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OTHER MATTERS SUBJECT TO MEASURES FOR ELECTRONIC PROVISION OF THE 46TH ORDINARY GENERAL MEETING OF SHAREHOLDERS (Matters Excluded From the Paper-Based Documents Delivered Upon Request)

System to Ensure Proper Business Execution

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, 2025 - March 31, 2026)

Japan Lifeline Co., Ltd.

(Securities Code: 7575)

In accordance with the provisions of laws and regulations and the Company's Articles of Incorporation, the above items are excluded from the paper-based documents delivered to shareholders who have made a request for delivery of such documents.
Note that, for this general meeting of shareholders, paper-based documents stating items for which measures for providing information in electronic format are to be taken, excluding the above items, will be delivered to all shareholders regardless of whether they have made a request for delivery of such documents.

System to Ensure Proper Business Execution

At a meeting of the Board of Directors held on May 22, 2006, the Company established a “Basic Policy on Creation of Internal Control Systems,” and subsequently made several revisions to this policy, with the most recent partial revision made on April 1, 2025. The Company has established and is operating an internal control system based on this basic policy.

1. System to Ensure that Directors and Employees Execute Their Duties in Compliance with Laws and Regulations and the Articles of Incorporation

(i) Directors and employees shall act in compliance with laws and regulations, social ethics, the Articles of Incorporation, and other internal regulations, with their guidelines for their actions the Code of Ethics and the Code of Conduct.

(ii) The Company shall engage in the creation of internal compliance systems, centered on the Chief Compliance Officer and Compliance Committee, in accordance with the “Compliance Promotion Regulations.”

(iii) The Company shall inform all directors and employees of the Code of Ethics, the Code of Conduct, and internal regulations related to compliance by posting them on the intranet, in addition to conducting training, to ensure thorough awareness of compliance.

(iv) The Company shall establish an internal compliance consultation service and an outside helpline desk to provide a contact point where compliance issues can be easily reported and discussed.

(v) All relations with antisocial forces shall be blocked in accordance with the Code of Conduct and the Regulations Regarding the Elimination of Antisocial Forces, and in the event that there is a fear of relations with antisocial forces, it shall be promptly reported to the supervising department, and the Company shall respond with a resolute stance, while collaborating with the police and other external institutions.

(vi) The Internal Audit Division shall conduct audits regarding the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations, in accordance with the “Internal Audit Regulations.”

(vii) As an advisory body for the Board of Directors, the Company shall establish a voluntary Nomination and Remuneration Advisory Committee, at least half of whose members are independent outside directors and that is chaired by an independent outside director, to ensure objectivity and transparency in the evaluation and decision-making process regarding the nomination and remuneration of directors.

[Summary of Operational Status]

- The “Code of Conduct” was made known to new employees at the time of hiring them.
- Compliance Committee meetings were held regularly and matters related to compliance were reported and discussed in accordance with the “Compliance Promotion Regulations.”
- Compliance training was held for new employees when they first joined the Company, in addition to training for harassment and discrimination prevention for all employees.
- Information about the Helpline, an external resource, and the Compliance Consultation Desk, an internal resource, was disseminated through training for all employees and posting on the Company’s portal site.
- We surveyed each business partners regarding relationships with antisocial forces when making a new contract or when their representative changed, and conducted a regular annual survey of existing business partners in particular. No matters causing concern regarding relationships with antisocial forces have arisen.
- The Internal Audit Division conducted audits in accordance with audit plans.
- Meetings of the Nomination and Remuneration Advisory Committee were held, where selection of Directors, selection of representative Directors and Directors with officer’s posts, the remuneration system for Directors, policies for determining remuneration, remuneration for Directors and the

like were discussed, and the results were reported to the Board of Directors. Regarding remuneration amounts for each Director, these were decided by the Nomination and Remuneration Advisory Committee.

2. System for Storage and Management of Information Related to the Execution of Duties of the Directors

(i) The Company stores and manages minutes of the General Meeting of Shareholders, the Board of Directors, and other important meetings, and other important documents pertaining to the execution of duties by directors (including electronic records), in accordance with the Document Management Regulations.

(ii) Directors may view the above documents at any time.

[Summary of Operational Status]

- Minutes of the General Meeting of Shareholders and the Board of Directors, etc. are created, and then stored and managed in accordance with the Document Management Regulations.
- All approval documents and applications where Directors were approvers are stored and managed in accordance with the Document Management Regulations.

3. Regulations or Any Other Systems for Management of Risk of Loss

(i) In accordance with the Risk Management Regulations, the Company shall establish the Chief Risk Management Officer and the Risk Management Committee to promote company-wide risk management and to share information necessary for that purpose.

(ii) The Company shall establish rules and regulations concerning risks related to product quality and safety, information security, disasters, investments in and loans to business partners, etc., and the responsible divisions shall take risk countermeasures.

(iii) In the occurrence of an emergency situation that requires a company-wide response, the Company shall establish a dedicated division and assign the President and CEO as Executive Manager, for prompt actions to minimize the loss.

[Summary of Operational Status]

- Meetings of the Risk Management Committee were held regularly in accordance with the Risk Management Regulations, and the Company-wide risk evaluation was reviewed.
- Risk management-related training was held for all directors.
- Targeted email attack training was provided to all employees.
- No incidences involving discovery of significant risks occurred.

4. System to Ensure that the Execution of Duties of Directors is Efficient

(i) The Company adopts an executive officer system in order to strengthen the decision-making and supervisory functions of the Board of Directors and improve the efficiency of business execution, and promotes agile execution of duties by delegating authority to executive officers within an appropriate scope.

(ii) The Board of Directors approves annual budgets, in addition to receiving reports on the status of progress thereof from each director, and ascertains the status of business execution.

[Summary of Operational Status]

- The Company revised the Regulations on the Assignment of Business Operations and the Regulations on Administrative Authority in line with organizational changes, etc., to ensure that Directors' duties are executed in an appropriate and efficient manner.
- In addition to formulating an annual budget, the Board of Directors also received regular reports on the status of progress from each director, and discussed issues.

5. System to Ensure Proper Business Execution within the Corporate Group Comprising the Company and Subsidiaries

(i) Systems related to reports to the Company on matters pertaining to the execution of duties by directors, etc. of subsidiaries

a. In accordance with the Affiliate Management Regulations, the Company shall receive reports on matters pertaining to the execution of duties by Directors, etc. of subsidiaries, in addition to financial reports, minutes of meetings, and other documents.

b. The Company's directors (excluding those who are Audit and Supervisory Committee members) or employees also serve concurrently as directors or corporate auditors of subsidiaries, and the Company receives reports as appropriate on the status of the execution of duties at these subsidiaries from these directors, etc.

(ii) Regulations or any other systems for management of risk of loss at subsidiaries

a. In accordance with the Risk Management Regulations, the Company shall endeavor to create a system for managing risk at subsidiaries, centered on the Chief Risk Management Officer and the Risk Management Committee.

b. In the event that a significant risk is discovered at a subsidiary, a prompt response shall be implemented, centered on the President of the subsidiary and the loss shall be minimized through the assistance of the Company, as necessary.

(iii) System to ensure efficiency of execution of duties by directors, etc. of subsidiaries

The responsible department of the Company manages business in accordance with the Affiliate Management Regulations, and also supports the creation of systems for appropriate business execution, including establishing Regulations on the Assignment of Business Operations and Regulations on Administrative Authority at subsidiaries.

(iv) System to ensure that directors, etc. and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation

a. The Company provides advice, guidance, and assistance as necessary, to ensure that compliance systems are created at subsidiaries, in accordance with the Affiliate Management Regulations.

b. The Internal Audit Division conducts audits regarding the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations at subsidiaries, in accordance with the Internal Audit Regulations.

[Summary of Operational Status]

- The Company received reports and documents from subsidiaries, in accordance with the Affiliate Management Regulations.
- Related departments supported the maintenance of rules and regulations of subsidiaries and the maintenance of the governance system.
- Directors and employees of the Company who also serve concurrently as directors and corporate auditors of subsidiaries attended important management meetings at those subsidiaries.
- The Internal Audit Division conducts audits of subsidiaries in accordance with audit plans.
- Training for harassment and discrimination prevention was held for employees of subsidiaries.
- Related departments supported the establishment of internal whistleblowing hotlines of subsidiaries.

6. Matters Related to Employees to Assist Duties of Audit and Supervisory Committee Members in the Event that the Committee Have Requested Such Employees

In the event that Audit and Supervisory Committee Members request the assignment of employees to assist them with their duties, the Company shall assign appropriately qualified persons, after consultation with the Audit and Supervisory Committee.

[Summary of Operational Status]

- One employee of the Internal Audit Division is appointed to assist the Audit and Supervisory Committee as a concurrent duty.

7. Matters Related to the Independence from Directors of Employees Described in the Preceding Item

(i) Employees ordered by the Audit and Supervisory Committee to assist them in their audit operations shall not be instructed by directors (excluding those who are Audit and Supervisory Committee Members) regarding these operations.

(ii) Advance consultations with the Audit and Supervisory Committee shall be held with regard to matters pertaining to personnel decisions concerning employees ordered by the Audit and Supervisory Committee to assist them in their audit operations.

[Summary of Operational Status]

- With regard to the operations of the Audit and Supervisory Committee, there were no instances of personnel assisting the Audit and Supervisory Committee receiving directives from directors other than Audit and Supervisory Committee members.

8. Matters Related to Ensuring the Effectiveness of Instructions to Employees to Assist the Duties of Audit and Supervisory Committee

(i) Employees ordered by the Audit and Supervisory Committee to assist them in their audit operations shall execute operations based on the instructions from the Audit and Supervisory Committee.

(ii) Directors (excluding those who are Audit and Supervisory Committee Members) shall endeavor to create an environment for audits to ensure that the operations of employees ordered by the Audit and Supervisory Committee to assist them in their audit operations are conducted in a smooth manner.

[Summary of Operational Status]

- The employee appointed to assist the Audit and Supervisory Committee executed operations smoothly in accordance with instructions from the Audit and Supervisory Committee.

9. Systems for Directors and Employees of the Company and Subsidiaries to Make Reports to the Audit and Supervisory Committee and Other Systems Related to Reports to Audit and Supervisory Committee Members

(i) Directors and employees of the Company and subsidiaries shall provide accurate and prompt reports to the Audit and Supervisory Committee on the following matters:

- Matters that may cause significant corporate damage
- Actions that violate laws and regulations or the Articles of Incorporation, or actions whereby there is a risk thereof
- The status of the development and implementation of internal controls based on the Companies Act and the Financial Instruments and Exchange Act
- Results of internal audits conducted by the Internal Audit Division
- Any other matters about which the Audit and Supervisory Committee requests reports

(ii) Directors and employees of the Company and subsidiaries shall promptly provide reports on matters about which the Audit and Supervisory Committee requests reports.

[Summary of Operational Status]

- Directors and employees of the Company and subsidiaries provided accurate and prompt reports to the Audit and Supervisory Committee.
- Directors and employees of the Company and subsidiaries made reports as requested by the Audit and Supervisory Committee.

10. Systems to Ensure that Persons Making a Report to the Audit and Supervisory Committee Are Not Treated Unfavorably on the Basis of Such Reporting

The Company shall not treat directors, Audit and Supervisory Committee Members, or employees of the Company or any subsidiaries who make a report to the Audit and Supervisory Committee unfavorably on the basis of such reporting.

[Summary of Operational Status]

- There have been no incidents in which people who reported to the Audit and Supervisory Committee have been subjected to disadvantageous treatment.

11. Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of Expenses Incurred in Connection with the Execution of Duties by the Company's Audit and Supervisory Committee Members and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members

If any Audit and Supervisory Committee Member requests the advance payment of expenses arising in regard to the execution of their duties or reimbursement, etc., the Company shall promptly respond to these requests, excluding cases when it is recognized that these expenses, etc. are not necessary for the execution of the Audit and Supervisory Committee Member's duties.

[Summary of Operational Status]

- The Company appropriately bore all expenses necessary for the execution of duties by Audit and Supervisory Committee members.

12. Other Systems to Ensure Effectiveness of Audits by the Audit and Supervisory Committee

(i) Audit and Supervisory Committee Members may participate in internal meetings as necessary.

(ii) The Audit and Supervisory Committee shall hold regular meetings to exchange views with the Representative Director.

(iii) The Internal Audit Division shall engage in advance consultations with the Audit and Supervisory Committee when formulating audit plans.

(iv) The Internal Audit Division shall report to the Audit and Supervisory Committee regularly.

[Summary of Operational Status]

- The Audit and Supervisory Committee Members participated appropriately in important internal meetings of the Company.
- The Audit and Supervisory Committee engaged in regular meetings to exchange views with the Representative Director.
- The Internal Audit Division engaged in advance consultations with the Audit and Supervisory Committee when formulating annual audit plans.
- The Internal Audit Division reported the audit results to the Audit and Supervisory Committee regularly.

13. System to Ensure Reliability of Financial Reporting

(i) The Company shall develop internal control systems to ensure the reliability of financial reporting and evaluate the status of their implementation based on the "Basic Policy on Internal Controls Related to Financial Reporting," and shall determine a responsible department, which shall lead these initiatives.

(ii) If any deficiency is discovered in internal control systems or their implementation, it shall be reported to managers and the Board of Directors, and prompt efforts shall be made to rectify these deficiencies.

[Summary of Operational Status]

- The Internal Audit Division, which is the responsible department, developed internal control systems to ensure the reliability of financial reporting and evaluated the status of their implementation.
- No material deficiencies were discovered in regard to internal control systems or their implementation.

Consolidated Statement of Changes in Equity

(April 1, 2025 - March 31, 2026)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	2,115	8,888	53,455	(5,784)	58,675
Changes during period					
Dividends of surplus			(3,722)		(3,722)
Disposal of treasury stock		0		106	106
Cancellation of treasury stock		(4,469)		4,469	–
Net income attributable to owners of the parent			9,350		9,350
Net changes in items other than shareholders' equity					
Total changes during period	–	(4,469)	5,627	4,576	5,733
Balance at end of period	2,115	4,418	59,083	(1,208)	64,409

(Millions of yen)

	Accumulated other comprehensive income				Share acquisition rights	Total net assets
	Net unrealized holding gains or losses on securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(32)	788	483	1,239	–	59,914
Changes during period						
Dividends of surplus						(3,722)
Disposal of treasury stock						106
Cancellation of treasury stock						–
Net income attributable to owners of the parent						9,350
Net changes in items other than shareholders' equity	90	350	(239)	201	47	249
Total changes during period	90	350	(239)	201	47	5,983
Balance at end of period	58	1,138	243	1,441	47	65,897

(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 1

   Names of consolidated subsidiaries

   JLL Malaysia Sdn. Bhd.

   (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.

   JLL Malaysia Sdn. Bhd., a consolidated subsidiary, has 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 this consolidated subsidiary are used.

   Furthermore, necessary adjustments are made in consolidated financial statements for material transactions occurring between this subsidiary's balance sheet date 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 other than shares with no market price, etc.

      Stated at fair value. The total amount of the valuation difference calculated as a result is reported as a component of net assets, based on the reversal method.

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

   b) Shares with no market price, etc.

      Stated at cost using the moving average method.

      Investments in investment partnerships, etc., are recorded at the net amount of the share of equity based on available financial reports, etc., in accordance with financial reporting dates stipulated in partnership agreements.

(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 fixed assets are as follows.

1) Property, plant and equipment

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

The Company and consolidated subsidiaries are subject to the straight-line method.

Major useful lives are as follows:

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	3 to 15 years

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, etc. for internal use is amortized on a straight-line basis over the estimated useful life (within ten years), etc.

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

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' stock 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 the directors, based on the regulations for granting of shares.

(5) Accounting policy for revenues and expenses

The Group handles merchandise and products in five product categories, namely Cardiac Rhythm Management, EP/Ablation, Cardiovascular, Neurovascular and Gastrointestinal (hereinafter, such merchandise and products are referred to as "products"), and the main businesses of the Group are manufacture and sale of products. Sales forms in the five product categories are the following three forms, and consignment sales account for 90% or more of the total.

1) Consignment sales

The major sales method is consignment sales in which products are stored at agencies or hospitals and sold by the Company to hospitals via agencies at the time of surgery. Because the Company has judged that a customer obtains control of a product and performance obligations are satisfied at the time of using the product, revenue is recognized at the time of using the product.

2) Sales of the products held by the Company

As for sales of the products held by the Company, since a period from shipment to acceptance inspection by customers is short in sales to domestic customers, the Company recognizes revenue by receiving an order sheet from agencies and shipping products. When a period from shipment to the time when control of the product is transferred to a customer is a normal term, revenue is recognized at the time of shipment of the product as a transaction in which the customer obtains control of the product and performance obligations are satisfied at a point in time, which is the time of transfer of the product.

3) Other sales

Other sales are mainly for rental of medical devices, maintenance, repair, sales support, etc. Based on contracts, for performance obligations that are satisfied at a point in time, revenue is recognized at the time of provision. On the other hand, for performance obligations that are satisfied by providing services, etc. over a certain period of time stipulated in contracts, revenue is principally recognized according to the elapsed period.

For consignment sales and sales of the products held by the Company, the Company has obligations to allow discounts, rebates, sales returns, etc. depending on terms and conditions of a contract. In this case, the transaction price is determined at the amount calculated by deducting the amount of the discounts, rebates, sales returns, etc. from consideration promised under contracts with customers.

In any transaction, consideration is received within one year after performance obligations are satisfied, and does not contain any significant financial component.

(6) 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.

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

(Standard for conversion of significant foreign currency-denominated assets into Japanese currency)

Foreign currency-denominated monetary claims and obligations are converted to yen at the spot market exchange rate on the consolidated financial closing date and exchange differences are treated as gains or losses. Assets and liabilities of overseas consolidated subsidiaries are converted to yen at the spot market exchange rate on the consolidated financial closing date, while revenues and expenses are converted to yen at the average rate for the period, with the amounts of conversion differences recorded within foreign currency translation adjustment under net assets.

[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	1,454 million yen
Long-term loans receivable	2,737 million yen
Allowance for doubtful accounts	(1,282) million yen

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

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

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

Estimates of the recoverability of the actual value of investment securities are made by collecting the latest available actual data for each investee and comprehensively evaluating the status of achievement of business plans and future business prospects of the investee, taking into account trends in business performance and the status of financing.

In addition, the estimate for the recoverability of loans is based mainly on business partners' status of clinical trials and business plans created based on obtaining approval from regulatory authorities for manufacture and sale.

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, delay in clinical trials, and cases where approval from regulatory authorities cannot be obtained, 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 3,288 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 and budgets.

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 and budgets, which mainly take into account the market environment, National Health Insurance (NHI) reimbursement prices, etc.

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 and budgets, 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]

(Transactions involving the BIP trust share-based compensation)

The Company has introduced the 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 stock) 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 on a consolidated basis. After their retirement or after the end of the evaluation fiscal year, a number 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 stock, at their book value under the trust (excluding sums for incidental expenses). The reported amount is 138 million yen and the reported number of shares is 75,724.

[Notes to Consolidated Balance Sheet]

1. The amount of receivables arising from contacts with customers within notes and accounts receivable - trade is as shown in “[Notes to Revenue Recognition] (3) Information for understanding the amount of revenue in the fiscal year under review and the following fiscal years” in the consolidated financial statements.
2. Accumulated depreciation of property, plant and equipment 10,623 million yen
3. 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 fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock (shares)	75,758,470	–	4,458,470	71,300,000

(Reasons for differences)

Details of the decrease are as follows:

A decrease of 4,458,470 shares due to cancellation of treasury stock pursuant to the resolution of the Board of Directors on May 7, 2025

2. Treasury stock

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock (shares)	5,661,667	4,312	4,520,457	1,145,522

(Note) The total of shares of treasury stock at the end of the fiscal year under review includes 75,724 shares of the Company held by the BIP trust.

(Reasons for differences)

Details of the increase are as follows:

An increase of 4,312 shares due to acquisition without compensation of treasury stock resulting from the forfeiture of restricted stock incentives for the Employee Shareholders Association

Details of the decrease are as follows:

(1) A decrease of 4,458,470 shares due to cancellation of treasury stock pursuant to the resolution of the Board of Directors on May 7, 2025

(2) A decrease of 61,967 shares due to benefits from BIP trust

(3) A decrease of 20 shares due to requests for additional purchase of shares less than one unit

3. Dividends

(1) Dividend amount

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2025	Common shares	3,722	53.00	March 31, 2025	June 27, 2025

(Note) The dividend amount relating to shares of the Company held by the BIP trust to be included in the total dividends is 7 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 shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2026	Common shares	Retained earnings	3,792	54.00	March 31, 2026	June 29, 2026

(Note) The dividend amount relating to shares of the Company held by the BIP trust to be included in the total dividends is 4 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, research and development 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 periodically identifying the credit status of its main customers.

   Shares and other investment securities are exposed to the risk of fluctuations in market price and the risk of worsening business conditions at investees leading to the recording of impairment losses. The Company has established an Investment and Credit Committee that monitors at regular intervals such factors as the market value, business conditions, and financial position, and deliberates on evaluation and continuation of investments and loans, etc. Based on the results of these deliberations, and the status of dealings, etc. with the companies whose shares are held, the Board of Directors verifies the reasonableness of such holdings every year by confirming the advantages conferred by the holdings in terms of the medium- to long-term business strategy of the Company. Shares for which the rationale for holding is deemed to be weak are sold as appropriate, and the size of the position is reduced.

   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 funds raised for working capital.

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

   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 fair value, etc., of financial instruments

   As the calculation of fair value of financial instruments includes variable factors, these values may fluctuate if different assumptions are used, etc.

2. Fair value, etc., of financial instruments

The amounts posted on the consolidated balance sheet, the fair values, and the differences thereof as of the end of the fiscal year under review (March 31, 2026) are as follows.

Information on "cash and deposits," "notes and accounts receivable - trade," "notes and accounts payable -trade," "short-term borrowings," and "accounts payable - other" is omitted, since these accounts are settled or repaid in cash and in a short period of time, and therefore, their fair value approximates the book value. Shares with no market price and shares that are not material are not included in (See Note. 1).

(Millions of yen)

Item	Consolidated balance sheet amount	Fair value	Difference
Investment securities*1			
Available-for-sale securities	3,603	3,603	–
Long-term loans receivable	2,793		
Allowance for doubtful accounts*2	(1,282)		
	1,511	2,006	495
Total assets	5,114	5,610	495
Lease liabilities*3	217	226	9
Total liabilities	217	226	9

(*1) Shares with no market price, etc. are not included in "Investment securities." The consolidated balance sheet amounts of the financial instruments are as follows.

Categories	Consolidated balance sheet amount
Unlisted shares, etc.	1,431 million yen
Investments in investment partnerships	2,316 million yen

(*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 fair values of lease liabilities, the current portion of lease liabilities is included.

(*4) Long-term accounts payable - other are considered difficult to determine the fair value, they are not subject to disclosure of fair value.

3. Components of fair values of financial instruments by level, etc.

Fair values of financial instruments are classified into the following three levels, depending on observability and significance of inputs for determining fair values.

Fair values of Level 1: Fair value determined based on a quoted market price for the asset or liability whose fair value is measured, which is formed in an active market, out of observable inputs for fair value measurement

Fair values of Level 2: Fair value determined using inputs for fair value measurement other than Level 1 inputs, out of observable inputs for fair value measurement

Fair values of Level 3: Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have a significant influence on determination of fair value, the fair value is classified as the lowest priority level of fair value measurement of levels in which each input belongs.

(1) Financial instruments recorded at fair value on the consolidated balance sheet

Categories	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	84	–	–	84
Investment trusts	–	3,519	–	3,519
Total assets	84	3,519	–	3,603

(2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

Categories	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term loans receivable	–	2,006	–	2,006
Total assets	–	2,006	–	2,006
Lease liabilities	–	226	–	226
Total liabilities	–	226	–	226

(Note) Explanation of valuation techniques used to determine fair values and inputs for fair value measurement

(1) Investment securities:

With regard to investment securities, listed shares and investment trusts are held as available-for-sale securities. Listed shares are valued using market prices. Since listed shares are traded in an active market, their fair value is classified into Level 1. The fair value of investment trusts is estimated based on prices presented by the correspondent financial institutions. Since there is no recognized market price in an active market, these are classified into Level 2.

(2) Long-term loans receivable:

The fair value of long-term loans receivable is calculated using the total amount of principal and interest discounted at the risk-free rate taking into consideration credit risk, and classified into Level 2.

(3) Lease liabilities:

The fair value of lease liabilities is calculated using the total amount of principal and interest discounted at the interest rate assumed for a similar lease, and classified into Level 2.

[Notes to Per Share Information]

Net assets per share 938.65 yen

Basic earnings per share 133.30 yen

Note: The Company shares remaining in the BIP trust, which are recorded as treasury stock in shareholders' equity, are treated as treasury stock for the purpose of calculating net assets per share, and basic earnings per share.

In the fiscal year under review, the total number of treasury stock at the end of the fiscal year was 75,724, and the average number of shares during the period was 89,610.

[Notes on Significant Events After Reporting Period]

There are no relevant matters to report.

[Notes to Revenue Recognition]

(1) Information on disaggregation of revenue from contracts with customers

(Millions of yen)

Classification	Sales
Cardiac Rhythm Management	13,057
EP/Ablation	29,109
Cardiovascular	12,657
Neurovascular	2,661
Gastrointestinal	1,701
Revenue from contracts with customers	59,187
Net sales to external customers	59,187

(2) Information that forms the foundation for understanding revenue from contracts with customers

Information that forms the foundation for understanding revenue is as stated in (5) Accounting policy for revenues and expenses in 4. Matters concerning accounting policies of [Notes on Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements].

(3) Information for understanding the amount of revenue in the fiscal year under review and the following fiscal years

The Group applies the practical expedient in providing a note on transaction prices allocated to remaining performance obligations, and doesn't include contracts with an initial expected contract period of one year or less in the scope of note disclosure. In addition, information on contract assets and contract liabilities of the Company is omitted because their balances are insignificant and there was no material change in these assets and liabilities. Within notes and accounts receivable - trade, the amounts of receivables arising from contracts with customers were 1,335 million yen for notes and 13,215 million yen for accounts receivable.

Non-Consolidated Statement of Changes in Equity

(April 1, 2025 - March 31, 2026)

(Millions of yen)

	Shareholders' equity			
		Capital surplus		
	Share capital	Legal capital surplus	Other capital surplus Gain on disposal of treasury stock	Total capital surplus
Balance at beginning of period	2,115	2,133	6,755	8,889
Changes during period				
Dividends of surplus				
Net income				
Disposal of treasury stock			0	0
Cancellation of treasury stock			(4,469)	(4,469)
Reversal of reserve for tax purpose reduction entry of fixed assets				
Net changes in items other than shareholders' equity				
Total changes during period	–	–	(4,469)	(4,469)
Balance at end of period	2,115	2,133	2,285	4,419

(Millions of yen)

	Shareholders' equity					
	Retained earnings					
		Other retained earnings				
	Legal retained earnings	Reserve for tax purpose reduction entry of fixed assets	Reserve for open innovation promotion tax system	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	528	38	38	6,000	46,948	53,554
Changes during period						
Dividends of surplus					(3,722)	(3,722)
Net income					9,434	9,434
Disposal of treasury stock						
Cancellation of treasury stock						
Reversal of reserve for tax purpose reduction entry of fixed assets		(0)			0	–
Net changes in items other than shareholders' equity						
Total changes during period	–	(0)	–	–	5,712	5,712
Balance at end of period	528	38	38	6,000	52,661	59,266

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments	Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized holding gains or losses on securities		
Balance at beginning of period	(5,784)	58,775	(32)	–	58,743
Changes during period					
Dividends of surplus		(3,722)			(3,722)
Net income		9,434			9,434
Disposal of treasury stock	106	106			106
Cancellation of treasury stock	4,469	–			–
Reversal of reserve for tax purpose reduction entry of fixed assets		–			–
Net changes in items other than shareholders' equity			90	47	138
Total changes during period	4,576	5,818	90	47	5,956
Balance at end of period	(1,208)	64,593	58	47	64,699

(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 other than shares with no market price, etc.

   Stated at fair value. The total amount of the valuation difference calculated as a result is reported as a component of net assets, based on the reversal method.

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

   2) Shares with no market price, etc.

   Stated at cost using the moving average method.

   Investments in investment partnerships, etc., are recorded at the net amount of the share of equity based on available financial reports, etc., in accordance with financial reporting dates stipulated in partnership agreements.

   (2) Shares of subsidiaries and affiliates

   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 fixed assets are as follows.

   (1) Property, plant and equipment

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

   The straight-line method is applied.

   Major useful lives are as follows:

Buildings	3 to 38 years
Structures	7 to 45 years
Machinery and equipment	3 to 15 years
Tools, furniture and fixtures	3 to 20 years

   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, etc. for internal use is amortized on a straight-line basis over the estimated useful life (within ten years), etc.

   (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

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' stock 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 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. Accounting policy for significant revenues and expenses

The Company handles merchandise and products in five product categories, namely Cardiac Rhythm Management, EP/Ablation, Cardiovascular, Neurovascular, and Gastrointestinal (hereinafter, such merchandise and products are referred to as "products"), and the main businesses of the Group are manufacture and sale of products. Sales forms in the five product categories are the following three forms, and consignment sales account for 90% or more of the total.

(1) Consignment sales

The major sales method is consignment sales in which products are stored at agencies or hospitals and sold by the Company to hospitals via agencies at the time of surgery. Because the Company has judged that a customer obtains control of a product and performance obligations are satisfied at the time of using the product, revenue is recognized at the time of using the product.

(2) Sales of the products held by the Company

As for sales of the products held by the Company, since a period from shipment to acceptance inspection by customers is short in sales to domestic customers, the Company recognizes revenue by receiving an order sheet from agencies and shipping products. When a period from shipment to the time when control of the product is transferred to a customer is a normal term, revenue is recognized at the time of shipment of the product as a transaction in which the customer obtains control of the product and performance obligations are satisfied at a point in time, which is the time of transfer of the product.

(3) Other sales

Other sales are mainly for rental of medical devices, maintenance, repair, sales support, etc. Based on contracts, for performance obligations that are satisfied at a point in time, revenue is recognized at the time of provision. On the other hand, for performance obligations that are satisfied by providing services, etc. over a certain period of time stipulated in contracts, revenue is principally recognized according to the elapsed period.

For consignment sales and sales of the products held by the Company, the Company has obligations to allow discounts, rebates, sales returns, etc. depending on terms and conditions of a contract. In this case, the transaction price is determined at the amount calculated by deducting the amount of the discounts, rebates, sales returns, etc. from consideration promised under contracts with customers.

In any transaction, consideration is received within one year after performance obligations are satisfied, and does not contain any significant financial component.

6. 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) Standard for conversion of foreign currency-denominated assets into Japanese currency

Foreign currency-denominated monetary claims and obligations are converted to yen at the spot market exchange rate on the closing date and exchange differences are treated as gains or losses.

[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	1,454 million yen
Long-term loans receivable	2,737 million yen
Allowance for doubtful accounts	(1,282) million yen

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

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

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, 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 non-consolidated financial statements for the fiscal year under review

Estimates of the recoverability of the actual value of investment securities are made by collecting the latest available actual data for each investee and comprehensively evaluating the status of achievement of business plans and future business prospects of the investee, taking into account trends in business performance and the status of financing.

In addition, the estimate for the recoverability of loans is based mainly on business partners' status of clinical trials and business plans created based on obtaining approval from regulatory authorities for manufacture and sale.

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, delay in clinical trials, and cases where approval from regulatory authorities cannot be obtained, 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 non-consolidated financial statements for the fiscal year under review

Net deferred tax assets	3,277 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 and budgets.

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 and budgets, which mainly take into account the market environment, National Health Insurance (NHI) reimbursement prices, etc.

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 and budgets, 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]

(Transactions involving the BIP trust share-based compensation)

In the fiscal year under review, the Company introduced the 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 stock) 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 on a consolidated basis. After their retirement or after the end of the evaluation fiscal year, a number 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 stock, at their book value under the trust (excluding sums for incidental expenses). The reported amount is 138 million yen and the reported number of shares is 75,724.

[Notes to Non-Consolidated Balance Sheet]

1. Accumulated depreciation of property, plant and equipment 9,697 million yen

2. Monetary receivables from or payables to affiliates

Short-term monetary receivables	569 million yen
Short-term monetary payables	76 million yen

3. Monetary receivables from or payables to the directors

Long-term monetary payables	137 million yen

[Notes to Non-Consolidated Statement of Income]

Transactions with affiliates

Operating transactions	Outsourced processing expenses	1,002 million yen
	Selling, general and administrative expenses	43 million yen

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

Treasury stock

Type of shares	Beginning of the fiscal year under review	Increase	Decrease	End of the fiscal year under review
Common stock (shares)	5,661,667	4,312	4,520,457	1,145,522

(Note) The total of shares of treasury stock at the end of the fiscal year under review includes 75,724 shares of the Company held by the BIP trust.

(Reasons for differences)

Details of the increase are as follows:

An increase of 4,312 shares due to acquisition without compensation of treasury stock resulting from the forfeiture of restricted stock incentives for the Employee Shareholders Association

Details of the decrease are as follows:

(1) A decrease of 4,458,470 shares due to cancellation of treasury stock pursuant to the resolution of the Board of Directors on May 7, 2025

(2) A decrease of 61,967 shares due to benefits from BIP trust

(3) A decrease of 20 shares due to requests for additional purchase of shares less than one unit

[Notes to Tax Effect Accounting]

Main contributing factors to deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Provision for retirement benefits	60 million yen
Retirement benefit trust	979 million yen
Loss on debt equity swap	753 million yen
Loss on debt waiver	437 million yen
Provision for bonuses	589 million yen
Allowance for doubtful accounts	490 million yen
Unpaid enterprise tax	119 million yen
Loss on valuation of investment securities	718 million yen
Unamortized balance of deferred assets	143 million yen
Other	552 million yen
Subtotal	4,844 million yen
Valuation allowance	(1,514) million yen
Total deferred tax assets	3,330 million yen

(Deferred tax liabilities)

Assets to be retired	18 million yen
Reserve for tax purpose reduction entry of fixed assets	17 million yen
Reserve for open innovation promotion tax system	17 million yen
Total deferred tax liabilities	52 million yen
Net deferred tax assets	3,277 million yen

[Notes to Transactions with Affiliates]

There are no significant transactions with affiliates.

[Notes to Per Share Information]

Net assets per share	921.57 yen
Basic earnings per share	134.51 yen

Note: The Company shares remaining in the BIP trust, which are recorded as treasury stock in shareholders' equity, are treated as treasury stock for the purpose of calculating net assets per share, and basic earnings per share. In the fiscal year under review, the total number of treasury stock at the end of the fiscal year was 75,724, and the average number of shares during the period was 89,610.

[Notes on Significant Events After Reporting Period]

There are no relevant matters to report.

[Notes to Revenue Recognition]

Information that forms the foundation for understanding revenue from contracts with customers

Information that forms the foundation for understanding revenue is as stated in (5) Accounting policy for revenues and expenses in 4. Matters concerning accounting policies of [Notes on Significant Matters Forming the Basis for Preparation of Consolidated Financial Statements] in the consolidated financial statements.