

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2020



November 11, 2019

Stock Exchange Listings : Tokyo 1st Section

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 Quarterly statement filing date (as planned) : November 13, 2019 Dividend payable date (as planned) : December 10, 2019
 Supplemental material of quarterly results : None
 Convening briefing of quarterly results : None

(Note: Amounts below are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Interim Period Ended September 2019 (From April 1, 2019 to September 30, 2019)

(1) Consolidated operating results (%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2019	28,718	1.0	817	66.6	956	61.1	637	49.5
Six months ended September 30, 2018	28,426	3.7	490	213.0	593	77.6	426	102.4

(Note) Comprehensive income : Six months ended September 30, 2019 : 41 million yen [(88.9%)], Six months ended September 30, 2018 : 374 million yen [(39.0%)].

	Basic earnings per share		Diluted earnings per share	
	Yen	Yen	Yen	Yen
Six months ended September 30, 2019	26.14	—	—	—
Six months ended September 30, 2018	17.50	—	—	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at September 30, 2019	64,562	31,781	49.0
As at March 31, 2019	67,320	31,900	47.2

(Note) Owner's equity : September 30, 2019 : 31,655 million yen, March 31, 2019 : 31,765 million yen.

2. Dividends

	Dividend per share				
	1st quarter	2nd quarter	3rd quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	8.00	—	8.00	16.00
Year ending March 31, 2020	—	8.00			
Year ending March 31, 2020 (forecast)			—	8.00	16.00

(Note) Correction of dividend forecast from the most recent dividend forecast : None

3. Consolidated Forecast for the Year Ending March 2020 (From April 1, 2019 to March 31, 2020)

(%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2020	60,000	3.3	1,800	23.1	2,000	31.6	1,400	20.7	57.43

(Note) Correction of financial forecast from the most recent financial forecast : None

The aforementioned projections are based on the information currently available, and may contain some uncertainties.
 The final results might be significantly different from the aforementioned projections due to changes in business conditions.

4. Overview of financial results for the second quarter

(1) Overview of consolidated financial results

JMS strives to enhance product development, production and sales as well as to improve the quality of corporate management and the corporate value, in order 'To be a bridge for the people who give and seek medical care, and to bring a smile to people by contributing to a healthy and better life' under our Founding Spirit of 'For People's Precious Life'. JMS has set up Business Unit (BU) type organization, and set three Business Units, 'Hospital Products BU' mainly handles infusion and enteral nutrition, 'Surgical & Therapy BU' mainly handles Dialysis and Cardiovascular, and 'Blood Management & Cell Therapy BU' mainly handles Blood Transfusion.

JMS recorded consolidated net sales for the second quarter of 28,718 million yen, up by 1.0% / 292 million yen (year-over-year). The influence of increased sales and the improved factory utilization by expanding production resulted in an operating profit of 817 million yen, up by 66.6% (year-over-year). The addition of share of profit of entities accounted for using equity method resulted in an ordinary profit of 956 million yen, up by 61.1 % (year-over-year). Subtracting the tax expenses resulted in the profit attributable to owners of parent of 637 million yen, up by 49.5% (year-over-year).

Business performance by geographical segment.

Japan

Increased sales of Closed Drug Mixing/Infusion System "NEO SHIELD" and Blood bags were offset by decreased sales of Dysphagia related products which benefited from insurance coverage expansion in the last fiscal year, reducing net sales to 20,425 million yen, down by 1.9% (year-over-year). Despite the influence of decreased sales, the factory utilization improvement due to expanding production of Nutrition-related products in preparation for switching from existing standard products to new ISO standard products and the increase in dividend income from affiliated companies resulted in a profit of 664 million yen, up by 97.5% (year-over-year), for this geographical segment.

Singapore

Increased sales of Apheresis kits for the North America market and Blood bags for the Africa market raised net sales to 9,825 million yen, up by 4.2% (year-over-year). The influence of increased sales resulted in a profit of 612 million yen, up by 63.6% (year-over-year), for this geographical segment.

China

Decreased sales of Infusion Sets for the Japan market due to production transfer to the plant in Philippines reduced net sales to 1,312 million yen, down by 14.5% (year-over-year). Despite the influence of decreased sales, the decrease of expenses resulted in a loss of 1 million yen, improved by 2 million yen (year-over-year), for this geographical segment.

Philippines

Increased sales of Infusion Sets for the Japan market raised net sales to 1,322 million yen, up by 76.9% (year-over-year). The influence of increased sales reduced loss to 18 million yen, improved by 195 million yen (year-over-year), for this geographical segment.

Germany

Increased sales of Blood bags raised net sales to 1,561 million yen, up by 3.2% (year-over-year). Increased cost of purchase by influence of foreign currency exchange resulted in a profit of 108 million yen, down by 27.0% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 2,495 million yen, up by 3.6% (year-over-year), and a profit of 56 million yen, down by 13.0% (year-over-year).

The above-mentioned figures do not include consumption tax, etc.

(2) Overview of the financial condition

(i) Assets, Liabilities, Net assets

Total assets as of the end of this second quarter totaled 64,562 million yen, down by 2,757 million yen from the end of the previous consolidated fiscal year. The details of assets, liabilities and net assets are as shown below.

(Assets)

Current assets decreased to 35,002 million yen, down by 2,746 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits by the repayment of loans payable.

Non-current assets decreased to 29,560 million yen, down by 11 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities decreased to 21,283 million yen, down by 1,379 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of Current portion of long-term borrowings by the repayment of loans payable.

Non-current liabilities decreased to 11,497 million yen, down by 1,259 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of long-term loans payable by the transfer to current liabilities.

(Net assets)

Increase of retained earnings by the profit attributable to owners of parent was offset by the fluctuation of foreign currency translation adjustment, reducing net assets to 31,781 million yen, down by 118 million yen from the end of the previous consolidated fiscal year.

Note that the capital adequacy ratio increased by 1.8 percentage points to 49.0%.

(ii) Overview of the Cash flows

As of the consolidated cumulative second quarter, cash and cash equivalents amounted to 4,602 million yen, down by 1,044 million yen from the end of the previous consolidated fiscal year. Cash flows from various activities are described in more detail below.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,657 million yen, up by 84 million yen (year-over-year), mainly due to the increase in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was 1,567 yen million, up by 220 million yen (year-over-year), mainly due to the increase of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 2,527 million yen, up by 730 million yen (year-over-year), mainly due to the balance difference of loan payable.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2020 released on May 10, 2019 has not been revised, as the overall business environment remained unclear.

5. Consolidated Financial Statements

Consolidated Balance Sheet JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> 2019	<u>As at September 30,</u> 2019
Assets		
Current assets		
Cash and deposits	7,081	4,502
Notes and accounts receivable - trade	15,846	15,730
Securities	149	138
Merchandise and finished goods	7,777	7,789
Work in process	2,433	2,672
Raw materials and supplies	3,624	3,365
Other	867	833
Allowance for doubtful accounts	(32)	(30)
Total current assets	37,748	35,002
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,413	8,248
Machinery, equipment and vehicles, net	7,643	7,396
Other, net	7,356	8,519
Total property, plant and equipment	23,413	24,164
Intangible assets	503	491
Investments and other assets		
Investments and other assets, gross	5,665	4,915
Allowance for doubtful accounts	(11)	(10)
Total investments and other assets	5,654	4,904
Total non-current assets	29,571	29,560
Total assets	67,320	64,562

Consolidated Balance Sheet
JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> 2019	<u>As at September 30,</u> 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,808	8,695
Short-term borrowings	4,220	4,097
Current portion of long-term borrowings	3,483	2,747
Income taxes payable	379	414
Provision for bonuses	1,075	1,055
Other	4,695	4,272
Total current liabilities	22,663	21,283
Non-current liabilities		
Long-term borrowings	10,626	9,204
Provision for retirement benefits for directors (and other officers)	106	102
Retirement benefit liability	775	756
Asset retirement obligations	141	136
Other	1,107	1,297
Total non-current liabilities	12,756	11,497
Total liabilities	35,420	32,781
Net assets		
Shareholders' equity		
Share capital	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	14,323	14,805
Treasury shares	(276)	(269)
Total shareholders' equity	31,821	32,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	297	337
Foreign currency translation adjustment	(353)	(990)
Total accumulated other comprehensive income	(56)	(653)
Non-controlling interests	135	125
Total net assets	31,900	31,781
Total liabilities and net assets	67,320	64,562

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> September 30, 2018	<u>Six months ended</u> September 30, 2019
Net sales	28,426	28,718
Cost of sales	21,225	21,143
Gross profit	7,200	7,575
Selling, general and administrative expenses	6,710	6,757
Operating profit	490	817
Non-operating income		
Interest income	7	9
Dividend income	21	23
Share of profit of entities accounted for using equity method	182	142
Subsidy income	20	71
Other	48	61
Total non-operating income	280	307
Non-operating expenses		
Interest expenses	94	99
Foreign exchange losses	68	54
Other	14	14
Total non-operating expenses	177	168
Ordinary profit	593	956
Extraordinary income		
Gain on sales of non-current assets	4	2
Total extraordinary income	4	2
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on abandonment of non-current assets	28	6
Total extraordinary losses	29	6
Profit before income taxes	568	952
Income taxes - current	202	250
Income taxes - deferred	(61)	63
Total income taxes	140	314
Profit	427	638
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	426	637

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> September 30, 2018	<u>Six months ended</u> September 30, 2019
Profit	427	638
Other comprehensive income		
Valuation difference on available-for-sale securities	(79)	40
Foreign currency translation adjustment	26	(637)
Total other comprehensive income	(52)	(596)
Comprehensive income	374	41
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	370	51
Comprehensive income attributable to non-controlling interests	4	(9)

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> September 30, 2018	<u>Six months ended</u> September 30, 2019
Cash flows from operating activities		
Profit before income taxes	568	952
Depreciation	1,507	1,538
Increase (decrease) in allowance for doubtful accounts	0	(0)
Increase (decrease) in retirement benefit liability	41	32
Interest and dividend income	(29)	(33)
Interest expenses	94	99
Foreign exchange losses (gains)	12	(5)
Share of loss (profit) of entities accounted for using equity method	(182)	(142)
Loss (gain) on sales of non-current assets	(3)	(2)
Loss on abandonment of non-current assets	28	6
Decrease (increase) in trade receivables	480	255
Decrease (increase) in inventories	(435)	(405)
Increase (decrease) in trade payables	(139)	(45)
Increase (decrease) in accrued consumption taxes	(1)	39
Decrease (increase) in other current assets	(29)	(62)
Increase (decrease) in other current liabilities	(338)	(478)
Other, net	(15)	(10)
Subtotal	1,558	1,740
Interest and dividends received	29	33
Interest paid	(96)	(105)
Subsidies received	200	135
Settlement package received	—	60
Income taxes paid	(117)	(205)
Net cash provided by (used in) operating activities	1,573	1,657
Cash flows from investing activities		
Payments into time deposits	(0)	(27)
Proceeds from withdrawal of time deposits	10	1
Purchase of property, plant and equipment	(1,150)	(1,453)
Proceeds from sales of property, plant and equipment	6	22
Purchase of intangible assets	(83)	(74)
Other, net	(129)	(36)
Net cash provided by (used in) investing activities	(1,347)	(1,567)
Cash flows from financing activities		
Proceeds from short-term borrowings	7,700	8,292
Repayments of short-term borrowings	(7,760)	(8,410)
Repayments of long-term borrowings	(1,477)	(2,105)
Purchase of treasury shares	(0)	(0)
Dividends paid	(194)	(195)
Repayments of lease obligations	(64)	(108)
Net cash provided by (used in) financing activities	(1,796)	(2,527)
Effect of exchange rate change on cash and cash equivalents	(3)	(176)
Net increase (decrease) in cash and cash equivalents	(1,573)	(2,614)
Cash and cash equivalents at beginning of period	7,220	7,216
Cash and cash equivalents at end of period	5,647	4,602