INFORMATION DISCLOSURE ON THE INTERNET REGARDING THE NOTICE OF THE 41ST 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, 2020 - March 31, 2021)

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 Statement of Changes in Equity

(April 1, 2020 - March 31, 2021)

(Unit: millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,115	14,853	35,912	(1,263)	51,618
Changes during period					
Dividends of surplus			(2,335)		(2,335)
Disposal of treasury shares				209	209
Profit attributable to owners of parent			2,000		2,000
Change in scope of consolidation			(225)		(225)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(560)	209	(351)
Balance at end of period	2,115	14,853	35,352	(1,053)	51,267

(Unit: millions of yen)

	Accumulated other comprehensive income				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 at beginning of period	(225)	169	(155)	(211)	51,406
Changes during period					
Dividends of surplus					(2,335)
Disposal of treasury shares					209
Profit attributable to owners of parent					2,000
Change in scope of consolidation					(225)
Net changes in items other than shareholders' equity	278	(138)	109	248	248
Total changes during period	278	(138)	109	248	(102)
Balance at end of period	52	30	(46)	37	51,304

(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 3

   Names of consolidated subsidiaries

   Synexmed (Hong Kong) Limited, Synexmed (Shenzhen) Co., Ltd., JLL Malaysia Sdn. Bhd.

   Among the above, JLL Malaysia Sdn. Bhd. has been included within the scope of consolidation as its importance increased in the fiscal year under review.

   (2) Major non-consolidated subsidiaries

   There are no non-consolidated subsidiaries of note.

2. Matters regarding the scope of the equity method

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

   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, Synexmed (Shenzhen) Co., Ltd. and JLL Malaysia Sdn. Bhd. 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 consolidated 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

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 distressed receivables

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 fiscal year under review is posted.

3) Provision for bonuses for directors (and other officers)

A reserve for bonuses to directors and other officers 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 for shares corresponding to points allocated to directors, based on the regulations for granting of shares.

5) Provision for loss on guarantees

The amount expected to be repaid has been recorded for repayment of borrowings of the Japan Lifeline Employee Shareholders Association Exclusive Trust.

(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 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.

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 defined benefit plans 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]

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) and presented (Notes on Accounting Estimates) from the fiscal year under review.

[Notes on Accounting Estimates]

The items in the consolidated financial statements for the fiscal year under review for which an amount has been recorded due to accounting estimates and that could have a material impact on the consolidated financial statements for the following fiscal year are as follows.

1. Assessment of recoverability of investment securities and loans to product developers, business partners, etc.

(1) Amounts recorded in the consolidated financial statements for the fiscal year under review

Investment securities	2,182 million yen
Loss on valuation of investment securities	– million yen
Loss on debt equity swap	2,389 million yen

(Loss on valuation of investment securities was not recorded for the above investment securities in the fiscal year under review; however it has been recognized as a disclosure item in consideration of the risk that it could have a material impact on the consolidated financial statements for the following fiscal year.)

Long-term loans receivable	1,802 million yen
Allowance for doubtful accounts	(1,206) million yen

Provision of allowance for doubtful accounts 1,206 million yen

The Group makes an overall determination of investment securities and loans to product developers and business partners and determines impairment losses and recoverability.

(2) Information about the contents of significant accounting estimates related to the identified items

1) Method of calculating the amounts recorded in the consolidated financial statements for the fiscal year under review

For investment securities and loans to product developers, business partners, etc., the Company assesses the actual value of the investment securities and the recoverability of loans based on the financial information, business plans, etc. received regularly from the investee.

For investment securities of product developers, business partners, etc., the Company may obtain a share valuation report from a third-party valuation institution and reflect excess earning power, etc. in the assessment of actual value. If there is objective evidence of impairment due to a marked decrease in real value caused by a deterioration in the financial condition of the investee based on financial information, business plan, etc. received regularly from the investee, the carrying value of the investment securities is written down to the actual value and loss on valuation of investment securities is recognized. If there is a reasonable expectation for an improvement in the financial position of an investee after a certain period based on its submitted business plan, and if there is no significant delay in the business plan or significant shortfall in earnings, then the Company may not subject the investee to impairment.

With regard to loans to product developers and business partners, etc., depending on the financial position and operating performance of the debtor, after classifying the receivable, the Company calculates the expected loan loss and if the recoverability is deemed to be low, an amount calculated by subtracting the recoverable amount from the carrying amount is recorded as allowance for doubtful accounts.

2) Key assumptions used for calculating the amounts recorded in the consolidated financial statements for the fiscal year under review

The estimates for the actual value of investment securities and the recoverability of loans are based mainly on business partners' estimated sales volumes, estimated selling prices and business plans created based on market growth rates.

3) Impact on the consolidated financial statements for the following fiscal year

The business plan may need to be revised with regard to these key assumptions in light of changes in the business strategy or market environment, etc. Accordingly, the Company may record a loss on valuation of investment securities and a provision of allowance for doubtful accounts.

2. Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Net deferred tax assets 2,464 million yen

(2) Information about the contents of significant accounting estimates related to the identified item

1) Method of calculating the amount recorded in the consolidated financial statements for the fiscal year under review

The Group determines the recoverability of deferred tax assets based on taxable income, which is based on future earning power according to deductible temporary differences, and tax planning. Estimates for taxable income are based on the medium-term management plan.

2) Key assumptions used for calculating the amount recorded in the consolidated financial statements for the fiscal year under review

Estimates for taxable income are based on the medium-term management plan, which mainly takes into account the market environment, National Health Insurance (NHI) reimbursement prices, etc. The situation remains unpredictable due to the spread of COVID-19, emergence of variants, etc., and the medical device industry has also been affected by a decrease in the number of cases and other factors. Estimates for future taxable income are based on the medium-term management plan, which assumes that a full-fledged recovery will not begin until the second half of the fiscal year ending March 31, 2022.

3) Impact on the consolidated financial statements for the following fiscal year

Because the recoverability of deferred tax assets depends on estimated taxable income based on the medium-term management plan, the key assumptions are highly uncertain. If changes occur in the assumed conditions or other assumptions, the estimated amount of taxable income may vary and there could be a material impact on the judgment of the recoverability of deferred tax assets. Accordingly, the Company may reverse deferred tax assets.

[Additional information]

(Accounting estimates associated with the spread of the novel coronavirus disease (COVID-19))

The situation remains unpredictable due to the resurgence of COVID-19, emergence of variants, etc., and the medical device industry has also been affected by a decrease in the number of cases and other factors. Because there are patients who are waiting for treatment, including for atrial fibrillation therapy, the Company expects a gradual recovery in the number of cases going forward. However, it may take some time until the medical care system returns to normal as progress is made in administering vaccinations, etc., and the Company does not expect a full-fledged recovery to begin until the second half of the fiscal year ending March 31, 2022.

The Group assesses investment securities and loans, the recoverability of deferred tax assets, etc. after establishing future business plans based on certain assumptions that take the above scenarios into account.

(Transactions involving the BIP trust share-based compensation)

In the 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 Shareholders 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 Shareholders Association.

(1) Summary of the transaction

This plan is an incentive plan for all employees who participate in the Japan Lifeline Employee Shareholders Association (the "Shareholders Association"). Under the Plan, we establish a trust for the Japan Lifeline Employee Shareholders Association (hereinafter referred to as the "Employee Shareholders Trust") in the trust bank, and we acquire in advance the number of shares that we expect the Shareholders Association to acquire over the three-year period following the establishment of the Employee Shareholders Trust. Subsequently, the Employee Shareholders Trust continuously sells our shares to the Shareholders Association, and if the amount equivalent to the gain on sale of the shares accumulates within the Employee Shareholders 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 Shareholders Trust's borrowings for the acquisition of Company shares, if the value of losses on sale of the shares in the Employee Shareholders 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 Shareholders 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 87 million yen and 47,600 shares.

(3) Book value of borrowings accounted for by the application of the gross method

153 million yen at the end of the fiscal year under review

[Notes to Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment 7,385 million yen
2. Contingent liabilities

   There are no contingent liabilities to report.

[Notes to Consolidated Statement of Income]

1. The loss on debt waiver and loss on debt equity swap under extraordinary losses were recorded due to debt waiver and debt equity swap regarding loans, etc., with two of the Company's business partners, and the provision of allowance for doubtful accounts was recorded because the Company judged that the recoverability of the remaining loans, etc. was low.

[Notes to Consolidated Statement of Changes in Equity]

1. Shares issued

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock (shares)	85,419,976	–	–	85,419,976

2. Treasury shares

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock (shares)	5,165,261	–	114,400	5,050,861

(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 number of treasury shares at the end of the fiscal year under review includes 47,600 shares of the Company held by the Nomura Trust & Banking Co., Ltd. (Japan Lifeline Employee Shareholders Association) based on the Employee Shareholders Incentive Plan (E-Ship®).

(Reasons for differences)

A decrease of 114,400 shares due to sale of shares in dedicated trusts of the Japan Lifeline Employee Shareholders Association

3. 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 25, 2020	Common shares	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 3 million yen.

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

(2) Dividends whose record date is during the fiscal year under review, but whose effective date is during the following 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, 2021	Common shares	Retained earnings	3,945	49.00	March 31, 2021	June 28, 2021

(Notes) 1. The dividend amount relating to shares of the Company held by the BIP trust to be included in the total dividends is 5 million yen.

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

3. Dividend per share includes the commemorative dividend of 20.00 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, etc. 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 regular reports on the market prices of these assets.

Long-term loans receivable represents loans 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 and recording of an allowance for doubtful accounts accompanying worsening business conditions of the debtors. The Company uses currency swaps, etc. to hedge against foreign exchange risk as necessary, and regarding the risk leading to the recording of an allowance for doubtful accounts, the Company closely monitors the business situation of business partners and works to reduce that risk.

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

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

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 borrowings are exposed to liquidity risk, but the Group manages this liquidity risk by creating and updating funding plans for each company as needed, as well as through the maintenance of liquidity 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 fiscal year under review (March 31, 2021) are as follows. Shares, etc. that do not have quoted market prices (2,748 million yen on the consolidated balance sheet) are not included in available-for-sale securities.

In addition, notes for cash have been omitted, and notes for deposits have also been omitted because their market values approximate book values since they are settled in the short term.

(Unit: millions of yen)

Item	Consolidated balance sheet amount	Market value	Difference
Notes and accounts receivable - trade	13,145	13,145	—
Investment securities*1			
Available-for-sale securities	4,793	4,793	—
Long-term loans receivable	1,900		
Allowance for doubtful accounts (*2)	1,206		
	693	796	102
Notes and accounts payable - trade	2,872	2,872	—
Short-term borrowings	5,300	5,300	—
Current portion of long-term borrowings	2,138	2,138	—
Accounts payable - other	925	925	—
Long-term borrowings	2,182	2,204	21
Lease obligations (*3)	775	795	20
Derivative transactions:	—	—	—

*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: General and individual allowances for doubtful accounts corresponding to long-term loans receivable have been deducted.

*3: For the amount on the consolidated balance sheet and market values of lease obligations, the current portion of lease obligations is included.

(Note) Calculation method of the market value of financial instruments

(1) Notes and accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, current portion of long-term borrowings, 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 borrowings:

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

Furthermore, certain long-term borrowings 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 borrowings.

(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.

[Notes to Per Share Information]

Net assets per share	638.36 yen
Earnings per share	24.91 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, earnings 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 113,320.

2 The Company shares remaining in the Japan Lifeline Employee Shareholders 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 earnings per share. In the fiscal year under review, the total number of treasury shares at the end of the fiscal year was 47,600, and the average number of shares during the period was 94,158.

Non-Consolidated Statement of Changes in Equity

(April 1, 2020 - March 31, 2021)

(Unit: millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
			Gain on disposal of treasury shares	
Balance at beginning of period	2,115	2,133	12,720	14,854
Changes during period				
Dividends of surplus				
Profit				
Disposal of treasury shares				
Reversal of reserve for tax purpose reduction entry of non-current assets				
Net changes in items other than shareholders' equity				
Total changes during period	–	–	–	–
Balance at end of period	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 tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	528	42	6,000	29,807	36,378
Changes during period					
Dividends of surplus				(2,335)	(2,335)
Profit				1,862	1,862
Disposal of treasury shares					
Reversal of reserve for tax purpose reduction entry of non-current assets		(1)		1	–
Net changes in items other than shareholders' equity					
Total changes during period	–	(1)	–	(471)	(472)
Balance at end of period	528	41	6,000	29,335	35,905

(Unit: millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
Balance at beginning of period	(1,263)	52,085	(225)	51,859
Changes during period				
Dividends of surplus		(2,335)		(2,335)
Profit		1,862		1,862
Disposal of treasury shares	209	209		209
Reversal of reserve for tax purpose reduction entry of non-current assets		–		–
Net changes in items other than shareholders' equity		–	278	278
Total changes during period	209	(263)	278	15
Balance at end of period	(1,053)	51,822	52	51,874

(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

   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 distressed receivables

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 fiscal year under review is posted.

(3) Provision for bonuses for directors (and other officers)

A reserve for bonuses to directors and other officers 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 loss on guarantees

The amount expected to be repaid has been recorded for repayment of borrowings of the Japan Lifeline Employee Shareholders Association Exclusive Trust.

(6) 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 and unrecognized past service cost 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]

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) and presented (Notes on Accounting Estimates) from the fiscal year under review.

[Notes on Accounting Estimates]

The items in the non-consolidated financial statements for the fiscal year under review for which an amount has been recorded due to accounting estimates and that could have a material impact on the non-consolidated financial statements for the following fiscal year are as follows.

1. Assessment of recoverability of investment securities and loans to product developers, business partners, etc.

(1) Amounts recorded in the non-consolidated financial statements for the fiscal year under review

Investment securities	2,182 million yen
Loss on valuation of investment securities	- million yen
Loss on debt equity swap	2,389 million yen

(Loss on valuation of investment securities was not recorded for the above investment securities in the fiscal year under review; however it has been recognized as a disclosure item in consideration of the risk that it could have a material impact on the non-consolidated financial statements for the following fiscal year.)

Long-term loans receivable	1,802 million yen
Allowance for doubtful accounts	(1,206) million yen
Provision of allowance for doubtful accounts	1,206 million yen

The Company makes an overall determination of investment securities and loans to product developers and business partners and determines impairment losses and recoverability.

(2) Information about the contents of significant accounting estimates related to the identified items

1) Method of calculating the amounts recorded in the non-consolidated financial statements for the fiscal year under review

For investment securities and loans to product developers, business partners, etc., the Company assesses the actual value of the investment securities and the recoverability of loans based on the financial information, business plans, etc. received regularly from the investee.

For investment securities of product developers, business partners, etc., the Company may obtain a share valuation report from a third-party valuation institution and reflect excess earning power, etc. in the assessment of actual value. If there is objective evidence of impairment due to a marked decrease in real value caused by a deterioration in the financial condition of the investee based on financial information, business plan, etc. received regularly from the investee, the carrying value of the investment securities is written down to the actual value and loss on valuation of investment securities is recognized. If there is a reasonable expectation for an improvement in the financial position of an investee after a certain period based on its submitted business plan, and if there is no significant delay in the business plan or significant shortfall in earnings, then the Company may not subject the investee to impairment.

With regard to loans to product developers and business partners, depending on the financial position and operating performance of the debtor, after classifying the receivable, the Company calculates the expected loan loss and if the recoverability is deemed to be low, an amount calculated by subtracting the recoverable amount from the carrying amount is recorded as allowance for doubtful accounts.

2) Key assumptions used for calculating the amounts recorded in the non-consolidated financial statements for the fiscal year under review

The estimates for the actual value of investment securities and the recoverability of loans are based mainly on business partners' estimated sales volumes, estimated selling prices and business plans created based on market growth rates.

3) Impact on the non-consolidated financial statements for the following fiscal year

The business plan may need to be revised with regard to these key assumptions in light of changes in the business strategy or market environment, etc. Accordingly, the Company may record loss on valuation of investment securities and provision of allowance for doubtful accounts.

2. Recoverability of deferred tax assets

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Net deferred tax assets	2,443 million yen

(2) Information about the contents of significant accounting estimates related to the identified item

1) Method of calculating the amount recorded in the non-consolidated financial statements for the fiscal year under review

The Company determines the recoverability of deferred tax assets based on taxable income, which is based on future earning power according to deductible temporary differences, and tax planning. Estimates for taxable income are based on the medium-term management plan.

2) Key assumptions used for calculating the amount recorded in the non-consolidated financial statements for the fiscal year under review

Estimates for taxable income are based on the medium-term management plan, which mainly takes into account the market environment, National Health Insurance (NHI) reimbursement prices, etc. The situation remains unpredictable due to the spread of COVID-19, emergence of variants, etc., and the medical device industry has also been affected by a decrease in the number of cases and other factors. Estimates for future taxable income are based on the medium-term management plan, which assumes that a full-fledged recovery will not begin until the second half of the fiscal year ending March 31, 2022.

3) Impact on the non-consolidated financial statements for the following fiscal year

Because the recoverability of deferred tax assets depends on estimated taxable income based on the medium-term management plan, the key assumptions are highly uncertain. If changes occur in the assumed conditions or other assumptions, the estimated amount of taxable income may vary and there could be a material impact on the judgment of the recoverability of deferred tax assets. Accordingly, the Company may reverse deferred tax assets.

[Additional information]

(Accounting estimates associated with the spread of the novel coronavirus disease (COVID-19))

The situation remains unpredictable due to the resurgence of COVID-19, emergence of variants, etc., and the medical device industry has also been affected by a decrease in the number of cases and other factors. Because there are patients who are waiting for treatment, including for atrial fibrillation therapy, the Company expects a gradual recovery in the number of cases going forward. However, it may take some time until the medical care system returns to normal as progress is made in administering vaccinations, etc., and the Company does not expect a full-fledged recovery to begin until the second half of the fiscal year ending March 31, 2022.

The Company assesses investment securities and loans, the recoverability of deferred tax assets, etc. after establishing future business plans based on certain assumptions that take the above scenarios into account.

(Transactions involving the BIP trust share-based compensation)

In the 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 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 Shareholders 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 Shareholders Association.

(1) Summary of the transaction

This plan is an incentive plan for all employees who participate in the Japan Lifeline Employee Shareholders Association (the "Shareholders Association"). Under the Plan, we establish a trust for the Japan Lifeline Employee Shareholders Association (hereinafter referred to as the "Employee Shareholders Trust") in the trust bank, and we acquire in advance the number of shares that we expect the Shareholders Association to acquire over the three-year period following the establishment of the Employee Shareholders Trust. Subsequently, the Employee Shareholders Trust continuously sells our shares to the Shareholders Association, and if the amount equivalent to the gain on sale of the shares accumulates within the Employee Shareholders 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 Shareholders Trust's borrowings for the acquisition of Company shares, if the value of losses on sale of the shares in the Employee Shareholders 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 Shareholders 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 87 million yen and 47,600 shares.

(3) Book value of borrowings accounted for by the application of the gross method

153 million yen at the end of the fiscal year under review

[Notes to Non-Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment 6,934 million yen

2. Monetary receivables from or payables to affiliates

Short-term monetary receivables	581 million yen
Long-term monetary receivables	498 million yen
Short-term monetary payables	63 million yen

3. Monetary receivables from or payables to the Directors

Long-term monetary payables	269 million yen

[Notes to Non-Consolidated Statement of Income]

1. Transactions with affiliates

Operating transactions	Purchase of goods	167 million yen
	Outsourced processing expenses	289 million yen
	Selling, general and administrative expenses	40 million yen
Transactions other than operating transactions		15 million yen

2 The loss on debt waiver and loss on debt equity swap under extraordinary losses were recorded due to debt waiver and debt equity swap regarding loans, etc., with two of the Company's business partners, and the provision of allowance for doubtful accounts was recorded because the Company judged that the recoverability of the remaining loans, etc. was low.

[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)	5,165,261	–	114,400	5,050,861

(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 47,600 shares of the Company held by the Nomura Trust & Banking Co., Ltd. (Japan Lifeline Employee Shareholders Association dedicated trust & banking corporation) under the Employee Shareholders Incentive Plan (E-Ship®).

(Reasons for differences)

A decrease of 114,400 shares due to sale of shares in dedicated trusts of the Japan Lifeline Employee Shareholders Association

[Notes to Tax Effect Accounting]

Main contributing factors to deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Provision for retirement benefits	861 million yen
Loss on debt equity swap	731 million yen
Loss on debt waiver	718 million yen
Allowance for doubtful accounts	552 million yen
Provision for bonuses	330 million yen
Other	913 million yen
Subtotal	4,108 million yen
Valuation allowance	(1,589) million yen
Total deferred tax assets	2,519 million yen

(Deferred tax liabilities)

Assets to be retired	34 million yen
Investment securities	23 million yen
Reserve for tax purpose reduction entry of non-current assets	18 million yen
Total deferred tax liabilities	75 million yen
Net deferred tax assets	2,443 million yen

[Notes to Per Share Information]

Net assets per share	645.46 yen
Earnings per share	23.19 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, earnings 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 113,320.

2 The Company shares remaining in the Japan Lifeline Employee Shareholders 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 earnings per share. At the close of the fiscal year under review, the total number of treasury shares was 47,600, and the average number of shares during the period was 94,158.