

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



February 6, 2020

Stock Exchange Listings : Tokyo 1st Section

Company name	: JMS Co., Ltd.	(URL http://www.jms.cc/)
Securities code	: 7702	
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Quarterly statement filing date (as planned)	: February 12, 2020	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 2019 (From April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	43,552	(1.6)	1,497	8.9	1,720	21.3	1,176	20.0
Nine months ended December 31, 2018	44,251	5.4	1,374	150.6	1,419	99.0	980	96.9

(Note) Comprehensive income : Nine months ended December 31, 2019 : 900 million yen [56.2%], Nine months ended December 31, 2018 : 576 million yen [(54.4%)].

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	48.26	—
Nine months ended December 31, 2018	40.22	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at December 31, 2019	68,355	32,451	47.3
As at March 31, 2019	67,320	31,900	47.2

(Note) Owner's equity : December 31, 2019 : 32,314 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 operating results for the third quarter

(1) Overview of consolidated operating 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 43,552 million yen, down by 1.6% / 698 million yen (year-over-year), by the influence of the strong yen in foreign currency translation. The decrease of labor cost and R&D cost resulted in an operating profit of 1,497 million yen, up by 8.9% (year-over-year). The addition of share of profit of entities accounted for using equity method resulted in an ordinary profit of 1,720 million yen, up by 21.3% (year-over-year). Subtracting the tax expenses resulted in the profit attributable to owners of parent of 1,176 million yen, up by 20.0% (year-over-year).

Business performance by geographical segment.

Japan

Increased sales of Blood bags and Closed Drug Mixing/Infusion System "NEO SHIELD" which were offset by the decreased sales of Hemodialysis Machines reduced net sales to 30,921 million yen, down by 3.2% (year-over-year). Despite the influence of decreased sales, the decrease of R&D cost and the increase of dividend income from affiliated companies resulted in a profit of 715 million yen, up by 38.0% (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 15,242 million yen, up by 1.0% (year-over-year). The decrease of labor cost and the influence of increased sales resulted in a profit of 1,062 million yen, up by 17.8% (year-over-year), for this geographical segment

China

Increased sales of AV Fistula Needles which was offset by the decreased sales of Infusion Sets for the Japan market due to production transfer to the plant in Philippines reduced net sales to 2,060 million yen, down by 12.6% (year-over-year). Despite the influence of decreased sales, the decrease of labor cost and other expenses resulted in a profit of 52 million yen, up by 33.6% (year-over-year), for this geographical segment.

Philippines

Increased sales of Infusion Sets for the Japan market raised net sales to 1,957 million yen, up by 55.7% (year-over-year). The influence of increased sales reduced loss to 26 million yen, improved by 327 million yen (year-over-year), for this geographical segment.

Germany

Increased sales of Blood bags raised net sales to 2,316 million yen, up by 0.8% (year-over-year). Increased cost of purchase by influence of foreign currency exchange resulted in a profit of 176 million yen, down by 26.1% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 3,816 million yen, up by 4.9% (year-over-year), and a profit of 87 million yen, down by 25.2% (year-over-year).

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

(2) Overview of the financial positions

Total assets as of the end of this third quarter totaled 68,355 million yen, up by 1,034 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 38,375 million yen, up by 626 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 increased to 29,979 million yen, up by 407 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of right-of-use asset.

(Liabilities)

Current liabilities increased to 22,887 million yen, up by 224 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of short-term borrowings.

Non-current liabilities increased to 13,016 million yen, up by 259 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of lease obligations.

(Net assets)

Net assets increased to 32,451 million yen, up by 551 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of retained earnings with the addition of profit attributable to owners of parent.

Note that the capital adequacy ratio increased by 0.1 percentage points to 47.3%.

(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> <u>2019</u>	<u>As at December 31,</u> <u>2019</u>
Assets		
Current assets		
Cash and deposits	7,081	6,217
Notes and accounts receivable - trade	15,846	16,652
Securities	149	212
Merchandise and finished goods	7,777	7,754
Work in process	2,433	3,013
Raw materials and supplies	3,624	3,718
Other	867	837
Allowance for doubtful accounts	(32)	(30)
Total current assets	37,748	38,375
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,413	8,509
Machinery, equipment and vehicles, net	7,643	7,943
Other, net	7,356	7,981
Total property, plant and equipment	23,413	24,435
Intangible assets	503	499
Investments and other assets		
Investments and other assets, gross	5,665	5,055
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	5,654	5,044
Total non-current assets	29,571	29,979
Total assets	67,320	68,355

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

(Millions of yen)

	<u>As at March 31,</u> <u>2019</u>	<u>As at December 31,</u> <u>2019</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,808	8,990
Short-term borrowings	4,220	4,548
Current portion of long-term borrowings	3,483	3,415
Income taxes payable	379	425
Provision for bonuses	1,075	604
Other	4,695	4,903
Total current liabilities	22,663	22,887
Non-current liabilities		
Long-term borrowings	10,626	10,640
Provision for retirement benefits for directors (and other officers)	106	104
Retirement benefit liability	775	802
Asset retirement obligations	141	141
Other	1,107	1,327
Total non-current liabilities	12,756	13,016
Total liabilities	35,420	35,903
Net assets		
Shareholders' equity		
Share capital	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	14,323	15,149
Treasury shares	(276)	(270)
Total shareholders' equity	31,821	32,653
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	297	403
Foreign currency translation adjustment	(353)	(741)
Total accumulated other comprehensive income	(56)	(338)
Non-controlling interests	135	137
Total net assets	31,900	32,451
Total liabilities and net assets	67,320	68,355

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2018</u>	<u>Nine months ended</u> <u>December 31, 2019</u>
Net sales	44,251	43,552
Cost of sales	32,714	31,978
Gross profit	<u>11,536</u>	<u>11,574</u>
Selling, general and administrative expenses	10,161	10,077
Operating profit	<u>1,374</u>	<u>1,497</u>
Non-operating income		
Interest income	10	13
Dividend income	39	42
Share of profit of entities accounted for using equity method	267	236
Other	107	168
Total non-operating income	<u>425</u>	<u>460</u>
Non-operating expenses		
Interest expenses	140	147
Foreign exchange losses	125	66
Loss on abandonment of inventories	86	—
Other	28	22
Total non-operating expenses	<u>381</u>	<u>236</u>
Ordinary profit	<u>1,419</u>	<u>1,720</u>
Extraordinary income		
Gain on sales of non-current assets	6	69
Total extraordinary income	<u>6</u>	<u>69</u>
Extraordinary losses		
Loss on sales of non-current assets	1	2
Loss on abandonment of non-current assets	33	16
Loss on valuation of investment securities	—	65
Retirement benefits for directors (and other officers)	—	41
Total extraordinary losses	<u>34</u>	<u>124</u>
Profit before income taxes	<u>1,390</u>	<u>1,665</u>
Income taxes - current	364	407
Income taxes - deferred	42	75
Total income taxes	<u>407</u>	<u>483</u>
Profit	<u>983</u>	<u>1,182</u>
Profit attributable to non-controlling interests	3	5
Profit attributable to owners of parent	<u>980</u>	<u>1,176</u>

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2018</u>	<u>Nine months ended</u> <u>December 31, 2019</u>
Profit	983	1,182
Other comprehensive income		
Valuation difference on available-for-sale securities	(264)	106
Foreign currency translation adjustment	(143)	(388)
Total other comprehensive income	<u>(407)</u>	<u>(282)</u>
Comprehensive income	<u>576</u>	<u>900</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	573	898
Comprehensive income attributable to non-controlling interests	2	1