.

⑤ Quarterly Net Profit Attributable to Owners of Parent

Quarterly net profit attributable to owners of parent increased by 243 million yen year-on-year to 1,946 million yen partly due to tax credits. As a result, the tax burden ratio decreased by 2.5pts to 27.1%.

(Sales by Product)

Unit: Millions of yen

Product Category	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase/(Decrease)	Increase/(Decrease) ratio (%)
Cardiac Rhythm Management	3,320	3,094	(225)	(6.8)
EP/Ablation	6,211	6,662	451	7.3
Cardiovascular Surgery	2,190	2,535	345	15.8
Gastrointestinal/PI	890	676	(214)	(24.0)
Total	12,612	12,969	356	2.8

(Note) The main products classified in each product category are as follows

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), Hypoglossal nerve stimulator
EP/Ablation	Electrophysiology catheter, Ablation catheter, Endoscopic laser ablation catheter, Internal cardioversion catheter, Esophageal temperature monitoring catheter, Radiofrequency transseptal needle
Cardiovascular Surgery	Vascular graft, Open stent graft, Stent graft, Embolic coil
Gastrointestinal/PI	Colonic stent, Gastro-duodenal stent, Radiofrequency ablation needle for liver cancer treatment, Balloon catheter, Guidewire, Atrial septum defect closure, Drug-eluting stent, Guidewire with sensor for fractional flow reserve

① Cardiac Rhythm Management

Pacemaker-related products continued to face difficult conditions, affected by new products from competitors and low-price strategies. Although the overall market showed a gradual upward trend on a volume basis, our sales volume remained flat. In addition, unit sales prices fell due to the large reduction in insurance reimbursement prices for our main models of pacemakers, resulting in a year-on-year decrease in net sales. Net sales were almost in line with the plan, as we included in the plan a certain degree of impact from the insurance reimbursement price revision.

For the ICD-related business, sales of T-ICDs increased year-on-year as we gained more share of replacement cases, offsetting the slightly weak sales of S-ICDs. We will continue to strengthen sales of S-ICD, one of the exclusive products of ours, in the second quarter and beyond by promoting its advantages such as its ability to reduce the risk of complications.

As a result of the above, net sales of Cardiac Rhythm Management were 3,094 million yen (down 6.8% year on year).

② EP/Ablation

In EP catheter, sales of in-house products such as BeeAT (internal atrial cardioversion catheter), EP Star (EP catheter), and Esophastar (esophageal temperature monitoring catheter) were favorable, reflecting an increase in the number of AF cases. We saw unit sales prices decrease in each of our catheter products, due to the revision of insurance reimbursement prices, but a significant increase in sales volume led to a substantial increase in sales on the year-on-year basis. The upward trend in the number of cases accelerated toward the latter half of the first quarter, with particularly strong growth in June 2022, when the single-month sales volume of AF-related products listed above achieved a new record.

In ablation catheter, sales volume of ablation catheters using radiofrequency was on a par with the same period last year, but sales declined due to the impact of the revision of insurance reimbursement prices. Sales of endoscopic laser ablation catheters significantly increased thanks to the introduction of the HeartLight X3, a next-generation product. Meanwhile, progress against the plan was somewhat lagged due to delays in product supply caused by the global shortage of raw materials.

As for others, a competitor launched last year a competing product of RF Needle, a radiofrequency atrial septum puncture needle, which we had sold as an exclusive product since 2013. As a result, the sales volume of RF Needle decreased year-on-year on the back of price competition. On the other hand, Leftee, an in-house steerable sheath, achieved a significant increase in sales and expanded its market share as physicians highly evaluated its excellent operability.

As a result of the above, net sales of EP/ablation were 6,662 million yen. (up 7.3% year on year)

③ Cardiovascular Surgery

In the vascular graft-related business, sales of in-house vascular graft J Graft remained favorable, and sales of our exclusive open stent graft FROZENIX also increased substantially, mainly due to an increase in emergency cases. Sales of AFX2, a third-party product of abdominal stent graft, also increased significantly, mainly due to positive impressions on the results of clinical studies conducted at university hospitals in Japan. Sales of Alto, a new abdominal stent graft product launched last year, also exceeded the plan due to steady progress in PMS or post-marketing surveillance.

As for others, sales of the embolic coil Avenir launched last year, exceeded the plan. We initially sold the product exclusively for abdominal cases, but in April 2022, we began marketing it for neurovascular cases as well. We position the neurovascular space as our next important business domain and will further expand the product lineup soon.

As a result of the above, net sales of Cardiovascular Surgery were 2,535 million yen (up 15.8% year on year).

④ Gastrointestinal/PI

In the gastrointestinal business, sales of colonic stent and gastro-duodenal stent Jently Neo Duodenal Stent remained favorable on the back of an increase in the number of facilities for depositing inventories. In addition, sales of arfa, a radiofrequency ablation needle for liver cancer treatment, also remained favorable. As a result, sales of gastrointestinal products significantly increased year-on-year. We plan to launch several in-house biliary and pancreatic products in the second half of the current fiscal year, and preparations are underway now.

As for PI or percutaneous intervention-related, its business environment has been extremely challenging lately. The pace of recovery in the number of cases remains slow and unit sales prices have fallen due to the revision of insurance reimbursement prices. In June 2022, we terminated the exclusive distribution agreement for the drug-eluting coronary stent Orsiro prior to the initially agreed term-end. After the termination of the agreement, we will continue to sell the product at a limited number of facilities as inventory lasts. As a result, sales of Orsiro decreased significantly on the year-on-year basis. Sales of guidewire and balloon catheter decreased as well.

As a result of the above, sales of Gastrointestinal/PI were 676 million yen (down 24.0% year on year)

(2) Financial Position

① Assets

The balance of Current assets was 40,481 million yen, a decrease of 4,671 million yen from the end of the previous period. This was mainly due to an increase 694 million yen in Notes and accounts receivable-trade, and decreases of 4,828 million yen in Cash and deposits, primarily due to dividends payments and purchases of treasury stock, and 648 million yen in Inventories.

The balance of Fixed assets was 28,449 million yen, an increase of 404 million yen from the end of the previous period. This was mainly due to increases of 354 million yen in Long-term loans receivable and 253 million yen in Intangible assets and a decrease of 310 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 68,930 million yen, a decrease of 4,266 million yen from the end of previous period.

② Liabilities

The balance of Current liabilities was 12,970 million yen, a decrease of 1,240 million yen from the end of the previous period. This was mainly due to decreases in Income tax payable of 1,021 million yen, Provision for bonuses of 673 million yen, and Short-term borrowings of 300 million yen and an increase in “Other”, which included increases in Income tax withheld of 397 million yen and Accrued consumption tax of 366 million yen.

The balance of Long-term liabilities was 4,301 million yen, a decrease 117 million yen from the end of the previous period. This was mainly due to an increase of 118 million yen in Retirement benefits liability and a decrease of 217 million yen in Long-term borrowings.

As a result, the balance of total liabilities was 17,272 million yen, a decrease of 1,357 million yen from the end of the previous period.

③ Net assets

The balance of Net assets was 51,658 million yen, a decrease of 2,908 million yen from the end of the previous period. This was mainly due to the dividend of 3,041 million yen, a 1,905 million yen increase of Treasury stock, and Profit attributable to owners of parent of 1,946 million yen.

(3) Explanation of Consolidated Financial Forecasts

We have maintained the financial forecast announced on May 11, 2022. The increase in the number of AF cases exceeded our expectation in the first quarter, but we recently observe signs of COVID-19 resurgence since July. Therefore, we do not expect the business environment going forward to be significantly different from our initial assumptions at this point.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	16,058	11,229
Notes and accounts receivable - trade	12,437	13,132
Inventories	14,850	14,201
Other	1,807	1,918
Total current assets	45,153	40,481
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	7,413	7,418
Other, net	5,497	5,517
Total property, plant and equipment	12,911	12,935
Intangible assets	1,470	1,723
Investments and other assets		
Investment securities	6,850	7,050
Long-term loans receivable	1,954	2,309
Other	6,183	5,796
Allowance for doubtful accounts	(1,325)	(1,366)
Total investments and other assets	13,662	13,789
Total fixed assets	28,044	28,449
Total assets	73,197	68,930
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,287	3,203
Short-term borrowings	5,300	5,000
Current portion of long-term borrowings	1,090	968
Accounts payable - other	801	836
Income taxes payable	1,497	475
Provision for bonuses	1,367	693
Provision for bonuses for directors	14	5
Other	852	1,788
Total current liabilities	14,211	12,970
Long-term liabilities		
Long-term borrowings	1,104	887
Provision for director's stock based compensation	99	108
Retirement benefits liability	2,011	2,130
Other	1,204	1,175
Total long-term liabilities	4,418	4,301
Total liabilities	18,629	17,272

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	2,115	2,115
Capital surplus	14,853	14,853
Retained earnings	38,890	37,795
Treasury stock	(1,496)	(3,402)
Total shareholders' equity	54,362	51,361
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	(6)	(45)
Foreign currency translation adjustment	237	405
Remeasurements of defined benefit plans	(26)	(62)
Total accumulated other comprehensive income	205	297
Total net assets	54,567	51,658
Total liabilities and net assets	73,197	68,930

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

For the Three Months Ended June 30, 2021 and 2022

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	12,612	12,969
Cost of sales	5,331	5,510
Gross profit	7,280	7,458
Selling, general and administrative expenses	4,960	4,751
Operating profit	2,319	2,707
Non-operating income		
Interest income	11	35
Dividend income	1	29
Gain on sale of businesses	116	—
Other	31	7
Total non-operating income	160	72
Non-operating expenses		
Interest expenses	22	10
Foreign exchange losses	23	2
Loss on valuation of investment securities	2	3
Provision of allowance for doubtful accounts	1	40
Commission expenses	3	37
Other	9	10
Total non-operating expenses	62	105
Ordinary profit	2,417	2,674
Extraordinary income		
Gain on sale of fixed assets	1	1
Total extraordinary income	1	1
Extraordinary losses		
Loss on retirement of fixed assets	0	5
Total extraordinary losses	0	5
Profit before income taxes	2,418	2,670
Income taxes - current	496	380
Income taxes - deferred	218	343
Total income taxes	715	724
Profit	1,702	1,946
Profit attributable to owners of parent	1,702	1,946

(Consolidated Statements of Comprehensive Income)

For the Three Months Ended June 30, 2021 and 2022

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	1,702	1,946
Other comprehensive income		
Net unrealized holding gains or losses on securities	74	(39)
Foreign currency translation adjustment	129	168
Retirement benefits liability adjustments	5	(36)
Total other comprehensive income	209	91
Comprehensive income	1,912	2,038
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,912	2,038

(3) Notes to Consolidated Financial Statements

(Notes Regarding Going-Concern Assumptions)

None

(Notes on Significant Changes in Shareholders' Equity)

(Purchase of treasury stock)

Pursuant to a resolution at a meeting of the Board of Directors held on February 25, 2022, the Company purchased 1,952,300 shares of treasury stock (total amount of purchase cost: 1,905 million yen) for the three months ended June 30, 2022. As a result, treasury stock as at June 30, 2022 was 3,402 million yen.

(Changes in Accounting Policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; June 17, 2021) is being applied from the beginning of the first quarter of the current fiscal year, and as per the transitional measures stipulated in paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies stipulated in Implementation Guidance on Accounting Standard for Fair Value Measurement are being applied in the future. There is no effect on the quarterly consolidated financial statement.

(Significant subsequent events)

(Cancellation of treasury stock)

The company resolved at a meeting of the Board of Directors held on February 25, 2022, to purchase treasury stock pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of said Act, and resolved to cancel treasury stock pursuant to the provisions of Article 178 of the Companies Act. Regarding the acquisition of treasury stock based on the resolution of the Board of Directors, the planned number of acquisitions was completed by July 1, 2022, and the acquired shares were canceled on July 15, 2022.

1. Class of shares cancelled : Common shares of the company
2. Total number of shares : 2,500,000 shares
(Ratio to the total number of issued shares (excluding treasury stock) before cancellation : 3.1%)
3. Cancellation date : July 15, 2022
4. Total number of shares outstanding after cancellation (excluding treasury stock) : 77,920,435 shares

(Note) The Company has introduced a BIP (Board Incentive Plan) trust, and the Company shares held by the trust are treated as own shares.

3. Others

Current Status of Production, Orders and Sales

(1) Production

(Millions of yen)

Product Category	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	Increase (Decrease)
Cardiac Rhythm Management	3	5	45.6%
EP/Ablation	1,128	1,372	21.6%
Cardiovascular Surgery	339	292	(13.8%)
Gastrointestinal/PI	89	83	(7.1%)
Total	1,561	1,753	12.3%

(Note) Figures are based on Manufacturing cost.

(2) Orders received

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

(3) Sales Results

Please refer to “1. Qualitative Information, (1) Operating Results”.