

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2023



November 4, 2022

Stock Exchange Listings : Prime Market of Tokyo

Company name : JMS Co., Ltd. (URL <https://www.jms.cc/>)
 Securities code : 7702
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 Quarterly statement filing date (as planned) : November 14, 2022 Dividend payable date (as planned) : December 9, 2022
 Supplemental material of quarterly results : Yes
 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 2022 (From April 1, 2022 to September 30, 2022)

(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, 2022 | 29,975 | 6.0 | (44) | — | 56 | (91.8) | (68) | — |
| Six months ended September 30, 2021 | 28,275 | 1.3 | 614 | (41.2) | 683 | (39.4) | 497 | (53.1) |

(Note) Comprehensive income : Six months ended September 30, 2022 : 2,317 million yen〔202.4%〕,
 Six months ended September 30, 2021 : 766 million yen〔(33.0)%〕.

| | Basic earnings per share | | Diluted earnings per share | |
|-------------------------------------|--------------------------|--|----------------------------|--|
| | Yen | | Yen | |
| Six months ended September 30, 2022 | (2.80) | | — | |
| Six months ended September 30, 2021 | 20.37 | | — | |

(2) Consolidated financial positions

| | Total assets | Net assets | Capital adequacy ratio |
|--------------------------|-----------------|-----------------|------------------------|
| | Millions of yen | Millions of yen | % |
| As at September 30, 2022 | 74,692 | 39,213 | 52.3 |
| As at March 31, 2022 | 71,971 | 37,093 | 51.4 |

(Note) Owner's equity: September 30, 2022: 39,100 million yen, March 31, 2022: 36,959 million yen.

2. Dividends

| | Dividend per share | | | | |
|---------------------------------------|--------------------|-------------|-------------|-----------------|--------|
| | 1st quarter | 2nd quarter | 3rd quarter | Fiscal Year end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2022 | — | 8.50 | — | 8.50 | 17.00 |
| Year ending March 31, 2023 | — | 8.50 | — | — | — |
| Year ending March 31, 2023 (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 2023 (From April 1, 2022 to March 31, 2023)

(%: 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, 2023 | 62,000 | 6.6 | 400 | (59.2) | 400 | (64.5) | 200 | (75.8) | 8.18 |

(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 business results for the second quarter

(1) Overview of consolidated business 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 second quarter, in the domestic market, sales of Medical Gloves and Nutrition Sets, etc. decreased despite increased sales of Acute Blood Purification business, and strong sales of Closed Drug Mixing/Infusion System and Cardiopulmonary Blood Tubing Sets. In overseas markets, although the situation varies depending on the country and region, sales of Blood Bags increased while sales of AV Fistula Needle were also strong because there were signs of recovery from the impact of the COVID-19. As a result of the above, JMS recorded consolidated net sales for the second quarter of 29,975 million yen, up by 6.0% / 1,699million yen (year-over-year), due in part to an increase in yen equivalent value resulting from yen depreciation. Despite the effect of sales increase, the impact of soaring prices of raw material, electricity costs, and ocean freight rates, as well as the increase of labor costs and selling expenses associated with the gradual resumption of sales activities resulted in an operating loss of 44 million yen (operating income of 614 million yen in the same period of the previous year).

Recording of foreign exchange gains and dividend income resulted in an ordinary profit of 56 million yen, down by 91.8% (year-over-year). As a result of adding and subtracting gain on sales of investment securities, income taxes, etc., the loss attributable to owners of parent totaled 68 million yen (the profit attributable to owners of parent totaled 497 million yen in the same period of the previous year).

Business performance by geographical segment.

(i) Japan

Although production adjustments were implemented for some products due to difficulties in procuring semiconductors, sales related to the Acute Blood Purification business including China market increased, and sales of Closed Drug Mixing/Infusion Systems and Cardiopulmonary Blood Tubing Sets were also strong, resulted in net sales of 21,361 million yen, up by 4.0% (year-over-year). The impact of soaring prices of raw material and electricity costs, and the increase in the yen equivalent of foreign currency-denominated purchase transactions due to yen depreciation and a gradual increase in selling expenses resulted in segment loss of 89 million yen (profit of 587 million yen in the same period of the previous year).

(ii) Singapore

In addition to the recovery in sales of Apheresis kits in North America, increased sales of Blood bags, mainly to Taiwan, Pakistan, and Indonesia, resulted in net sales of 10,515 million yen, up by 25.7% (year-over-year). Despite the impact of soaring raw material, electricity costs, and ocean freight rates, the effect of increased sales and recording of foreign exchange gains resulted in a profit of 216 million yen, up by 715.3% (year-over-year), for this geographical segment.

(iii) China

Due to strong sales of AV Fistula Needles and Acute Blood Purification Tubing Sets and an increase in the supply of materials to affiliated companies raised net sales to 1,878 million yen, up by 14.5% (year-over-year). Increased raw material costs, labor costs and other costs, resulted in a profit of 56 million yen, down by 17.0% (year-over-year) for this geographical segment.

(iv) Philippines

Despite the decrease in sales of AV Fistula Needles for Europe and Infusion Sets for Japan, the increase in sales of Blood bags for Asia and the increase in the yen equivalent from yen depreciation, resulted in net sales of 1,668 million yen, up by 5.6% (year-over-year). Soaring raw material and electricity costs resulted in segment profit of 45 million yen, down by 70.8% (year-over-year).

(v) Germany

Due to increased sales of Dialysis therapy chairs and Dialysis Kits, net sales were 1,870 million yen, up by 7.1% (year-over-year). Increased ocean freight costs were absorbed by the effect of higher sales, resulted in a

profit of 71 million yen, up by 16.4 % (year-over-year), for this geographical segment.

(vi) Others

Due to increased sales of AV Fistula Needles for North America and other factors, the remaining geographical segments recorded net sales of 2,527 million yen, up by 29.8% (year-over-year), and loss of 47 million yen (profit of 19 million yen in the same period of the previous year).

(2) Overview of the financial condition

(i) Situation of Assets, Liabilities and Net assets

Total assets as of the end of this second quarter totaled 74,692 million yen, up by 2,721 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 41,317 million yen, up by 1,274 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in Goods and Products.

Non-current assets increased to 33,375 million yen, up by 1,446 million yen from the end of the previous fiscal year, mainly due to an increase in Property, plant and equipment, as a result of the implementation of capital investment and the increase in the yen equivalent from yen depreciation.

(Liabilities)

Current liabilities decreased to 19,491 million yen, down by 3,356 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 15,987 million yen, up by 3,957 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 39,213million yen, up by 2,120 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 0.9 percentage points to 52.3%.

(ii) Overview of the cash flows

As of the consolidated cumulative second quarter, cash and cash equivalents amounted to 6,270 million yen, down by 744 million yen from the same period of the previous year. Cash flows from various activities are described in more detail below.

(Cash flows from operating activities)

Net cash provided by operating activities was 233 million yen, down by 1,243 million yen (year-over-year), mainly due to changes in accounts receivable.

(Cash flows from investing activities)

Net cash used in investing activities was 2,095 million yen, up by 389 million yen (year-over-year), mainly due to expenditures for purchases of Property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 1,016 million yen, up by 55 million yen (year-over-year), mainly due to the balance difference of loan payable.

(3) Overview of consolidated business forecast

We reviewed the consolidated results forecasts for the fiscal year ending March 31, 2023 announced in the Consolidate Financial Summary of the Fiscal Year Ended March 2022, which was announced on May 12, 2022. For more details, please refer to the “Notice Regarding Difference Between Forecasts and Actual Results of the First Half of the Fiscal Year Ending March 31, 2023 and Revision of Full-Year Forecasts”.

The forecasted statements are based on information currently available and certain assumptions that we regard as reasonable. Actual operating results may differ substantially due to a number of factors.

5. Consolidated Financial Statements

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

(Millions of yen)

| | <u>As at March 31,</u> <u>2022</u> | <u>As at September 30,</u> <u>2022</u> |
|--|---------------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,605 | 6,196 |
| Notes and accounts receivable - trade | 16,077 | 16,316 |
| Securities | 208 | 78 |
| Merchandise and finished goods | 8,815 | 9,494 |
| Work in process | 2,848 | 3,213 |
| Raw materials and supplies | 4,870 | 5,218 |
| Other | 646 | 826 |
| Allowance for doubtful accounts | (29) | (27) |
| Total current assets | <u>40,042</u> | <u>41,317</u> |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 8,621 | 9,406 |
| Machinery, equipment and vehicles, net | 8,246 | 8,769 |
| Other, net | 8,592 | 8,832 |
| Total property, plant and equipment | <u>25,460</u> | <u>27,008</u> |
| Intangible assets | | |
| Goodwill | 134 | 127 |
| Other | 900 | 828 |
| Total intangible assets | <u>1,035</u> | <u>956</u> |
| Investments and other assets | | |
| Investments and other assets | 5,519 | 5,497 |
| Allowance for doubtful accounts | (86) | (87) |
| Total investments and other assets | <u>5,432</u> | <u>5,410</u> |
| Total non-current assets | <u>31,928</u> | <u>33,375</u> |
| Total assets | <u>71,971</u> | <u>74,692</u> |

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

(Millions of yen)

| | <u>As at March 31,</u> <u>2022</u> | <u>As at September 30,</u> <u>2022</u> |
|--|---------------------------------------|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 8,482 | 7,903 |
| Short-term borrowings | 3,450 | 1,717 |
| Current portion of long-term borrowings | 4,604 | 4,054 |
| Income taxes payable | 229 | 177 |
| Provision for bonuses | 1,097 | 1,144 |
| Asset retirement obligations | 25 | — |
| Other | 4,958 | 4,494 |
| Total current liabilities | <u>22,847</u> | <u>19,491</u> |
| Non-current liabilities | | |
| Long-term borrowings | 10,112 | 14,069 |
| Provision for retirement benefits for directors (and other officers) | 139 | 149 |
| Retirement benefit liability | 653 | 678 |
| Asset retirement obligations | 166 | 188 |
| Other | 958 | 900 |
| Total non-current liabilities | <u>12,030</u> | <u>15,987</u> |
| Total liabilities | <u>34,878</u> | <u>35,479</u> |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 7,411 | 7,411 |
| Capital surplus | 10,351 | 10,351 |
| Retained earnings | 17,652 | 17,372 |
| Treasury shares | (233) | (219) |
| Total shareholders' equity | <u>35,182</u> | <u>34,915</u> |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 339 | 312 |
| Foreign currency translation adjustment | 1,437 | 3,871 |
| Total accumulated other comprehensive income | <u>1,777</u> | <u>4,184</u> |
| Non-controlling interests | <u>133</u> | <u>113</u> |
| Total net assets | <u>37,093</u> | <u>39,213</u> |
| Total liabilities and net assets | <u>71,971</u> | <u>74,692</u> |

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

| | <u>Six months ended</u> <u>September 30, 2021</u> | <u>Six months ended</u> <u>September 30, 2022</u> |
|---|--|--|
| Net sales | 28,275 | 29,975 |
| Cost of sales | 21,154 | 23,132 |
| Gross profit | 7,121 | 6,842 |
| Selling, general and administrative expenses | 6,506 | 6,887 |
| Operating profit (loss) | 614 | (44) |
| Non-operating income | | |
| Interest income | 3 | 7 |
| Dividend income | 25 | 27 |
| Share of profit of entities accounted for using equity method | 68 | — |
| Foreign exchange gains | — | 98 |
| Subsidy income | 57 | 19 |
| Other | 56 | 77 |
| Total non-operating income | 211 | 231 |
| Non-operating expenses | | |
| Interest expenses | 84 | 79 |
| Share of loss of entities accounted for using equity method | — | 42 |
| Foreign exchange losses | 50 | — |
| Other | 8 | 7 |
| Total non-operating expenses | 142 | 130 |
| Ordinary profit | 683 | 56 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 2 | 6 |
| Gain on sale of investment securities | — | 57 |
| Total extraordinary income | 2 | 63 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | — |
| Loss on abandonment of non-current assets | 31 | 15 |
| Total extraordinary losses | 31 | 15 |
| Profit before income taxes | 654 | 104 |
| Income taxes - current | 150 | 152 |
| Income taxes - deferred | 13 | 40 |
| Total income taxes | 163 | 193 |
| Profit (loss) | 491 | (88) |
| Loss attributable to non-controlling interests | (6) | (20) |
| Profit (loss) attributable to owners of parent | 497 | (68) |

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

| | <u>Six months ended</u> <u>September 30, 2021</u> | <u>Six months ended</u> <u>September 30, 2022</u> |
|--|--|--|
| Profit (loss) | 491 | (88) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (30) | (27) |
| Foreign currency translation adjustment | 305 | 2,433 |
| Total other comprehensive income | <u>275</u> | <u>2,406</u> |
| Comprehensive income | <u>766</u> | <u>2,317</u> |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 777 | 2,338 |
| Comprehensive income attributable to non-controlling interests | (10) | (20) |

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

| | <u>Six months ended</u> <u>September 30, 2021</u> | <u>Six months ended</u> <u>September 30, 2022</u> |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 654 | 104 |
| Depreciation | 1,634 | 1,791 |
| Amortization of goodwill | 7 | 9 |
| Increase (decrease) in allowance for doubtful accounts | 0 | (1) |
| Increase (decrease) in provision for retirement benefits for directors (and other office) | (1) | (1) |
| Increase (decrease) in retirement benefit liability | (85) | (1) |
| Interest and dividend income | (28) | (35) |
| Interest expenses | 84 | 79 |
| Foreign exchange losses (gains) | 7 | (99) |
| Share of loss (profit) of entities accounted for using equity method | (68) | 42 |
| Loss (gain) on sale of non-current assets | (2) | (6) |
| Loss on abandonment of non-current assets | 31 | 15 |
| Loss (gain) on sale of investment securities | — | (57) |
| Decrease (increase) in trade receivables | 1,212 | 147 |
| Decrease (increase) in inventories | (307) | (538) |
| Increase (decrease) in trade payables | (1,340) | (705) |
| Increase (decrease) in accrued consumption taxes | (0) | (53) |
| Decrease (increase) in other current assets | 141 | (116) |
| Increase (decrease) in other current liabilities | (158) | (113) |
| Other, net | 0 | 11 |
| Subtotal | <u>1,781</u> | <u>470</u> |
| Interest and dividends received | 28 | 35 |
| Interest paid | (84) | (80) |
| Income taxes paid | (248) | (192) |
| Net cash provided by (used in) operating activities | <u>1,477</u> | <u>233</u> |
| Cash flows from investing activities | | |
| Payments into time deposits | — | (0) |
| Purchase of property, plant and equipment | (1,257) | (1,985) |
| Proceeds from sale of property, plant and equipment | 4 | 6 |
| Purchase of intangible assets | (207) | (36) |
| Payments for acquisition of businesses | (182) | (10) |
| Purchase of investment securities | (15) | (40) |
| Proceeds from sale of investment securities | — | 96 |
| Other, net | (48) | (126) |
| Net cash provided by (used in) investing activities | <u>(1,706)</u> | <u>(2,095)</u> |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 9,264 | 6,301 |
| Repayments of short-term borrowings | (11,182) | (7,783) |
| Proceeds from long-term borrowings | 5,350 | 5,350 |
| Repayments of long-term borrowings | (2,128) | (2,521) |
| Purchase of treasury shares | (0) | (0) |
| Proceeds from sale of treasury shares | — | 0 |
| Dividends paid | (207) | (207) |
| Dividends paid to non-controlling interests | (1) | — |
| Repayments of lease liabilities | (133) | (122) |
| Net cash provided by (used in) financing activities | <u>961</u> | <u>1,016</u> |
| Effect of exchange rate change on cash and cash equivalents | 59 | 304 |
| Net increase (decrease) in cash and cash equivalents | <u>791</u> | <u>(540)</u> |
| Cash and cash equivalents at beginning of period | <u>6,222</u> | <u>6,810</u> |
| Cash and cash equivalents at end of period | <u>7,014</u> | <u>6,270</u> |