

Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japan GAAP]

February 2, 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/>
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Scheduled date to file the Quarterly Securities Report : February 14, 2024
 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)

(Amounts are rounded down to million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(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	%
Nine Months ended December 31, 2023	38,302	(0.5)	8,450	6.5	8,586	8.8	6,173	35.0
Nine Months ended December 31, 2022	38,498	(1.3)	7,931	5.7	7,891	5.1	4,571	(17.2)

(Note) Comprehensive income: Nine Months ended December 31, 2023 : 6,476 million yen; 40.9 %
 Nine Months ended December 31, 2022 : 4,595 million yen; (19.1) %

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine Months ended December 31, 2023	80.70		-	
Nine Months ended December 31, 2022	58.47		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	70,213	56,968	81.1
As of March 31, 2023	74,641	56,195	75.3

(Reference) Shareholders' equity: As of December 31, 2023 : 56,968 million yen
 As of March 31, 2023 : 56,195 million yen

2. Dividends

	Cash dividends per share				
	1Q End	2Q End	3Q End	Year-End	Total
Year ended March 31, 2023	Yen -	Yen 0.00	Yen -	Yen 38.00	Yen 38.00
Year ending March 31, 2024	-	0.00	-		
Year ending March 31, 2024 (forecast)				42.00	42.00

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

3. Forecast of Consolidated Financial Results for the Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% 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
Year ending March 31, 2024	50,680	(2.1)	10,945	1.0	10,844	(0.6)	7,902	14.7	103.81

(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 : None

(ii) Changes in accounting policies other than (i) : Yes

(iii) Changes in accounting estimates : Yes

(iv) Restatement : None

(Notes) For details, please refer to "2. Consolidated Financial Statements and Primary Notes (4) 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):

Nine Months ended December 31, 2023 : 82,919,976 Shares

Year ended March 31, 2023 : 82,919,976 Shares

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

Nine Months ended December 31, 2023 : 7,558,306 shares

Year ended March 31, 2023 : 4,999,561 shares

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

Nine Months ended December 31, 2023 : 76,496,250 shares

Nine Months ended December 31, 2022 : 78,181,877 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)".

***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 Guidance".

1. Qualitative Information

(1) Explanation of Business Results

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

(Business Environment)

During the third quarter year-to-date of the fiscal year ending in March 2024 (April 1, 2023 to December 31, 2023), the business environment improved due to the reclassification of COVID-19 as a "Class 5 Infectious Disease" in May. We estimate that the number of cases of atrial fibrillation (AF) ablation treatment, which significantly impacts our performance, increased by 8-9% compared to the same period last year, exceeding our initial expectations (an increase of about 6% for the full year). As a result, our mainstay in-house EP/Ablation products drove the performance with an approximately 10% revenue increase compared to the same period last year.

Additionally, we successfully implemented one of our key mid-term strategies, "expanding into new therapeutic areas," which helped raise the level of our earnings. In the neurovascular field, embolic coils gained traction in the market, and the aspiration catheters, launched in the first quarter, showed promising progress. In the gastrointestinal area, sales of in-house manufactured bile-duct tube stents expanded, capturing over 10% market share within a year of their launch.

On the other hand, we ended exclusive sales of the RF Needle, a key third-party product in EP/ablation, at the end of the previous fiscal year. From this fiscal year, we shifted our business model to offer sales support services. Even though this change led to a drop in revenue, the sales support services don't involve product procurement and thus helped increase our gross profit margin.

Consequently, although net sales decreased by 0.5% year-on-year, gross profit increased by 5.3%, offsetting the rise in selling, general and administrative expenses. Each stage of profit increased compared to the same period last year.

Regarding fluctuations in foreign exchange rates in recent years, they have a limited impact on our performance. The yen's depreciation, which increases the price of third-party products, affects only about 30% of our product purchases. Moreover, the moving-average method that we use to calculate cost of sales ensures that any temporary increase in procurement costs for some third-party products or parts will level out over time.

(Business Performance)

The earnings for the third quarter are as follows.

Unit: Millions of yen

Summary of Profit & Loss Statement	Nine Months Ended December 31, 2022		Nine Months Ended December 31, 2023		Increase/ (Decrease)	Increase/ (Decrease)%
	Amount	Vs Sales Ratio%	Amount	Vs Sales Ratio%		
① Net Sales	38,489	100.0	38,302	100.0	(195)	(0.5%)
② Gross Profit	22,140	57.5	23,305	60.8	1,164	5.3%
③ Operating Profit	7,931	20.6	8,450	22.1	518	6.5%
④ Ordinary Profit	7,891	20.5	8,586	22.4	695	8.8%
⑤ Quarterly Net Profit Attributable to Owners of Parent	4,571	11.9	6,173	16.1	1,601	35.0%

① Net sales

Net sales decreased by 195 million yen year-to-year, to 38,302 million yen. Details are shown in the Sales by Product section below.

② Gross profit

Gross profit increased by 1,164 million yen year-to-year, to 23,305 million yen. The increase in in-house product sales due to the increase in AF case numbers, and the decrease in third-party products due to the change in the commercial flow of the RF Needle, resulted in our in-house sales ratio being 4.6 pts higher at 59.0% compared to the same period last year. Furthermore, the loss in disposal and write-down of inventories decreased by 182 million yen compared to the same period last year. As a result, the gross profit margin was 3.3 pts higher at 60.8% compared to the same period last year.

③ Operating Profit

Operating profit increased by 518 million yen year-to-year, to 8,450 million yen. Selling, general and administrative expenses increased compared to the same period last year. Although there were temporary miscellaneous income and a decrease in research and development expenses, provisions for bonuses and the sales-related costs associated with business activities increased respectively. As a result, the operating profit margin was 1.5 pts higher at 22.1% compared to the same period last year.

④ Ordinary Profit

Ordinary profit increased by 695 million yen year-to-year, to 8,586 million yen. Non-operating income was 256 million yen, mainly comprising of interest received. Non-operating expenses was 119 million yen, including interest expenses and financial charges.

⑤ Quarterly Net Profit Attributable to Owners of the Parent

Quarterly net profit attributable to the owners of the parent increased by 1,601 million yen year-to-year, to 6,173 million yen. We recorded an extraordinary loss of 1,190 million yen from the write-down of investment securities in the third quarter of the previous fiscal year. The corporate tax burden rate was 28.1%.

(Sales by Product)

Unit: Millions of yen

Product Category	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Increase/ (Decrease)	Increase/ (Decrease)%
Cardiac Rhythm Management	9,380	10,144	764	8.1%
EP/Ablation	19,474	18,154	(1,320)	(6.8%)
Cardiovascular	8,060	8,985	924	11.5%
Gastrointestinal	1,582	1,018	(564)	(35.7%)
Total	38,498	38,302	(195)	(0.5%)

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

Effective from the first quarter of the current fiscal year, the Company has changed the names of product categories, so that "Cardiovascular" corresponds to the former "Cardiovascular Surgery", and "Gastrointestinal" corresponds to the former "Gastrointestinal/PI". In addition, the product category of Atrial septum defect closure has been changed from the former "Gastrointestinal/PI" to "Cardiovascular". Consequently, 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 (Transvenous 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, Hemostasis device for femoral vein
Cardiovascular	Vascular graft, Open stent graft, Stent graft, Embolic coil, Aspiration catheter, Atrial septum defect closing device
Gastrointestinal	Bile-duct tube stent, Bile-duct dilation balloon, Cholangioscope system, Colonic stent, Gastro-duodenal stent, Radiofrequency ablation needle for liver cancer treatment

① Cardiac Rhythm Management

Pacemaker-related sales went up by 3.9% compared to the same period last year. This increase came from an increase in pacemaker unit replacements following a voluntary recall for discontinued models that took place in the third quarter of this fiscal year.

ICD-related sales were boosted by 11.0% compared to the same period last year. The S-ICD, the only one of its kind in the market, saw more facilities adopting it and a higher repeat rate due to focused sales expansion measures. This led to a record high in ICD-related sales for the quarter.

Overall, Cardiac Rhythm Management net sales were 10,144 million yen, up 8.1% YoY.

② EP/Ablation

EP catheter sales grew by 9.8% compared to the same period last year, thanks to an 8-9% increase in AF cases year-on-year. Sales of in-house products like the BeeAT (atrial cardioversion catheter), the EP Star (electrophysiology catheter), and the Esophastar (esophageal temperature monitoring catheter) all increased.

Ablation catheter sales went down by 19.7% compared to the same period last year. Sales of the HeartLight X3 (endoscopic laser ablation catheter) remained slow, though there was some improvement in the third quarter regarding supply shortages from the product supplier.

Sales of other products decreased significantly by 63.3% compared to the same period last year. The VASCADE MVP (hemostatic device for femoral veins), launched in the third quarter, was well received in the medical field and sales started strongly. However, sales of the RF Needle dropped significantly due to changes in commercial distribution.

Overall, EP/Ablation net sales were 18,154 million yen, down 6.8% YoY.

③ Cardiovascular

Vascular graft sales went up by 5.5% compared to the same period last year. The in-house J Graft (vascular graft) and third-party stent grafts for abdominal use continued to increase their market shares in the matured market. The in-house FROZENIX (open stent graft) saw a slight impact from another company entering the market in the third quarter, but continued to perform well, driven by the development of new customers and market expansion.

In the neurovascular-related business, sales soared by about 4.7 times compared to the same period last year. Sales of the Avenir (embolic coils) remained solid, partly due to the launch of an additional model in the second quarter. Sales of the Esperance (aspiration catheter), launched in the first quarter, also progressed well as the number of facilities adopting it expanded faster than expected.

Sales of atrial septal defect closure devices remained firm, resulting in a 3.5% increase in sales compared to the same period last year.

Overall, Cardiovascular net sales were 8,985 million yen, up 11.5% YoY.

④ Gastrointestinal

Gastrointestinal product sales rose by 48.2% compared to the same period last year. The REGULUS (bile-duct tube stent) gained recognition for its high delivery performance and steadily gained a market share. Sales of colonic stents and radiofrequency ablation needles for liver cancer treatment also remained strong.

Sales of coronary intervention (CI)-related products, including the Orsiro (drug-eluting coronary stent), went down by 70.1% compared to the same period last year due to a significant reduction in sales toward the end of the business.

Overall, Gastrointestinal net sales were 1,018 million yen, down 35.7% YoY.

(2) Financial Position

① Assets

The balance of Current assets was 40,590 million yen, a decrease of 6,539 million yen from the end of the previous period. This was mainly due to an increase of 1,435 million yen in Inventories and a decrease of 7,857 million yen in Cash and deposits, primarily due to payments for income taxes, dividends payments and purchases of treasury stock.

The balance of Fixed assets was 29,622 million yen, an increase of 2,111 million yen from the end of the previous period. This was mainly due to a decrease of 426 million yen in Deferred tax assets, which was included in “Other” of Investments and other assets and an increase of 2,410 million yen in Investment securities.

As a result, the balance of total assets was 70,213 million yen, a decrease of 4,428 million yen from the end of previous period.

② Liabilities

The balance of Current liabilities was 11,574 million yen, a decrease of 2,806 million yen from the end of the previous period. This was mainly due to decreases in Short-term borrowings of 1,500 million yen, Income tax payable of 917 million yen and Provision for bonuses of 369 million yen .

The balance of Long-term liabilities was 1,669 million yen, a decrease of 2,394 million yen from the end of the previous period. This was mainly due to decreases in Retirement benefit liability of 1,945 million yen and Long-term borrowings of 351 million yen.

As a result, the balance of total liabilities was 13,244 million yen, a decrease of 5,201 million yen from the end of the previous period.

③ Net assets

The balance of Net assets was 56,968 million yen, an increase of 773 million yen from the end of the previous period. This was mainly due to the dividend of 2,965 million yen, a 2,766 million yen increase of Treasury stock, and Profit attributable to owners of parent of 6,173 million yen.

(3) Explanation of Consolidated Financial Guidance

We have decided to maintain our financial forecast for the fiscal year ending March 31, 2024, as announced on November 6, 2023, after a thorough review of the current business environment. As of the end of the third quarter, the net sales and the profits at all levels have been consistent with our forecast, and we anticipate a solid performance in the fourth quarter of this fiscal year as well.

Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

	Net Sales	Operating Profit	Ordinary Profit	Net Profit Attributable to Owners of Parent	Net Profit Per Share
Earnings Forecast (Announced on Nov. 6, 2023)	Millions of yen 50,680	Millions of yen 10,945	Millions of yen 10,844	Millions of yen 7,902	Yen 103.81
(Ref.) Previous Earnings Forecast (Announced on May 10, 2023)	48,807	9,763	9,531	6,854	89.13

Please note that the above earnings forecast is based on information available as of the announcement date. Actual performance may vary from the forecasted figures due to various factors in the future.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	18,357	10,499
Notes and accounts receivable - trade	13,223	13,508
Inventories	13,142	14,577
Other	2,406	2,004
Total current assets	47,130	40,590
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	7,102	6,900
Other, net	5,349	5,581
Total property, plant and equipment	12,452	12,482
Intangible assets	2,414	2,385
Investments and other assets		
Investment securities	5,498	7,908
Long-term loans receivable	2,547	2,623
Other	5,995	5,642
Allowance for doubtful accounts	△1,397	△1,420
Total investments and other assets	12,643	14,754
Total fixed assets	27,510	29,622
Total assets	74,641	70,213
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,429	3,423
Short-term borrowings	5,000	3,500
Current portion of long-term borrowings	568	468
Accounts payable - other	651	1,044
Income taxes payable	1,585	667
Provision for bonuses	1,510	1,140
Provision for bonuses for directors	32	42
Other	1,604	1,287
Total current liabilities	14,381	11,574
Non-current liabilities		
Long-term borrowings	536	185
Provision for director's stock based compensation	141	152
Retirement benefit liability	2,289	343
Other	1,096	987
Total non-current liabilities	4,063	1,669
Total liabilities	18,445	13,244
Net assets		
Shareholders' equity		
Share capital	2,115	2,115
Capital surplus	13,774	13,802
Retained earnings	42,741	45,949
Treasury stock	△2,365	△5,132
Total shareholders' equity	56,265	56,735
Accumulated other comprehensive income		
Net unrealized holding gains or losses on securities	△312	△174
Foreign currency translation adjustment	299	448
Remeasurements of defined benefit plans	△56	△40
Total accumulated other comprehensive income	△69	233
Total net assets	56,195	56,968
Total liabilities and net assets	74,641	70,213

(2) Consolidated Statements of Oncome and Comprehensive Income
(Consolidated Statements of Income)
For the Nine months Ended December 31, 2022 and 2023

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	38,498	38,302
Cost of sales	16,358	14,997
Gross profit	22,140	23,305
Selling, general and administrative expenses	14,209	14,854
Operating profit	7,931	8,450
Non-operating income		
Interest income	79	101
Dividend income	50	25
Foreign exchange gains	16	37
Gain on sale of businesses	—	42
Gain on valuation of investment securities	—	20
Other	31	28
Total non-operating income	178	256
Non-operating expenses		
Interest expenses	26	20
Provision of allowance for doubtful accounts	69	20
Loss on valuation of investment securities	4	—
Commission expenses	49	28
Other	68	49
Total non-operating expenses	218	119
Ordinary profit	7,891	8,586
Extraordinary income		
Gain on sale of fixed assets	2	6
Gain on sale of investment securities	—	6
Total extraordinary income	2	13
Extraordinary losses		
Loss on retirement of fixed assets	6	14
Loss on sale of investment securities	3	—
Loss on valuation of investment securities	1,190	—
Total extraordinary losses	1,200	14
Profit before income taxes	6,693	8,585
Income taxes – current	1,858	2,053
Income taxes – deferred	263	358
Total income taxes	2,121	2,412
Profit	4,571	6,173
Profit attributable to owners of parent	4,571	6,173

(Consolidated Statements of Comprehensive Income)
For the Nine Months Ended December 31, 2022 and 2023

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	4,571	6,173
Other comprehensive income		
Net unrealized holding gains or losses on securities	△306	138
Foreign currency translation adjustment	379	149
Retirement benefit liability adjustments	△49	15
Total other comprehensive income	23	303
Comprehensive income	4,595	6,476
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,595	6,476

(4) 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 May 10, 2023, the Company purchased 2,567,600 shares of treasury stock (total amount of purchase cost: 2,758 million yen) for the nine months ended December 31, 2023.

As a result, treasury stock as at December 31, 2023 was 5,132 million yen.

(Changes in Accounting Policies)

(Changes in Accounting Policies that are difficult to distinguish from changes in accounting estimates)

(Changes in depreciation method for property, plant, and equipment)

From the subject fiscal year (April 1, 2023 to March 31, 2024) the Company adopted the straight-line method for calculating the depreciation of Property, plant, and equipment (excluding leased assets). Previously, the Company used the declining balance method (However, buildings (excluding Facilities attached to buildings) acquired after April 1, 1998, and buildings and structures acquired after April 1, 2016 are depreciated using the straight-line method), and the overseas consolidated subsidiary has mainly adopted the straight-line method.

With the termination of the intervention business, our business structure and manufacturing system changed significantly, and the formulation of the new mid-term plan based on these changes led us to reconsider the depreciation method with consideration of the actual use of fixed assets.

As a result, it was judged that changing to the straight-line method of calculating depreciation would more appropriately reflect the consumption pattern of the Property, plant, and equipment, as it is not expected to suddenly decrease in value and will be used in a long-term and stable manner.

Therefore, operating income, ordinary income, and income before income taxes increased by 117 million yen, compared to the existing methods.

3. Others

Current Status of Production, Orders and Sales

(1) Production

(Millions of yen)

Product Category	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023	Increase (Decrease)
Cardiac Rhythm Management	13	9	(29.1%)
EP/Ablation	4,012	4,707	17.3%
Cardiovascular	806	962	19.4%
Gastrointestinal	472	447	(5.3%)
Total	5,304	6,128	15.5%

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

2. Effective from the first quarter of the current fiscal year, the Company has changed the names of product categories, so that "Cardiovascular" corresponds to the former "Cardiovascular Surgery", and "Gastrointestinal" corresponds to the former "Gastrointestinal/PI". In addition, the product category of Atrial septum defect closure has been changed from the former "Gastrointestinal/PI" to "Cardiovascular". Consequently, 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.

(2) Orders received

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

(3) Sales Results

Please refer to "1. Qualitative Information, (1) Explanation of Business Results".