

# JAPAN LIFELINE CO., LTD. (7575 JP)

RECORD EARNINGS CONTINUES IN FY25 WHICH LED TO UPWARD REVISION OF MTP TARGET IN FY27

## EXECUTIVE SUMMARY

### ➤ FY24 earnings:

Japan Lifeline [hereinafter JLL] produced record earnings in FY24 with full-year OP of ¥12,326mil (+13.2% YoY) on sales of ¥56,610mil (+10.2% YoY), landing largely in line with the full-year guidance for OP of ¥12,600mil (+15.7% YoY) on sales of ¥56,800mil (+10.5% YoY). Earnings growth was primarily supported by (1) a +10% YoY increase in atrial fibrillation [AF] cases, (2) a significant rise in sales of core products such as BeeAT (intracardiac defibrillation catheters) and haemostatic devices (+¥4,175mil YoY), and (3) a +¥1,349mil YoY (+73.4% YoY) increase in sales of new products, despite some negative factors (discussed further below).

### ➤ FY25 earnings guidance:

JLL is aiming for record earnings again in FY25, with 1H OP of ¥6,300mil (+0.6% YoY) on sales of ¥29,300mil (4.7% YoY), and full-year OP of ¥12,900mil (+4.7% YoY) on sales of ¥59,300mil (+4.8% YoY).

### ➤ MTP revision:

Given the improving market environment post COVID and favourable progress in core strategies, JLL revised up its medium-term targets with the release of its FY25 earnings. Management is now guiding for FY27 sales of ¥70,000mil, up from ¥63,000mil. While the OPM target remains unchanged at 20% constantly over the MTP tenure, the firm had already achieved an OPM of 21.8% in FY24. The firm also use ROIC target as one of the KPIs, which is set at 13% vs a cost of capital estimate of 8.0%.

### ➤ Shareholder returns:

JLL's base shareholders' return is the higher of a base dividend of 40% of net income or a DOE 5%, plus extra dividends or share buybacks, depending on circumstances. In FY24, the firm returned total of ¥8,940mil, or 96.0% of net profit, which included dividend payouts of ¥3,715mil (+18.0% YoY / pay-out ratio of 40.3% / DOE of 6.5%) and share buybacks totalling ¥5,225mil (+57.4% YoY). The firm cancelled repurchased shares apart from those to be used as a part of director remuneration and restricted shares allocated for the Employee Shareholding Association. In FY25, a base dividend of ¥54.00/share (pay-out ratio of 40.5%) is planned.

### Japan Lifeline (7575 JP): Share Information and Valuation

Market Cap (¥mil)	103,000	Market Cap (\$mil)		710		
22-day Average Trading Volume (¥mil)	372	22-day Average Trading Volume (\$mil)		2.6		
Share performance (%)	7575	TOPIX	Earnings Summary (¥mil, %)	FY23	FY24	FY25 CE
Share price (27 May 2025)	¥1,445	2,751.91	Sales	51,384	56,610	59,300
3mo (from 27 Feb 2025)	-6.83	1.21	OP	10,892	12,326	12,900
6mo (from 27 Nov 2024)	11.93	2.32	OPM (%)	21.2	21.8	21.8
YTD	6.88	-0.16	EBITDA	12,681	14,423	14,563*
1yr	28.79	-0.52	EPS (¥)	98.73	131.43	133.3
5yrs	-0.48	86.22	Financial Leverage (X)	1.2	1.2	1.2*
Per-share and Valuations	7575	TOPIX	Net D/E Ratio (X)	-0.2	-0.2	-0.2*
EPS (¥, FY25 CE)	131.43	182.48	FCF	2,862	7,312	8,523*
DPS (¥, FY25 CE)	54.00	N/A	Shareholder Return Summary	FY23	FY24	FY25 CE
BPS (¥, Mar-25)	854.74	1875.16	Dividend (¥)	42.0	53.0	54.0
FCFPS (¥, FY25 EST)	121.59	N/A	Dividend Payout (%)	42.5	40.3	40.5
Forward PER (X)	10.99	14.82	Dividend Yield (%)	N/A	N/A	3.7
PBR (x)	1.69	1.47	DOE (%)	5.6	6.5	6.5*
Forward PCFR (x)	11.88	N/A	Treasury Shares (%)	7.2	7.2	1.7
EV/EBITDA (X)	5.1	N/A	ROE (%)	13.2	15.8	15.00

Source: Nippon-IBR based on data on Bloomberg and Toyo Keizai / \* Nippon-IBR estimates

## FY24 RESULTS

JLL produced record earnings in FY24 with full-year OP of ¥12,326mil (+13.2% YoY) on sales of ¥56,610mil (+10.2% YoY) which was largely in line with guidance for OP of ¥12,600mil (+15.7% YoY) on sales of ¥56,800mil (+10.5% YoY).

The following negative factors influenced FY24 earnings:

1. The revision to insurance reimbursement prices: These were implemented from June onwards, resulting in a reduction in sales and OP by approx. -¥960mil and -¥490mil, respectively
2. Higher SG&A (-¥1,433mil, excluding one-off cost impact) for R&D, personnel, sales-related and depreciation costs
3. A hit of -¥524mil for a one-off cost and bad debt write downs

These factors were offset by:

1. A rise in atrial fibrillation [AF] cases (+10% YoY)
2. A significant increase in sales of core products such as BeeAT (intracardiac defibrillation catheter) and haemostatic devices (+¥4,175mil YoY), and
3. Strong sales (+¥1,349mil YoY +73.4% YoY) of new products

### FY24 OP Variance:

FY24 OPM improved by +0.6ppt to 21.8%, triggered by the following factors:

- Contributions from higher sales of core products (+¥2,249mil), boosted by an increase in sales of BeeAT (+¥856mil), Haemostatic device (+¥890mil), Frozen Elephant Trunk [FET] (+¥317mil) and S-ICD (+¥184mil)
- A +¥645mil boost to OP from New Areas such as neurovascular (+¥372mil) and GI-related (+¥272mil), and
- Sales increase in other products (+¥632mil).

On the other hand, negative factors impacting earnings are as follows:

- A decline in selling prices (-¥748mil) which includes the revision of reimbursement prices (approx. -¥490mil)
- Higher SG&A (-¥1,433mil) costs [including R&D (-¥492mil), personnel (-¥401mil), sales-related expenses (-¥355mil) and depreciation (-¥161mil)]
- One-off expenses (-¥336mil) including provision for doubtful debt (-¥188mil).

Excluding the one-off expenses, FY24 OP could have reached ¥12,662mil (+16.3% YoY).

Japan Lifeline (7575 JP): Earnings Summary								
(\$mil)	FY23		FY24					
	1H	FY	1H	FY	YoY (%)	FYCE	YoY (%)	FY vs FYCE (%)
Sales	25,132	51,384	27,985	56,610	10.2	56,800	10.5	-0.3
GP	15,231	30,986	16,963	34,191	10.3	34,300	10.7	-0.3
GPM (%)	60.6	60.3	60.6	60.4	+0.1ppt	60.4	+0.1ppt	-0.0ppt
SG&A	9,758	20,094	10,703	21,864	8.8	21,700	8.0	0.8
SG&A / Sales (%)	38.8	39.1	38.2	38.6	-0.5ppt	38.2	-0.9ppt	+0.4ppt
OP	5,472	10,892	6,260	12,326	13.2	12,600	15.7	-2.2
OPM (%)	21.8	21.2	22.4	21.8	+0.6ppt	22.2	+1.0ppt	-0.4ppt
NP*	4,033	7,515	4,435	9,317	24.0	9,200	22.4	1.3
NPM (%)	16.0	14.6	15.8	16.5	+1.9ppt	16.2	+1.6ppt	+0.3ppt

Source: Nippon-IBR based on JLL's earnings results materials

\* Net profit attributed to the parent's shareholders

## FY24 EARNINGS BY PRODUCTS

JLL saw solid growth in both existing and new product groups in FY24 as follows:

- Existing products comprised as much as 94.2% (¥53,318mil, +8.5% YoY) of FY24 sales and includes three product categories:
  - Cardiac Rhythm Management [CRM] – 23.4% of FY24 sales (¥13,267mil, -1.7% YoY)
  - Electrophysiology [EP] / Ablation [ABL] – 49.2% of sales (¥27,845mil, +14.8% YoY)
  - Cardiovascular [CV] – 21.6% of sales (¥12,206mil, +7.0% YoY)
- The remaining 5.8% of FY24 sales (¥3,290mil, +47.8% YoY) come from JLL's new products which focus on the following two areas:
  - Neurovascular – some 3.2% of FY24 sales (¥1,842mil, +101.9% YoY)
  - Gastrointestinal [GI] – approx. 2.6% of FY24 sales (¥1,448mil, +10.2% YoY).

Japan Lifeline (7575 JP): Sales Breakdown by Product Segment								
(\$mil)	FY23		FY24					
	1H	FY	1H	FY	YoY (%)	New FY CE	FY vs FYCE (%)	
Cardiac Rhythm Management	Pacemaker	2,553	5,241	2,480	4,506	-14.0	4,580	-1.6
	ICD	3,911	7,857	4,014	8,296	5.6	8,160	1.7
	Others	206	402	231	464	15.4	440	5.5
<b>Cardiac Rhythm Management</b>		<b>6,671</b>	<b>13,501</b>	<b>6,725</b>	<b>13,267</b>	<b>-1.7</b>	<b>13,180</b>	<b>0.7</b>
EP / Ablation	EP Catheter	10,791	21,211	11,683	22,543	6.3	22,800	-1.1
	ABL Catheter	416	840	392	647	-23.0	680	-4.9
	Others	936	2,197	2,047	4,654	111.8	4700	-1.0
<b>EP / Ablation</b>		<b>12,144</b>	<b>24,249</b>	<b>14,123</b>	<b>27,845</b>	<b>14.8</b>	<b>28,180</b>	<b>-1.2</b>
Cardiovascular	Vascular Graft	5,081	10,956	5,406	11,688	6.7	11,650	0.3
	Others	211	449	249	517	15.1	490	5.5
	<b>Neurovascular</b>	<b>353</b>	<b>912</b>	<b>800</b>	<b>1,842</b>	<b>102.0</b>	<b>1,800</b>	<b>2.3</b>
<b>Neurovascular</b>		<b>353</b>	<b>912</b>	<b>800</b>	<b>1,842</b>	<b>101.9</b>	<b>1,800</b>	<b>2.3</b>
Gastrointestinal	Gastrointestinal	443	925	597	1,345	45.4	1,390	-3.2
	Others	225	388	82	103	-73.5	110	-6.4
	<b>Consolidated Net Sales</b>	<b>25,132</b>	<b>51,384</b>	<b>27,985</b>	<b>56,610</b>	<b>10.2</b>	<b>56,800</b>	<b>-0.3</b>

Source: Nippon-IBR based on JLL's earnings results materials

### 1) Cardiac Rhythm Management [CRM]: FY24 sales ¥13,267mil (-1.7% YoY)

There are two main product groups in CRM: (1) pacemakers and (2) implantable cardioverter-defibrillators [ICDs]. The markets of pacemakers and ICD continued to grow at a moderate pace.

The favourable performance of S-ICDs (+12.4% YoY) in FY24 offset the decline in pacemaker sales (-14.0% YoY), which were affected by competitors' leadless pacemaker products. As a result, the CRM product group's sales fell -1.7% YoY to ¥13,267mil.

Despite the downward revision in reimbursement prices for pacemakers (-13.0%) and T-ICDs (-5%) implemented from June 2024 onward, S-ICD prices were unaffected.

There are two types of ICD devices, which together generated 62.5% (¥8,296mil, +5.6% YoY) of the FY24 CRM product group sales:

- **Subcutaneous ICD [S-ICD]:** This device is implanted under the skin at the side of the chest below the armpit. It is attached to an electrode that runs along the breastbone. Although the device is larger than a T-ICD, the lead is not implanted in the heart, hence is less likely to cause serious complications such as infections.

JLL is the sole distributor of S-ICD in Japan. Thanks to the firm's successful presentations at seminars and events for doctors as well as more hands-on approach of providing surgeons to practice implant of S-ICD, effect of which appeared in JLL's 40% market share among new patients that have ICD planted for the first time. S-ICD devices and leads saw sales volume increase by +12.0% YoY and +15.4% YoY, respectively. So far, JLL has not seen much impact from the launch of a new ICD by a competitor in March.

- **Transvenous-ICD [T-ICD]:** This battery-operated unit is implanted in the chest. The procedure requires the leads to be attached to the heart via invasive surgery. New T-ICD devices are put in when the battery is exchanged, usually every ten years. The T-ICD reimbursement price was revised down by -5%.
- **Pacemakers:** Pacemakers comprise 34.0% (¥4,506mil) of CRM product, and reported a -14.0% YoY decline in FY24 sales due to (1) a -13% reduction in reimbursement prices, and (2) competition from leadless pacemakers in the market, which has around a 30% market share of first-time pacemaker recipients.

## 2) **Electrophysiology [EP] / Ablation [ABL]: FY24 sales ¥27,845mil (+14.8% YoY)**

The EP / ABL product groups combined reported record annual sales of ¥27,845mil (+14.8% YoY) in FY24, largely in line with the guidance (¥28,180mil +16.2% YoY), thanks to solid sales of EP Catheters, including BeeAT, on the back of a +10% YoY increase in AF cases at hospitals vs the firm's assumption of +8% YoY.

However, there were some headwinds such as:

1. Pulsed Field Ablation [PFA] products entered the domestic market by non-Japanese competitors, gaining 35% of AF cases,
2. Two new entrants into the EP Catheter market – both domestic device makers, and
3. The decline in reimbursement prices.

Although the EP catheter market in Japan was dominated by overseas device makers, JLL still holds top market share of 45% with its in-house EP catheter products used in heart check-ups.

In the EP catheter product arena, FY24 sales of BeeAT (a catheter with intracardiac cardioversion functions) rose +8.7% YoY. JLL launched several new additions to the BeeAT series of products, such as IVC (inferior vena cava) BeeAT and BeeAT with lumen (the internal space or cavity within a tubular or membrane-bound structure) in 1H, which helped boost sales to medical institutions. According to the company, the BeeAT product series maintained a top market share of 96% in Japan's defibrillation catheter market as of March 2025, despite two domestic companies entering the market.

Currently, there are three products in the BeeAT series:

- I. Conventional catheters which are inserted from the neck,
- II. Catheters with lumen, and
- III. Those inserted via the femoral vein.

The latter two new models have higher barrier to entry, thanks to demanding manufacturing expertise. Competitors' products only compete with the conventional BeeAT but not with the two new models which, combined, have an estimated 40% of the domestic defibrillation catheter market.

The EP / Ablation product group sales growth was led by four products:

- EP Catheters sales hit an annual record of ¥22,543mil (+6.3% YoY) thanks to higher-than-expected growth in AF cases (+10% YoY vs estimated 8%). BeeAT, which generates approx. 65% of EP Catheter Products sales (81% of the EP/ABL Products group) reported a +8.7% YoY / +¥15,000mil rise in sales FY24, while reimbursement prices remained unchanged.
- Other EP / ABL products, which include steerable sheaths and haemostatic devices, saw sales surge +111.8% YoY in FY24. As planned, the strong performance was due to JLL cultivating its relationship with the 400 medical facilities that stock its haemostatic devices (used to close openings where catheters were threaded). Since the firm started selling the device in FY23 Q3, sales steadily grew from ¥86mil in FY23 Q3, ¥213mil in Q4, ¥370mil in FY24 Q1, ¥540mil, in FY24 Q2, ¥685mil in FY24 Q3 and ¥717mil in FY24 Q4.
- Sales of esophageal temperature monitoring catheters dipped -1.2% YoY due to accelerated introduction of PFA in Japan.

### 3) Cardiovascular [CV]: FY24 sales ¥12,206mil (+7.0% YoY)

JLL has a rich portfolio of in-house CV products. In this category are artificial blood vessels, which include Frozen Elephant Trunk [FET] devices, formerly known as open stent grafts [OSGs]. JLL maintained a 91% market share (FY24-end) in this steadily growing market (approx. +10% p.a.) by focusing on integrated FET-vascular graft systems. The firm also holds the top market share of 75% in the artificial blood vessels market, which saw reimbursement prices reduced by -3%, although FET prices remained unchanged.

JLL reported FY24 CV product group sales of ¥12,206mil (+7.0% YoY), thanks to:

- A +6.7% YoY rise in vascular graft product sales to ¥11,688mil in FY24. JLL's core product in this group is the FET device which saw annual sales rise +9.6% YoY (up by +8.8% YoY in sales volume), supported by an increase in FET cases, where JLL dominates. Previously, the market was growing at a steady rate of 4~5%/annum. With penetration of FET procedures, the market growth has improved to an estimated rate of +10%/annum.
- JLL has maintained its high market share (91%) through the launch of integrated FETs with artificial blood vessels, whose reimbursement price is ¥1,355,000/unit compared to FET alone of ¥1,110,000/unit. Although artificial blood vessels alone saw a reimbursement price revision of -3%, FET prices were unchanged. Another product in this group enjoying growth is the abdominal stent graft, with FY24 sales improving +5.3% YoY.

### 4) Neurovascular: FY24 sales ¥1,842mil (+101.9% YoY)

The neurovascular device market has seen little to no impact from the reimbursement price revisions. The expected CAGR of +8% for device treatment in the neurovascular field is still in its early stage, therefore is yet to see price competition, though there are numerous emerging players with unique products expected to enter the market. At the same time, there is a risk from the use of flow diverters; sales are rapidly increasing as they are replacing embolic coils.

JLL enjoyed a +101.9% YoY surge in FY24 segment sales to a record level of ¥1,842mil. The firm particularly focuses on the following two products:

- 1) Embolic coils used in the treatment of brain aneurysms. FY24 sales volumes expanded +1.6x YoY, thanks to strong demand for newly launched low-profile and abdominal-specific models.
- 2) Aspiration Catheters used in the treatment of acute stroke: FY24 sales volumes soared +2.3x YoY, thanks to accelerated sales in combination with stent retrievers and expanded sales of low-profile model.

## 5) Gastrointestinal [GI]: FY24 sales ¥1,448mil (+10.2% YoY)

JLL reported a record level of FY24 GI sales of ¥1,448mil (+10.2% YoY). Excluding sales of the coronary intervention [CI] business that terminated in FY23, GI sales would have come in at ¥1,345mil (+45.3% YoY). JLL focuses on the biliary-pancreatic market which is growing at a CAGR of 3~4%. There are three core products in this product group.

- 1) The bile duct tube stent REGULUS saw FY24 sales volume expand +1.4x YoY. Bile-duct tube stents' reimbursement prices were revised down by -5% in June 2024 and are estimated to be lowered by total of -35% by March 2026. However, the growth in sales volumes driven by the introduction of new products, primarily bile duct tube stents in the mainstay biliary and pancreatic field, is offsetting the impact from the price revision.
- 2) Liver cancer ablation needle sales improved +23% YoY, thanks to bulk sales of stocks on consignment to Terumo (4543 JP).
- 3) Colonic stent revenues grew +22.6% YoY in FY24, thanks to sales growth of the improved model. Sales of gastric and duodenal stents surged +2.2x YoY.

## FY25 GUIDANCE

JLL aims to renew historical earnings in FY25, with 1H OP of ¥6,300mil (+0.6% YoY) on sales of ¥29,300mil (+4.7% YoY), and full-year OP of ¥12,900mil (+4.7% YoY) on sales of ¥59,300mil (+4.8% YoY). The firm made the guidance based on the following assumptions:

- External factors: (1) AF cases continue to grow at approx. +10% YoY, (2) however, EP catheter sales will dip due to the increase in AF cases that use PFA instead of conventional treatment that uses thermal energy.
- Internal factors: (1) core products sale continue to grow, (2) new product groups sales are estimated to increase +30% YoY, and (3) deferred tax assets (¥351mil) that were incurred in FY24 will not reoccur.

In FY25, the firm forecasts a base dividend of ¥54.00/share (pay-out ratio of 40.5%).

Japan Lifeline (7575 JP): Earnings Results and Outlook							
(\$mil)	FY24			FY25 CE			
	1H	FY	YoY (%)	1H CE	YoY (%)	FY CE	YoY (%)
Sales	27,985	56,610	10.2	29,300	4.7	59,300	4.8
GP	16,963	34,191	10.3	N/A	N/A	35,400	3.5
GPM (%)	60.6	60.4	+0.1ppt	N/A	N/A	59.7	-0.7ppt
SG&A	10,703	21,864	8.8	N/A	N/A	22,500	2.9
SG&A / Sales (%)	38.2	38.6	-0.5ppt	N/A	N/A	37.9	-0.7ppt
OP	6,260	12,326	13.2	6,300	0.6	12,900	4.7
OPM (%)	22.4	21.8	+0.6ppt	21.5	-0.9ppt	21.8	-0.0ppt
NP*	4,435	9,317	24.0	4,500	1.5	9,350	0.3
NPM (%)	15.8	16.5	+1.9ppt	15.4	-0.5ppt	15.8	-0.7ppt

Source: Nippon-IBR based on JLL's earnings results materials

\* Net profit attributed to the parent's shareholders

## FY25 EARNINGS BY PRODUCTS

JLL forecasts FY25 sales to grow +¥2,689mil (+4.8% YoY), of which (1) existing core products sales growth of +¥1,705mil (+3.2% YoY) and (2) new products sales growth of ¥967mil (+30.4% YoY).

### 1) Cardiac Rhythm Management [CRM]: FY25 sales ¥13,230mil (-0.3% YoY)

JLL assumes negative market conditions in FY25 due to the (1) increasing penetration of leadless pacemakers by competitors (30~35% of new patients), and (2) impact of competitors' new ICD products launched in FY24 Q4.

- **Subcutaneous ICD [S-ICD]:** Sales of S-ICD will likely dip -3~4% YoY due to (1) declines in replacement cases while new cases increases will be positive for the firm's products and (2) negative impact from competitors' new products.
- **Pacemakers:** JLL assumes that sales of pacemaker will likely decline -8% YoY, as competition from leadless pacemakers builds.
- **Lead management product:** JLL plans to newly enter the lead management market, which is some ¥700mil in size, as an exclusive distributor of Phillips' lead management product.

### 2) Electrophysiology [EP] / Ablation [ABL]: FY25 sales ¥29,145mil (+4.7% YoY)

Topline growth of EP / ABL product groups will be led by the expansion of core product sales while cases that use PFA are expected to increase. AF cases will continue to grow at around 10% YoY, although 40~50% of the AF cases will use PFA.

- EP Catheters sales are expected to renew record annual sales of ¥23,410mil (+3.8% YoY) thanks to continued growth of AF cases. Although the firm anticipates an increase in the penetration of PFA, JLL is confident its market share in the EP catheter market, thanks to products such as BeeAT, will retain its strong 95%-hold.
- Sales of haemostatic devices will likely increase +20% YoY by further expanding numbers of smaller medical facilities that stock the device.
- Sales of esophageal temperature monitoring catheters are expected to decline -30% YoY as they will not be needed with PFA.

### 3) Cardiovascular [CV]: FY25 sales ¥12,650mil (+3.6% YoY)

The CV product groups sales are estimated to grow steadily with FET as a core product, whose market growth is estimated at +5~9% p.a. In addition to JLL likely benefitting from some competitors withdrawing from the vascular graft market, certification of its facilities producing Atrial Septal Defect [ASD] closure products, used to mend holes in the wall between the upper chambers (atria) of the heart, are expected to expand from 90 to 120 facilities in 2025.

- JLL assumes FET sales growth of +8~9% YoY in FY25, through sales volume growth with market share of 90%.
- ASD closure devices sales will likely grow at approx. +10% YoY, by promoting device positioning performance to increase market share.
- Slight sales growth in abdominal stent grafts.

### 4) Neurovascular: FY25 sales ¥2,260mil (+22.7% YoY)

JLL assumes that while the numbers of procedures will likely steadily expand, shift from coils to flow diverters in brain aneurysm procedures may affect revenues over the longer term.

- Embolic coils used in the treatment of brain aneurysms will likely see FY25 sales growth of approx. +10% YoY by expanding their use to cardiac surgery and interventional radiology for small vessel embolization.
- Aspiration Catheters used in the treatment of acute stroke sales continues to grow at a solid +30% YoY pace by promoting combined use with stent retrievers and with new smaller diameter models. Stent retriever sales are expected grow 2x YoY.

## 5) Gastrointestinal [GI]: FY25 sales ¥2,015mil (+39.1% YoY)

JLL assumes biliary & pancreatic devices will lead the growth of this product portfolio, with the market expanding at 3~4% p.a., although there is a significant -35% reimbursement price reduction for biliary tube stents set for March 2026.

- Biliary tube stents sales are estimated to grow at 25~30% with the launch of two new models.
- Focus marketing resources on biliary and pancreatic product portfolio by outsourcing non-core liver product stents.
- Promoting sales of biliary dilation balloon.

Japan Lifeline (7575 JP): Sales Breakdown by Product Segment									
(\$mil)	FY24		FY25 CE						
	1H	FY	1H CE	YoY (%)	2H CE	YoY (%)	FY CE	YoY (%)	
Cardiac Rhythm Management	Pacemaker	2,480	4,506	2,160	-12.9	1,980	-2.2	4,140	-8.1
	ICD	4,014	8,296	4,320	7.6	3,890	-9.2	8,210	-1.0
	Others	231	464	400	73.2	480	106.9	880	89.7
Cardiac Rhythm Management		6,725	13,267	6,880	2.3	6,350	-2.9	13,230	-0.3
EP / Ablation	EP Catheter	11,683	22,543	11,680	0.0	11,730	8.0	23,410	3.8
	ABL Catheter	392	647	215	-45.2	195	-23.5	410	-36.6
	Others	2,047	4,654	2705	32.1	2620	0.5	5,325	14.4
EP / Ablation		14,123	27,845	14,600	3.4	14,545	6.0	29,145	4.7
Cardiovascular	Vascular Graft	5,406	11,688	5,590	3.4	6,540	4.1	12,130	3.8
	Others	249	517	280	12.4	240	-10.1	520	0.6
Cardiovascular		5,656	12,206	5,870	3.8	6,780	3.5	12,650	3.6
Neurovascular		800	1,842	1,045	30.6	1,215	16.6	2,260	22.7
Neurovascular		800	1,842	1,045	30.6	1,215	16.6	2,260	22.7
Gastrointestinal	Gastrointestinal	597	1,345	840	40.7	1055	41.4	1,895	40.9
	Others	82	103	65	-20.7	55	175.0	120	16.5
Gastrointestinal		680	1,448	905	33.0	1,110	44.4	2,015	39.1
Consolidated Net Sales		27,985	56,610	29,300	4.7	30,000	4.8	59,300	4.8

Source: Nippon-IBR based on JLL's earnings results materials

## UPWARD REVISION ON MEDIUM-TERM MANAGEMENT PLAN (FY23~FY27)

Given improving market environment post COVID and favourable progress in core strategies, JLL revised up its medium-term target from FY27 sales target of ¥63,000mil to ¥70,000mil with the release of record FY25 earnings. FY27 target sales include a new product portfolio, with FY27 sales revised up from ¥8,000mil to ¥11,000mil, reflecting entry to the TAVI (Transcatheter Aortic Valve Implantation) and/or TAVR (Transcatheter Aortic Valve Replacement) [TAVI/TAVR] market.

The OPM target remains unchanged at 20% constantly over the MTP tenure, although the firm had already achieved 21.8% OPM in FY24. The medium-term ROIC target of 12% was also revised to 13%, which is above the firm's cost of equity of 7.2%~ 9.3%, based on JLL's own estimate calculated using (1) WACC, (2) CAPM, (3) stock's liquidity premium based on average daily trading volume, and (4) cost of capital that investors consider appropriate for the firm based on IR discussions.

JLL aims to improve ROIC with key focus given to (1) GPM maintained at 57%~59%, and (2) controlling inventory turnover at a level of around 250-days.

## CAPITAL ALLOCATION POLICY

Over the remaining three years of the medium-term plan, JLL aims to generate operating cash flow of approx. ¥30,000mil, which will be employed in the following areas:

1. Newly allocated ¥7,000mil~¥12,000mil on growth investments, including expansion of overseas manufacturing capacities such as investment in overseas start-ups and strategic M&A as well as IT infrastructure upgrade.
2. ¥12,000~¥15,000mil on shareholders return which includes 1) a base dividend either the higher of 40% of net income or a DOE of 5%, plus extra dividend or share buyback depending on circumstances. In FY24, the firm returned total of ¥8,940mil, or 96.0% of total return which includes dividend payout of ¥3,715mil (+18.0% YoY, payout ratio of 40.3% / DOE of 6.5%) and share buyback in total of ¥5,225mil (+57.4% YoY). The firm cancelled repurchased shares apart from those to be used as a part of director remuneration and restricted shares allocated for the Employee Shareholding Association.
3. Up to ¥6,000mil on maintenance CAPEX / facilities within the level of depreciation cost.

On top of the aforementioned cash allocations, JLL aims to make ¥7,000mil ~ ¥8,000mil investment on clinical trial and regulatory cost and R&D expenditures.

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