

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019



February 7, 2019

Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
 Securities code : 7702
 Representative : Hiroaki Okukubo, President and Representative Director
 Inquiries : Masaki Endo, Executive Officer, Head of Business Administrative Office
 TEL : +81-82-243-5844
 Quarterly statement filing date (as planned) : February 13, 2019 Dividend payable date (as planned) : —
 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 December 2018 (From April 1, 2018 to December 31, 2018)

(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	%
Nine months ended December 31, 2018	44,251	5.4	1,374	150.6	1,419	99.0	980	96.9
Nine months ended December 31, 2017	41,983	0.5	548	(47.9)	713	(49.0)	497	(57.6)

(Note) Comprehensive income : Nine months ended December 31, 2018 : 576 million yen [(54.4%)], Nine months ended December 31, 2017 : 1,263 million yen [349.1%].

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	40.22	—
Nine months ended December 31, 2017	20.43	—

(Note) We have conducted a share consolidation of common stock of JMS Co., Ltd. (“the Company”) pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “Basic earnings per share” has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at December 31, 2018	67,082	31,742	47.1
As at March 31, 2018	67,304	31,549	46.7

(Note) Owner's equity : December 31, 2018 : 31,612 million yen, March 31, 2018 : 31,422 million yen.

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Corporate Accounting Standard No. 28, February 16, 2018), etc. from the beginning of the first quarter of consolidated financial statements. The figure as of the previous fiscal year is based on retroactive application.

2. Dividends

	Dividend per share				
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	4.00	—	8.00	—
Year ending March 31, 2019	—	8.00	—	—	—
Year ending March 31, 2019 (forecast)	—	—	—	8.00	16.00

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

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of the year-end cash dividend per share for the fiscal year ended March 31, 2018 mentioned above and the total annual dividend amount is indicated as “—”.

3. Consolidated Forecast for the Year Ending March 2019 (From April 1, 2018 to March 31, 2019)

(%: 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, 2019	58,000	2.6	1,500	161.4	1,500	82.8	1,100	74.3	45.13

(Note) Correction of financial forecast from the most recent financial forecast : Yes

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 third 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 third quarter of 44,251 million yen, up by 5.4% / 2,267 million yen (year-over-year). The operating profit totaled 1,374 million yen, up by 150.6% (year-over-year), due to the influence of increased sales and the decrease of selling cost. The addition of share of profit of entities accounted for using equity method was offset by the loss on abandonment of inventories, resulting in ordinary profit of 1,419 million yen, up by 99.0% (year-over-year). The deduction of tax expense resulted in profit attributable to owners of parent of 980 million yen, up by 96.9% (year-over-year).

Business performance by geographical segment.

(i) Japan

Increased sales of New Hemodialysis Machine "GC-X01" and Dysphagia related products raised net sales to 31,946 million yen, up by 4.1% (year-over-year). The decrease of selling cost resulted in profit of 518 million yen, up by 31.8% (year-over-year), for this geographical segment.

(ii) Singapore

Increased sales of Apheresis kit for North America market raised net sales to 15,098 million yen, up by 5.3% (year-over-year). The influence of increase sales resulted in profit of 901 million yen, up by 45.5% (year-over-year), for this geographical segment.

(iii) China

Decreased sales of Infusion Sets for Japan market due to production transfer to Philippines reduced net sales to 2,357 million yen, down by 10.8% (year-over-year). The influence of decreased labor cost and expense resulted in profit of 39 million yen, up by 53.5% (year-over-year), for this geographical segment.

(iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 1,257 million yen, up by 199.4% (year-over-year). The influence of increased sales reduced in loss to 354 million yen, improved by 129 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 5,934 million yen, up by 4.6% (year-over-year), and profit of 355 million yen, up by 32.5% (year-over-year).

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

(2) Overview of the financial condition

Assets, Liabilities, Net assets

Total assets as of the end of this third quarter totaled 67,082 million yen, down by 222 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 increased to 37,801 million yen, up by 204 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of notes and accounts receivable – trade.

Non-current assets decreased to 29,280 million yen, down by 426 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of investment securities.

(Liabilities)

Current liabilities increased to 21,876 million yen, up by 394 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of current portion of long-term loans payable.

Non-current liabilities decreased to 13,463 million yen, down by 809 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of long-term loans payable.

(Net assets)

Net assets increased to 31,742 million yen, up by 192 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of retained earnings.

Note that the Capital adequacy ratio increased by 0.4 percentage points to 47.1%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2019 released on May 11, 2018 has been revised as follows.

Revision of consolidated business forecasts for the FYE Mar. 2019

(Unit: million yen)

	Previous Forecast (A)	New forecast (B)	Amount changed (B – A)	Results for previous FY ended Mar. 2018
Net sales	58,000	58,000	—	56,520
Operating income	1,000	1,500	500	573
Ordinary income	1,200	1,500	300	820
Profit attributable to owners of parent	800	1,100	300	631

The net sales develop as planned. Additionally, the profit increased, due to decrease of the manufacturing expense and selling cost in Japan.

The assessment figures described on this forecast are based on available information at this moment, including uncertain data. Actual results may be different from the figures.

5. Consolidated Financial Statements

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

(Millions of yen)

	<u>As at March 31,</u> <u>2018</u>	<u>As at December 31,</u> <u>2018</u>
Assets		
Current assets		
Cash and deposits	7,162	6,464
Notes and accounts receivable - trade	16,452	17,063
Securities	71	102
Merchandise and finished goods	7,438	7,316
Work in process	2,331	2,646
Raw materials and supplies	3,409	3,458
Other	761	782
Allowance for doubtful accounts	(29)	(33)
Total current assets	37,597	37,801
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,652	8,468
Machinery, equipment and vehicles, net	7,738	7,638
Other, net	6,933	7,103
Total property, plant and equipment	23,324	23,210
Intangible assets	438	484
Investments and other assets		
Investments and other assets, gross	5,956	5,595
Allowance for doubtful accounts	(12)	(9)
Total investments and other assets	5,943	5,585
Total non-current assets	29,707	29,280
Total assets	67,304	67,082

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

(Millions of yen)

	<u>As at March 31,</u> <u>2018</u>	<u>As at December 31,</u> <u>2018</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,609	8,875
Short-term loans payable	4,110	4,350
Current portion of long-term loans payable	2,926	3,317
Income taxes payable	198	350
Provision for product warranties	8	7
Provision for bonuses	1,041	583
Asset retirement obligations	135	—
Other	4,452	4,392
Total current liabilities	21,481	21,876
Non-current liabilities		
Long-term loans payable	11,959	11,294
Provision for directors' retirement benefits	103	101
Net defined benefit liability	751	801
Asset retirement obligations	106	107
Other	1,351	1,158
Total non-current liabilities	14,272	13,463
Total liabilities	35,754	35,339
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,554	14,144
Treasury shares	(283)	(275)
Total shareholders' equity	31,044	31,641
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	551	287
Foreign currency translation adjustment	(173)	(316)
Total accumulated other comprehensive income	378	(29)
Non-controlling interests	127	129
Total net assets	31,549	31,742
Total liabilities and net assets	67,304	67,082

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2017</u>	<u>Nine months ended</u> <u>December 31, 2018</u>
Net sales	41,983	44,251
Cost of sales	31,213	32,714
Gross profit	10,769	11,536
Selling, general and administrative expenses	10,221	10,161
Operating profit	548	1,374
Non-operating income		
Interest income	12	10
Dividend income	33	39
Share of profit of entities accounted for using equity method	200	267
Other	136	107
Total non-operating income	382	425
Non-operating expenses		
Interest expenses	91	140
Foreign exchange losses	102	125
Loss on abandonment of inventories	—	86
Other	23	28
Total non-operating expenses	218	381
Ordinary profit	713	1,419
Extraordinary income		
Gain on sales of non-current assets	15	6
Total extraordinary income	15	6
Extraordinary losses		
Loss on sales of non-current assets	2	1
Loss on abandonment of non-current assets	15	33
Total extraordinary losses	17	34
Profit before income taxes	710	1,390
Income taxes - current	279	364
Income taxes - deferred	(70)	42
Total income taxes	209	407
Profit	501	983
Profit attributable to non-controlling interests	3	3
Profit attributable to owners of parent	497	980

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2017</u>	<u>Nine months ended</u> <u>December 31, 2018</u>
Profit	501	983
Other comprehensive income		
Valuation difference on available-for-sale securities	221	(264)
Foreign currency translation adjustment	540	(143)
Total other comprehensive income	761	(407)
Comprehensive income	1,263	576
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,252	573
Comprehensive income attributable to non-controlling interests	11	2