

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2022



February 8, 2022

Stock Exchange Listings : Tokyo 1st Section

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 Quarterly statement filing date (as planned) : February 10, 2022 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 2021 (From April 1, 2021 to December 31, 2021)

(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, 2021	43,769	2.4	1,220	(27.1)	1,233	(21.2)	883	(38.1)
Nine months ended December 31, 2020	42,749	(1.8)	1,673	11.8	1,565	(9.0)	1,427	21.3

(Note) Comprehensive income : Nine months ended December 31, 2021 : 1,596 million yen [(7.5)%] ,
 Nine months ended December 31, 2020 : 1,725 million yen [(91.7)%] .

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	36.17		—	
Nine months ended December 31, 2020	58.47		—	

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at December 31, 2021	71,341	36,182	50.5
As at March 31, 2021	69,085	34,993	50.4

(Note) Owner's equity : December 31, 2021 : 36,038 million yen, March 31, 2021 : 34,841 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, 2021	—	8.50	—	8.50	17.00
Year ending March 31, 2022	—	8.50	—	—	—
Year ending March 31, 2022 (forecast)	—	—	—	8.50	17.00

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

3. Consolidated Forecast for the Year Ending March 2022 (From April 1, 2021 to March 31, 2022)

	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, 2022	58,000	0.7	1,200	(43.6)	1,200	(40.4)	900	(48.2)	36.84

(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 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 focused on four fields of business activities such as infusion & enteral nutrition, dialysis, cardiovascular and blood transfusion and promotes product development, production and sales.

During the consolidated cumulative third quarter, our sales in the domestic market increased against a backdrop of recovering trend in refraining from doctor visits and postponing non-essential surgeries and procedures. In particular, sales of medical gloves increased, in addition, sales expanded due to capturing new customers for Enteral Nutrition related products using the opportunity for switching to ISO standards and increasing sales related to transferring of the blood purification business in April 2021. In overseas markets, although the situation varies depending on the country and region, sales decreased due to the continued stagnation of demand for products affected by COVID-19. In particular, sales of Apheresis kits and Blood bags in the blood transfusion field decreased, on the other hand, sales of AV fistula needles and Hemodialysis Blood Tubing Sets increased. As a result of the above, JMS recorded consolidated net sales for the third quarter of 43,769 million yen, up by 2.4% / 1,019 million yen (year-over-year). Impact of higher cost of sales ratio caused by the appreciation of local currencies in overseas production bases, increased cost of raw material, and increased ocean freight rates due to the global container shortage, resulted in an operating profit of 1,220 million yen, down by 27.1% (year-over-year). The decrease in foreign exchange losses, despite a decrease in equity in earnings of affiliates resulted in an ordinary profit of 1,233 million yen, down by 21.2% (year-over-year). Because subsidy income of extraordinary income was recorded in the same quarter of the previous fiscal year, the profit attributable to owners of parent totaled 883 million yen, down by 38.1% (year-over-year).

As a manufacturer of medical devices, we are committed to making further contributions to settling COVID-19 as soon as possible by strengthening our supply system of products to meet market needs.

The application of the accounting standard for revenue recognition, etc. decreased net sales, gross profit, selling, general and administrative expenses by 200 million yen respectively in this consolidated cumulative third quarter, but there is no impact on operating income, ordinary income and Profit before income taxes.

Business performance by geographical segment.

(i) Japan

Due to the recovery trend in refraining from doctor visits and postponing non-essential surgeries and procedures in medical institutions, the demand is improving. Capturing new customers for Enteral Nutrition related products using the opportunity for switching to ISO standards and Closed Drug Mixing/Infusion System "NEO SHIELD" whose system was enhanced, expanding its product portfolio for the blood purification business which was transferred in April 2021 and medical gloves with revised selling prices drove sales growth, while sales of hemodialysis machines to China were also strong. As a result, net sales were 32,031 million yen up by 6.3% (year-over-year). Despite the increased costs associated with the transfer of the blood purification business and the gradual increase in selling expenses accompanying the deregulation of visits to medical facilities, the effect of the increase in sales resulted in a profit of 909 million yen, up by 41.7%(year-over-year), for this geographical segment. The application of the accounting standard for revenue recognition, etc. decreased net sales by 200 million yen in this consolidated cumulative third quarter, but there is no impact on segment profit.

(ii) Singapore

Despite the increased sales of Safety Scalp Vein Needles for the North American market, net sales decreased due to reduced orders in the products of the blood business, such as Apheresis kits and Blood bags, influenced by COVID-19. As a result, net sales were 13,020 million yen, down by 14.2% (year-over-year). Despite the decreased labor costs and selling costs, the influence of decreased sales and the impact of higher cost of sales ratio caused by increased raw material cost and the appreciation of local currency resulted in a profit of 41 million yen down by 93.5% (year-over-year), for this geographical segment.

(iii) China

Against the backdrop of an increase in the number of dialysis patients in the Chinese market, sales of AV Fistula Needle and Hemodialysis Blood Tubing Sets used for hemodialysis treatment continued to grow strongly. As for products for the Japanese market, Blood Purification Tubing Sets, which is the product of the transferred business contributed to the sales increase. As a result, net sales were 2,544 million yen, up by 14.3% (year-over-year). Despite the effect of increased sales, higher cost of sales ratio caused by increased cost of raw material, and an increase in labor costs compared to the same quarter of the previous fiscal year when there was a reduction or exemption of social insurance premiums resulted in a profit of 108 million yen, down by 56.5%(year-over-year), for this geographical segment.

(iv) Philippines

In the same quarter of the previous year, productions and shipments were sluggish, due to the impact of implementation of movement and activity restrictions and tightening of regulations by the government as countermeasures against COVID-19. During the consolidated cumulative third quarter, the sales expanded due to the improvement of this effect and an increase in orders for AV Fistula Needle for Europe. As a result, net sales were 2,429 million yen, up by 13.3% (year-over-year). The influence of the effect of increased sales and the impact of soaring raw material prices that was offset by switching raw materials and changing suppliers, resulted in a profit of 224 million yen, up by 191.3% (year-over-year), for this geographical segment.

(v) Germany

Increased market share of AV Fistula Needle resulted in net sales of 2,643 million yen, up by 15.3% (year-over-year). Despite the effect of increased sales, an increase in purchase costs caused by soaring marine transportation costs resulted in a profit of 129 million yen, down by 18.9% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 3,009 million yen, up by 3.0% (year-over-year), and profit of 16 million yen, down by 81.5% (year-over-year).

(2) Overview of the financial condition

Total assets as of the end of this third quarter totaled 71,341 million yen, up by 2,256 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 40,292 million yen, up by 138 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Non-current assets increased to 31,049 million yen, up by 947 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of plant and equipment.

(Liabilities)

Current liabilities decreased to 22,308 million yen, down by 236 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of Short-term loans payable.

Non-current liabilities increased to 12,850 million yen, up by 1,303 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of long-term loans payable.

(Net assets)

Net assets increased to 36,182 million yen, up by 1,188 million yen from the end of the previous consolidated fiscal year, mainly due to changes in Foreign currency translation adjustments.

Note that the capital adequacy ratio increased by 0.1 percentage points to 50.5%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2022 released on November 5, 2021 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>2021</u>	<u>As at December 31,</u> <u>2021</u>
Assets		
Current assets		
Cash and deposits	5,968	6,404
Notes and accounts receivable - trade	16,415	16,783
Securities	256	237
Merchandise and finished goods	8,872	9,053
Work in process	2,758	2,716
Raw materials and supplies	4,056	4,399
Other	683	703
Allowance for doubtful accounts	(27)	(6)
Total current assets	38,983	40,292
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,329	8,383
Machinery, equipment and vehicles, net	7,409	7,553
Other, net	8,366	8,867
Total property, plant and equipment	24,105	24,804
Intangible assets		
Goodwill	—	138
Other	692	812
Total intangible assets	692	951
Investments and other assets		
Investments and other assets	5,315	5,304
Allowance for doubtful accounts	(11)	(11)
Total investments and other assets	5,304	5,292
Total non-current assets	30,101	31,049
Total assets	69,085	71,341

Consolidated Balance Sheet

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2021</u>	<u>As at December 31,</u> <u>2021</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,322	8,134
Short-term borrowings	4,304	3,402
Current portion of long-term borrowings	4,109	4,987
Income taxes payable	339	108
Provision for bonuses	1,099	633
Other	4,369	5,042
Total current liabilities	22,545	22,308
Non-current liabilities		
Long-term borrowings	9,336	10,897
Provision for retirement benefits for directors (and other officers)	128	129
Retirement benefit liability	805	717
Asset retirement obligations	148	155
Other	1,127	950
Total non-current liabilities	11,546	12,850
Total liabilities	34,091	35,159
Net assets		
Shareholders' equity		
Share capital	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	17,241	17,710
Treasury shares	(242)	(233)
Total shareholders' equity	34,772	35,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	401	358
Foreign currency translation adjustment	(332)	429
Total accumulated other comprehensive income	69	788
Non-controlling interests	151	143
Total net assets	34,993	36,182
Total liabilities and net assets	69,085	71,341

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2020</u>	<u>Nine months ended</u> <u>December 31, 2021</u>
Net sales	42,749	43,769
Cost of sales	31,428	32,752
Gross profit	11,321	11,017
Selling, general and administrative expenses	9,648	9,796
Operating profit	1,673	1,220
Non-operating income		
Interest income	8	4
Dividend income	43	46
Share of profit of entities accounted for using equity method	182	74
Subsidy income	7	64
Other	79	58
Total non-operating income	321	249
Non-operating expenses		
Interest expenses	133	122
Foreign exchange losses	256	99
Other	39	14
Total non-operating expenses	429	236
Ordinary profit	1,565	1,233
Extraordinary income		
Gain on sale of non-current assets	2	2
Gain on sale of investment securities	1	—
Subsidy income	305	—
Total extraordinary income	309	2
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on abandonment of non-current assets	8	32
Total extraordinary losses	10	32
Profit before income taxes	1,864	1,203
Income taxes - current	338	177
Income taxes - deferred	98	148
Total income taxes	437	325
Profit	1,427	877
Profit (loss) attributable to non-controlling interests	0	(5)
Profit attributable to owners of parent	1,427	883

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2020</u>	<u>Nine months ended</u> <u>December 31, 2021</u>
Profit	1,427	877
Other comprehensive income		
Valuation difference on available-for-sale securities	131	(42)
Foreign currency translation adjustment	165	761
Total other comprehensive income	<u>297</u>	<u>718</u>
Comprehensive income	<u>1,725</u>	<u>1,596</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,715	1,603
Comprehensive income attributable to non-controlling interests	9	(6)