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**INFORMATION DISCLOSURE ON THE INTERNET
REGARDING THE NOTICE OF
THE 40TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to Non-Consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

Japan Lifeline Co., Ltd.

(Securities Code: 7575)

These documents have been provided to shareholders on the Company's website (address: <https://www.jll.co.jp>) pursuant to provisions of laws and regulations as well as Article 15 of the Articles of Incorporation.

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(April 1, 2019 - March 31, 2020)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	2,115	15,572	30,499	(1,691)	46,496
Changes of items during accounting period					
Dividends of surplus	—	—	(2,335)	—	(2,335)
Purchase of treasury shares	—	—	—	(456)	(456)
Cancellation of treasury shares	—	(719)	—	719	—
Disposal of treasury shares	—	—	—	165	165
Purchase and cancellation of share acquisition rights	—	—	—	—	—
Net income attributable to owners of the parent	—	—	7,748	—	7,748
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during accounting period	—	(719)	5,413	427	5,121
Balance as of March 31, 2020	2,115	14,853	35,912	(1,263)	51,618

(Unit: millions of yen)

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2019	(76)	155	(95)	(16)	13	46,493
Changes of items during accounting period						
Dividends of surplus	—	—	—	—	—	(2,335)
Purchase of treasury shares	—	—	—	—	—	(456)
Cancellation of treasury shares	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	165
Purchase and cancellation of share acquisition rights	—	—	—	—	(13)	(13)
Net income attributable to owners of the parent	—	—	—	—	—	7,748
Net changes of items other than shareholders' equity	(148)	14	(60)	(195)	—	(195)
Total changes of items during accounting period	(148)	14	(60)	(195)	(13)	4,912
Balance as of March 31, 2020	(225)	169	(155)	(211)	—	51,406

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

Notes to Consolidated Financial Statements

[Notes on Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements]

1. Matters regarding the scope of consolidation

(1) Number of consolidated subsidiaries 2

Names of consolidated subsidiaries

Synexmed (Hong Kong) Limited, Synexmed (Shenzhen) Co., Ltd.

(2) Names of non-consolidated subsidiaries

Major non-consolidated subsidiaries

JLL Malaysia Sdn. Bhd.

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation when their total assets, net sales, net profit or loss (corresponding to equity interest) and retained earnings (corresponding to equity interest) are all of small scale, and their material significance is too limited to have any substantial impact on the consolidated financial statements.

2. Matters regarding the scope of the equity method

Name of non-consolidated subsidiaries excluded from the scope of the equity method

JLL Malaysia Sdn. Bhd., JLL Korea Co., Ltd.

Reason for exclusion from the scope of the equity method

The non-consolidated subsidiaries to which the equity method is not applied are excluded because net profit or loss and retained earnings (both corresponding to equity interest) are both of small scale, and their material significance is too limited to have any substantial impact on the consolidated financial statements.

3. Matters regarding the fiscal years of consolidated subsidiaries, etc.

The consolidated subsidiaries of Synexmed (Hong Kong) Limited and Synexmed (Shenzhen) Co., Ltd. have a balance sheet date of December 31, and as the difference with the consolidated balance sheet date does not exceed three months, financial statements pertaining to the fiscal years of these subsidiaries are used.

Furthermore, necessary adjustments are made in consolidated financial statements for material transactions occurring between these subsidiaries' balance sheet dates and the consolidated balance sheet date.

4. Matters concerning accounting policies

(1) Standards and methods for valuation of securities

Available-for-sale securities

a) Securities with market quotations

Stated at market value using the market price, etc., on the final day of the fiscal year. The total amount of the valuation difference calculated as a result is reported as a component of net assets, based on the reversal method. However, for compound financial products that include derivatives, it is impossible to evaluate the market value of derivatives separately, so the calculated valuation difference is treated

as part of profit or loss for the fiscal year under review.

Furthermore, the valuation method used for the calculation of the cost of sales is the moving average method.

b) Securities without market quotations

Stated at cost using the moving average method.

(2) Methods for valuation of inventories are as follows.

Stated at cost using the moving average method (book values are calculated by writing down based on declines in profitability).

(3) The depreciation or amortization methods for non-current assets are as follows.

1) Property, plant and equipment

a. Property, plant and equipment (excluding leased assets)

For the Company, the straight-line method is applied for buildings, except for facilities attached to buildings, acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016. The declining-balance method is used for other property, plant and equipment (excluding leased assets) of the Company. Overseas consolidated subsidiaries are subject to the straight-line method.

b. Leased assets

Finance leases that are not deemed to transfer the ownership of the leased assets to the lessee

The straight-line method with no residual value is applied, regarding the lease term as the useful life.

2) Intangible assets

Computer software for internal use is amortized on a straight-line basis over the estimated useful life (five years).

3) Long-term prepaid expenses

Amortized on a straight-line basis over the contract period, etc.

(4) The methods of reporting for reserves are as follows.

1) Allowance for doubtful accounts

As provisions for losses on receivables, loans and other credits, allowances for doubtful accounts are reported based on the following standards.

a. Ordinary receivables

Reported based on the historical write-off rate.

b. Receivables for doubtful accounts and debtors under bankruptcy or reorganization proceedings, etc.

Reported using the estimated amount of irrecoverable debt based on the recoverability of individual cases.

2) Provision for bonuses

To provide for the payment of bonuses to employees, the estimated amount to be borne in the current consolidated fiscal year is posted.

3) Provision for directors' bonuses

A reserve for bonuses to directors is reported based on the estimated amount at the end of the consolidated fiscal year under review.

4) Provision for directors' share-based compensation

To provide for granting of Company shares by the Board Incentive Plan (BIP) trust, a sum is reported that is the anticipated cost of payment for shares corresponding to points allocated to directors, based on the regulations for granting of shares.

(5) Accounting treatment of retirement benefits

1) Method of attributing the estimated benefit obligation to periods

When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until the end of the consolidated fiscal year under review on a straight-line basis.

2) Amortization method of actuarial calculation differences and past service costs

Past service costs are amortized and treated as expenses using the straight-line method for a certain number of years (five years) during the average remaining service period for employees when they occur.

Actuarial calculation differences are amortized using the straight-line method for a certain number of years (five years) during the average remaining service period for employees in each consolidated fiscal year when they occur, and the amounts allocated are treated as expenses from the consolidated fiscal year following the year in which they occur.

3) Accounting method of unrecognized actuarial calculation differences and unrecognized past service liabilities

Unrecognized actuarial calculation differences and unrecognized past service liabilities are reported as remeasurements of retirement benefits under accumulated other comprehensive income in the net assets section after adjusting tax effects.

(6) Other important matters forming the basis for the preparation of consolidated financial statements

Accounting treatment of consumption taxes, etc.

The tax exclusion method is applied.

[Note to Change in the Presentation Method]

(Consolidated Balance Sheet)

Provision for bonuses, which were included in Accounts payable-other and Other current liabilities in

the previous consolidated fiscal year, are presented separately from the current consolidated fiscal year in order to enhance clarity of presentation. Provision for bonuses included in Accounts payable-other and Other current liabilities in the consolidated balance sheets for the previous fiscal year were 272 million yen and 992 million yen, respectively.

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment

6,499 million yen

2. Contingent liabilities

There are no contingent liabilities to report.

[Notes to Consolidated Statement of Changes in Equity]

1. Shares issued

Type of shares	Beginning of the consolidated fiscal year under review	Increase	Decrease	End of the consolidated fiscal year under review
Common stock (shares)	90,419,976	—	5,000,000	85,419,976

(Note) The decrease of five million shares in the number of issued common shares is due to the cancellation of treasury shares.

2. Treasury shares

Type of shares	Beginning of the consolidated fiscal year under review	Increase	Decrease	End of the consolidated fiscal year under review
Common stock (shares)	10,005,712	248,929	5,089,380	5,165,261

(Notes) 1 The total of treasury shares at the end of the consolidated fiscal year under review includes 113,320 shares of the Company held by the BIP trust.
2 The total number of treasury shares at the end of the consolidated fiscal year under review includes 162,000 shares of the Company held by the Nomura Trust & Banking Co., Ltd. (Japan Lifeline Employee Shareholding Exclusive Trust) based on the Employee Shareholding Incentive Plan (E-Ship®).

(Reasons for differences)

1. The breakdown of the increase in the number of shares is as follows.

- 1) An increase of 29 shares due to the purchase of fractional units.
- 2) An increase of 248,900 shares due to the acquisition of the Company's shares by the Nomura Trust & Banking Co., Ltd. (Japan Lifeline Employee Shareholding Exclusive Trust) for the Employee Shareholding Incentive Plan (E-Ship®).

2. The breakdown of the decrease is as follows.

- 1) A decrease of 5,000,000 shares due to cancellation of treasury shares pursuant to a resolution of the Board of Directors' Meeting
- 2) A decrease of 86,900 shares due to sale of shares in dedicated trusts of the Japan Lifeline Employee Shareholding Exclusive Trust
- 3) A decrease of 2,480 shares due to benefits from BIP trust

3. Share Acquisition Rights

Classification	Details of share acquisition rights	Type of shares underlying the share acquisition rights	Number of shares underlying the share acquisition rights (shares)				Balance as of March 31, 2020 (million yen)
			Beginning of the consolidated fiscal year under review	Increase	Decrease	End of the consolidated fiscal year under review	
The Company	Third Series Share Acquisition Rights	Common shares	2,000,000	—	2,000,000	—	—
Total			2,000,000	—	2,000,000	—	—

(Reasons for differences)

A decrease of two million shares due to acquisition and cancellation of share acquisition rights

4. Dividends

(1) Dividend amount

Resolution	Type of stock	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2019	Common stock	2,335	29.00	March 31, 2019	June 27, 2019

(Note) The dividend amount relating to shares of the Company held by the BIP trust to be included in the total dividends is three million yen.

(2) Dividends whose record date is during the current consolidated fiscal year, but whose effective date is after the end of this fiscal year

Planned date of resolution	Type of stock	Source of dividends	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2020	Common stock	Retained earnings	2,335	29.00	March 31, 2020	June 26, 2020

(Notes) 1 The dividend amount relating to shares of the Company held by the BIP trust to be included in the total dividends is three million yen.

2 The dividend amount relating to the shares of the Company held by the Japan Lifeline Employee Shareholding Association dedicated trusts to be included in the total dividends is four million yen.

[Notes on Financial Instruments]

1. Status of Financial Instruments

(1) Policy on financial instruments

The Group procures necessary funding based on its capital investment plan. The Group's policy is to conduct asset management with high-security financial instruments, and to raise funds for short-term by borrowing from banks. The Group uses derivatives to avoid the risk of fluctuations in exchange and interest rates, and does not engage in speculative trading.

(2) Details of financial instruments, related risks, and risk management system

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risk. Regarding these risks, in accordance with the Credit Management Regulations of the Group, the Company has created a system for managing payment dates and the amounts outstanding for each customer, in addition to identifying the credit status of its main customers every six months.

Shares and other investment securities are exposed to the risk of fluctuations in market price. The Board of Directors' Meeting receives monthly reports on the market prices of these assets.

Long-term loans receivable represents loans denominated in foreign currencies to overseas medical device manufacturers that are suppliers or preparing for the introduction of products, and also includes in-house loans for employee benefits. These loans are exposed to the risk of fluctuations in foreign currency exchange rates. However, the Company hedges the risk by using currency swaps, etc. as necessary.

Notes and accounts payable-trade, which are operating payables, and accounts payable-other are all due for payment within one year.

Among loans payable, short-term loans payable are mainly raising funds for working capital, and long-term loans payable are mainly raising funds for capital investment. Furthermore, certain long-term loans payable use a variable interest rate, but the Company hedges the risk of fluctuations in interest rates for these loans payable using interest rate swaps.

Long-term account payable-other is the closing payment of directors' retirement benefits due to the abolishment of directors' retirement benefits.

Derivative transactions that use currency swaps to hedge the risk of foreign exchange rate fluctuations associated with long-term loans receivable denominated in foreign currencies. The Company executes and manages derivative transactions in accordance with internal regulations that establish trading authority, and when using derivatives, the Company only engages in transactions with highly rated financial institutions, in order to reduce credit risk.

In addition, operating payables and loans payable are exposed to liquidity risk, but the Group manages this liquidity risk with monthly funding plans for each company and other methods.

(3) Supplementary explanation regarding market value, etc., of financial instruments

In addition to values based on market prices, the market value of financial instruments also includes values reasonably calculated for financial instruments with no market quotations. As the calculation of

these values includes variable factors, these values may fluctuate if different assumptions are used, etc.

2. Market value, etc., of financial instruments

The amounts posted on the consolidated balance sheet, the market values, and the differences thereof as of the end of the consolidated fiscal year under review (March 31, 2020) are as follows. Furthermore, financial instruments whose market value is extremely difficult to identify and those that are not material are not included.

(Unit: millions of yen)

Item	Consolidated balance sheet amount	Market value	Difference
1. Cash and deposits	9,555	9,555	—
2. Notes and accounts receivable-trade	13,762	13,762	—
3. Investment securities* ¹			
Available-for-sale securities	2,291	2,291	—
4. Long-term loans receivable	7,511	11,190	3,679
5. Notes and accounts payable-trade	4,081	4,081	—
6. Short-term loans payable	5,600	5,600	—
7. Current portion of long-term loans payable	908	908	—
8. Accounts payable-other	921	921	—
9. Long-term loans payable	4,465	4,454	(10)
10. Lease obligations	565	577	12
11. Derivative transactions* ²	(244)	(244)	—

*1: Since the fair value of embedded derivatives cannot be reasonably determined, the entire compound financial products are marked to market and included in investment securities.

*2: Receivables and payables arising from derivative transactions are presented on a net basis, with figures in parentheses representing net liabilities.

(Notes) 1. Calculation method of the market value of financial instruments

- (1) Cash and deposits, notes and accounts receivable-trade, notes and accounts payable-trade, short-term loans payable, current portion of long-term loans payable, and accounts payable-other:

Since the settlement periods for the foregoing are short, the market values thereof are close to the book values. Therefore, the corresponding book value is used as the market value.

- (2) Investment securities:

Investment securities are held as available-for-sale securities, and prices presented by the correspondent financial institutions are used as the market value. Investment securities include compound financial instruments, and therefore their market value are calculated based on the prices presented by the corresponding financial institutions.

- (3) Long-term loans receivable:

The market value of long-term loans receivable is calculated using the present value of future cash flows discounted at the interest rate on government bonds for each repayment period.

- (4) Long-term loans payable

The market value of long-term loans payable is calculated using the present value of future cash flows discounted at the refinancing interest rate for each repayment period.

Furthermore, certain long-term loans payable use a variable interest rate, and hedge accounting is applied with interest rate swap transactions, but owing to the application of special treatment, the market value of these derivative transactions is noted together with the principal of the loans.

- (5) Lease obligations

The market value of lease obligations is calculated using the present value of future cash flows discounted at the

interest rate on government bonds for each repayment period.

(6) Derivative transactions:

The market value of derivative transactions is measured based on the prices, etc. presented by the corresponding financial institutions, etc. at the end of the fiscal year.

2. Financial instruments for which market value is deemed to be extremely difficult to identify

Investments in unlisted shares and investment limited partnerships, etc. (3,354 million yen on the consolidated balance sheet) are not included in the above table. This is because they do not have quoted market prices and future cash flows cannot be estimated, making it extremely difficult to determine their market values. Long-term account payable—other is not included in the above table. This is because their repayment periods are unpredictable, and cannot be used to estimate future cash flows, their market values being deemed extremely difficult to identify.

[Notes to Per Share Information]

Net assets per share 640.54 yen

Net income per share 96.55 yen

- (Notes) 1 The Company shares remaining in the Board Incentive Plan (BIP) trust, which are recorded as treasury shares in shareholders' equity, are treated as treasury shares for the purpose of calculating net assets per share, net income per share, and diluted net income per share. In the consolidated fiscal year under review, the total number of treasury shares at the end of the fiscal year was 113,320, and the average number of shares during the period was 114,006.
- 2 The Company shares remaining in the Japan Lifeline Employee Shareholding Association dedicated trust, which are recorded as treasury shares in shareholders' equity, are treated as treasury shares for the purpose of calculating net assets per share and net income per share. At the close of the fiscal year under review, the total number of treasury shares was 162,000, and the average number of shares during the period was 197,500.

(Additional information)

(Transactions involving the BIP trust share-based compensation)

In the consolidated fiscal year under review the Company introduced a Board Incentive Plan (BIP) trust. As with the performance-linked (Performance Share) and restricted-stock share-based compensation systems used in the United States and Europe, monetary payments are made to directors under the BIP trust system reflecting their degree of achievement in meeting performance targets and ranks, the grants and payments being made in the form of Company shares and monetary compensation based on the share exchange price at disposal. The Company has established the trust after allocating funds for acquisition of Company shares for such compensation, the beneficiaries being those among the directors who meet certain requirements. The trust has acquired from the Company the total of Company shares (through disposal of treasury shares) it anticipates needing for compensation of directors, based on previously drawn-up share-grant regulations. Subsequently, and based on the share-grant regulations, the Company awards points to the directors reflecting their degree of target achievement and rank for each fiscal year, consolidated basis. After their retirement, a total of shares (with fractional units rounded down) equivalent to 70% of their accumulated points is granted by the trust, and the remainder of the Company shares are translated into monetary sums by conversion under the trust and this sum is paid out. Related accounting treatment is based on "*Practical treatment of transactions relating to granting of own shares to employees, etc. through a trust*" (Practical Issues Task Force No. 30, March 26, 2015). The Company shares owned by

the trust at the end of the fiscal year, consolidated basis, are reported in the net assets section of the consolidated balance sheet as treasury shares, at their book value under the trust (excluding sums for incidental expenses). The reported amount is 263 million yen and the reported number of shares is 113,320.

(Transactions of granting of own shares to employees etc. through a trust)

We have introduced the Employee Shareholding Incentive Plan (E-Ship[®]) (hereinafter referred to as the "Plan") as a measure to increase the welfare of employees while giving them incentives to raise corporate value over the medium-to long-term, with the aim of helping employees build their assets by promoting the acquisition and holding of shares through the expansion of the shareholding association.

(1) Summary of the transaction

This plan is an incentive plan for all employees who participate in the Japan Lifeline Employee Shareholding Association (the "Shareholding Association"). Under the Plan, we establish a trust for the Japan Lifeline Employee Shareholding Association (hereinafter referred to as the "Employee Shareholding Trust") in the trust bank, and we acquire in advance the number of shares that we expect the Shareholding Association to acquire over the three-year period following the establishment of the Employee Shareholding Trust. Subsequently, the Employee Shareholding Trust continuously sells our shares to the Shareholding Association, and if the amount equivalent to the gain on sale of the shares accumulates within the Employee Shareholding Trust at the end of the trust, the amount equivalent to the gain on sale of the shares is distributed as residual assets to those who meet the beneficiary eligibility requirements. As the Company guarantees the Employee Shareholding Trust's borrowings for the acquisition of Company shares, if the value of losses on sale of the shares in the Employee Shareholding Trust accumulates due to the decline in our share price and there is a debt balance equivalent to the loss on sale of the shares in the Employee Shareholding Trust at the end of the trust, we will repay the remaining debt in accordance with the guarantee terms of the loan agreement.

(2) Company shares remaining in the trust

The Company records the remaining shares in the trust as treasury shares in the net assets section at the book value (excluding incidental expenses) in the trust. The book value and number of shares of treasury share at the end of the consolidated fiscal year under review were 296 million yen and 162,000 shares.

(3) Carrying amount of borrowings accounted for by the application of the gross method

317 million yen at the end of the current consolidated fiscal year

Non-Consolidated Statement of Changes in Equity

(April 1, 2019 - March 31, 2020)

(Unit: millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
			Gain on disposal of treasury shares	
Balance as of April 1, 2019	2,115	2,133	13,439	15,573
Changes of items during accounting period				
Dividends of surplus	—	—	—	—
Net income	—	—	—	—
Purchase of treasury shares	—	—	—	—
Cancellation of treasury shares	—	—	(719)	(719)
Disposal of treasury shares	—	—	—	—
Reversal of reserve for advanced depreciation of non-current assets	—	—	—	—
Purchase and cancellation of share acquisition rights	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—
Total changes of items during accounting period	—	—	(719)	(719)
Balance as of March 31, 2020	2,115	2,133	12,720	14,854

(Unit: millions of yen)

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance as of April 1, 2019	528	44	6,000	24,062	30,635
Changes of items during accounting period					
Dividends of surplus	—	—	—	(2,335)	(2,335)
Net income	—	—	—	8,078	8,078
Purchase of treasury shares	—	—	—	—	—
Cancellation of treasury shares	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—
Reversal of reserve for advanced depreciation of non-current assets	—	(1)	—	1	—
Purchase and cancellation of share acquisition rights	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during accounting period	—	(1)	—	5,744	5,743
Balance as of March 31, 2020	528	42	6,000	29,807	36,378

(Unit: millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance as of April 1, 2019	(1,691)	46,633	(76)	13	46,569
Changes of items during accounting period					
Dividends of surplus	—	(2,335)	—	—	(2,335)
Net income	—	8,078	—	—	8,078
Purchase of treasury shares	(456)	(456)	—	—	(456)
Cancellation of treasury shares	719	—	—	—	—
Disposal of treasury shares	165	165	—	—	165
Reversal of reserve for advanced depreciation of non-current assets	—	—	—	—	—
Purchase and cancellation of share acquisition rights	—	—	—	(13)	(13)
Net changes of items other than shareholders' equity	—	—	(148)	—	(148)
Total changes of items during accounting period	427	5,452	(148)	(13)	5,289
Balance as of March 31, 2020	(1,263)	52,085	(225)	—	51,859

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

Notes to Non-Consolidated Financial Statements

[Notes to Significant Accounting Policies]

1. The methods for valuation of securities are as follows.

(1) Available-for-sale securities

1) Securities with market quotations

Stated at market value using the market price, etc., on the final day of the fiscal year. The total amount of the valuation difference calculated as a result is reported as a component of net assets, based on the reversal method. However, for compound financial products that include derivatives, it is impossible to evaluate the market value of derivatives separately, so the calculated valuation difference is treated as part of profit or loss for the fiscal year under review.

Furthermore, the valuation method used for the calculation of the cost of sales is the moving average method.

2) Securities without market quotations

Stated at cost using the moving average method.

(2) Shares of subsidiaries and affiliates

Stated at cost using the moving average method.

2. The methods for valuation of inventories are as follows.

Stated at cost using the moving average method (book values are calculated by writing down based on declines in profitability).

3. The depreciation or amortization methods for non-current assets are as follows.

(1) Property, plant and equipment

1) Property, plant and equipment (excluding leased assets)

The straight-line method is applied for buildings, except for facilities attached to buildings, acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016. The declining-balance method is used for other property, plant and equipment (excluding leased assets).

2) Leased assets

Finance leases that are not deemed to transfer the ownership of the leased assets to the lessee

The straight-line method with no residual value is applied, regarding the lease term as the useful life.

(2) Intangible assets

Computer software for internal use is amortized on a straight-line basis over the estimated useful life (five years).

(3) Long-term prepaid expenses

Amortized on a straight-line basis over the contract period, etc.

4. The methods of reporting for reserves are as follows.

(1) Allowance for doubtful accounts

As provisions for losses on receivables, loans and other credits, allowances for doubtful accounts are reported based on the following standards.

1) Ordinary receivables

Reported based on the historical write-off rate.

2) Receivables for doubtful accounts and debtors under bankruptcy or reorganization proceedings, etc.

Reported using the estimated amount of irrecoverable debt based on the recoverability of individual cases.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, the estimated amount to be borne in the current fiscal year is posted.

(3) Provision for directors' bonuses

A reserve for bonuses to directors is reported based on the estimated amount at the end of the fiscal year under review.

(4) Provision for directors' share-based compensation

To provide for granting of Company shares by the Board Incentive Plan (BIP) trust, a sum is reported that is the anticipated cost of payment in shares corresponding to points allocated to the directors, based on the regulations for granting of shares.

(5) Provision for retirement benefits

Provision for payment of retirement benefits to employees is based on the total of expenses for retirement benefits deemed as having occurred at the end of the fiscal year under review, as part of the estimated retirement benefit payment at the end of the fiscal year under review.

1) Method of attributing the estimated benefit obligation to periods

When calculating the retirement benefit obligation, the estimated benefit obligation is attributed to the period up until end of the fiscal year under review on a straight-line basis.

2) Amortization method of actuarial calculation differences and past service costs

Past service costs are amortized and treated as expenses using the straight-line method for a certain number of years (five years) during the average remaining service period for employees when they occur.

Actuarial calculation differences are amortized using the straight-line method for a certain number of years (five years) during the average remaining service period for employees in each fiscal year when

they occur, and the amounts allocated are treated as expenses from the fiscal year following the year in which they occur.

5. Other important matters forming the basis for the preparation of non-consolidated financial statements

(1) Accounting treatment of retirement benefits

The method of accounting treatment of unrecognized actuarial calculation differences for retirement benefits differs from the method of accounting treatment in consolidated financial statements.

(2) Accounting treatment of consumption taxes, etc.

The tax exclusion method is applied.

[Note to Change in the Presentation Method]

(Non-Consolidated Balance Sheet)

Provision for bonuses, which were included in Accounts payable-other and Accrued expenses under Current liabilities in the previous fiscal year, are presented separately from the current fiscal year in order to improve clarity of presentation. Provision for bonuses included in Accounts payable-other and Accrued expenses under Current liabilities in the balance sheets for the previous fiscal year were 272 million yen and 992 million yen, respectively.

[Notes to Non-Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment	6,261 million yen
2. Monetary receivables from or payables to affiliates	
Short-term monetary receivables	773 million yen
Long-term monetary receivables	652 million yen
Short-term monetary payables	39 million yen
3. Monetary receivables from or payables to the Directors	
Long-term monetary payables	178 million yen

[Notes to Non-Consolidated Statement of Income]

1. Transactions with affiliates	
Purchase of goods	301 million yen
Outsourced processing expenses	277 million yen
SG&A expenses	16 million yen
Transactions other than operating transactions	84 million yen

[Notes to Non-Consolidated Statement of Changes in Equity]

Treasury shares

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock (shares)	10,005,712	248,929	5,089,380	5,165,261

(Notes) 1 The total of treasury shares at the end of the fiscal year under review includes 113,320 shares of the Company held by the BIP trust.

- 2 The total of treasury shares at the end of the fiscal year under review includes 162,000 shares of the Company held by the Nomura Trust & Banking Co., Ltd. (Japan Lifeline Employee Shareholding Association dedicated trust & banking corporation) under the Employee Shareholding Incentive Plan (E-Ship®) .

(Reasons for differences)

- 1 The breakdown of the increase in the number of shares is as follows.
 - 1) An increase of 29 shares due to the purchase of fractional units.
 - 2) An increase of 248,900 shares due to the acquisition of our shares by the Nomura Trust & Banking Co., Ltd (Japan Lifeline Employee Shareholding Association dedicated trust & banking corporation) for the Employee Shareholding Incentive Plan (E-Ship®).
- 2 The breakdown of the decrease is as follows.
 - 1) A decrease of 5,000,000 shares due to cancellation of treasury shares pursuant to a resolution of the Board of Directors' Meeting
 - 2) A decrease of 86,900 shares due to sale of shares in dedicated trusts of the Japan Lifeline Employee Shareholding Association
 - 3) A decrease of 2,480 shares due to benefits from BIP trust

[Notes to Tax Effect Accounting]

Main contributing factors to deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Provision for retirement benefits	769 million yen
Provision for bonuses	416 million yen
Loss on valuation of investment securities	298 million yen
Allowance for doubtful accounts	131 million yen
Enterprise taxes payable	107 million yen
Other	412 million yen
Subtotal	2,135 million yen
Valuation allowance	- million yen
Total deferred tax assets	2,135 million yen

(Deferred tax liabilities)

Retired assets	36 million yen
Reserve for advanced depreciation of non-current assets	18 million yen
Total deferred tax liabilities	55 million yen

Net deferred tax assets 2,079 million yen

[Notes to Transactions with Affiliates]

Type	Name of company, etc.	Location	Capital stock or investment	Business details or occupation	Percentage of voting rights, etc., held (or held of the Company) (%)	Relationship with affiliate	Transaction details	Transaction amount (millions of yen)	Description	Fiscal year-end balance (millions of yen)
Subsidiary	Synexmed (Hong Kong) Limited	Hong Kong	15,266,000 HKD	Import and sale of medical devices	Directly holds 100.0%	Purchase of goods by the Company and outsourced processing; officer with concurrent positions	Purchase of goods (Note 1) Outsourced processing (Note 1) Lending of funds (Note 2)	301 269 —	Accounts payable - trade Short-term loans receivable Long-term loans receivable	38 500 652
	JLL Malaysia Sdn. Bhd.	Malaysia	95,000,000 MYR	Manufacturing, processing, and sales of medical devices	Directly holds 100.0%	Manufacturing and processing of our products Officer with concurrent positions	Lending of funds (Note 2) Underwriting of capital increase (Note 3)	1,005 2,241	Short-term loans receivable	108

(Note 1) Terms of the purchase of goods and outsourced processing are the same as those for general transactions.

(Note 2) Interest rates on the lending of funds are reasonably determined in consideration of market interest rates, and in regard to the lending period and repayment method, lending terms are determined upon consultation between both parties.

(Note 3) For underwriting of capital increase, the method of Debt Equity Swap is used in loans receivable, etc.

[Notes to Per Share Information]

Book value per share	646.19 yen
Earnings per share	100.67 yen

- (Notes) 1 The Company shares remaining in the Board Incentive Plan (BIP) trust, which are recorded as treasury shares in shareholders' equity, are treated as treasury shares for the purpose of calculating net assets per share, net income per share, and diluted net income per share. In the fiscal year under review, the total number of treasury shares at the end of the fiscal year was 113,320, and the average number of shares during the period was 114,006.
- 2 The Company shares remaining in the Japan Lifeline Employee Shareholding Association dedicated trust, which are recorded as treasury shares in shareholders' equity, are treated as treasury shares for the purpose of calculating net assets per share and net income per share. At the close of the fiscal year under review, the total number of treasury shares was 162,000, and the average number of shares during the period was 197,500.

(Additional information)

(Transactions involving the BIP trust share-based compensation)

The Company has introduced a Board Incentive Plan (BIP) trust. As with the performance-linked (Performance Share) and restricted-stock share-based compensation systems used in the United States and Europe, monetary payments are made to directors under the BIP trust system reflecting their degree of achievement in meeting performance targets and ranks, the grants and payments being made in the form of Company shares and monetary compensation based on the share exchange price at disposal. The Company has established the trust after allocating funds for acquisition of Company shares for such compensation, the beneficiaries being those among the directors who meet certain requirements. The trust has acquired from the Company the total of Company shares (through disposal of treasury shares) it anticipates needing for compensation of directors, based on previously drawn-up share-grant regulations. Subsequently, and based on the share-grant regulations, the Company awards points to the directors reflecting their degree of target achievement and rank for each fiscal year, consolidated basis. After their retirement, a total of shares (with fractional units rounded down) equivalent to 70% of their accumulated points is granted by the trust, and the remainder of the Company shares are translated into monetary sums by conversion under the trust and this sum is paid out. Related accounting treatment is based on "*Practical treatment of transactions relating to granting of own shares to employees, etc. through a trust*" (Practical Issues Task Force No. 30, March 26, 2015). The Company shares owned by the trust at the end of the fiscal year under review are reported in the net assets section of the balance sheet as treasury shares, at their book value under the trust (excluding sums for incidental expenses). The reported amount is 263 million yen and the reported number of shares is 113,320.

(Transactions of granting of own shares to employees etc. through a trust)

We have introduced the Employee Shareholding Incentive Plan (E-Ship[®]) (hereinafter referred to as the "Plan") as a measure to increase the welfare of employees while giving them incentives to raise corporate value over the medium-to long-term, with the aim of helping employees build their assets by promoting the acquisition and holding of shares through the expansion of the Shareholding Association.

1) Summary of the transaction

This plan is an incentive plan for all employees who participate in the Japan Lifeline Employee Shareholding Association (the Shareholding Association). Under the Plan, we establish a trust for the Japan Lifeline Employee Shareholding Association (hereinafter referred to as the “Employee Shareholding Trust”) in the trust bank, and we acquire in advance the number of shares that we expect the Shareholding Association to acquire over the three-year period following the establishment of the Employee Shareholding Trust.

Subsequently, the Employee Shareholding Trust continuously sells our shares to the Shareholding Association, and if the amount equivalent to the gain on sale of the shares accumulates within the Employee Shareholding Trust at the end of the trust, the amount equivalent to the gain on sale of the shares is distributed as residual assets to those who meet the beneficiary eligibility requirements. As the Company guarantees the Employee Shareholding Trust’s borrowings for the acquisition of Company shares, if the value of losses on sale of the shares in the Employee Shareholding Trust accumulates due to the decline in our share price and there is a debt balance equivalent to the loss on sale of the shares in the Employee Shareholding Trust at the end of the trust, we will repay the remaining debt in accordance with the guarantee terms of the loan agreement.

2) Company shares remaining in the trust

The Company records the remaining shares in the trust as treasury shares in the net assets section at the book value (excluding incidental expenses) in the trust. The book value and number of shares of the said treasury share were 296 million yen and 162,000 shares at the end of the current fiscal year.

3) Carrying amount of borrowings accounted for by the application of the gross method: 317 million yen at the end of the current fiscal year