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



February 7, 2023

Stock Exchange Listings : Prime Market of Tokyo

Company name : JMS Co., Ltd. (URL <https://www.jms.cc/>)
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 Quarterly statement filing date (as planned) : February 13, 2023 Dividend payable date (as planned) : —
 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 December 2022 (From April 1, 2022 to December 31, 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	%
Nine months ended December 31, 2022	46,918	7.2	471	(61.3)	420	(65.9)	131	(85.1)
Nine months ended December 31, 2021	43,769	2.4	1,220	(27.1)	1,233	(21.2)	883	(38.1)

(Note) Comprehensive income : Nine months ended December 31, 2022 : 1,784 million yen [(11.8%)],
 Nine months ended December 31, 2021 : 1,596 million yen [(7.5)%].

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	5.39		—	
Nine months ended December 31, 2021	36.17		—	

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at December 31, 2022	74,420	38,532	51.5
As at March 31, 2022	71,971	37,093	51.4

(Note) Owner's equity : December 31, 2022 : 38,357 million yen, March 31, 2022 : 36,959 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, 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. : 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, in the domestic market, sales of Acute Blood Purification business increased, while sales of Closed Drug Mixing/Infusion System and Cardiopulmonary Blood Tubing Sets were also strong. In overseas markets, although the situation varies depending on the country and region, sales of AV Fistula Needles and Apheresis kits increased and sales of Blood bags 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 third quarter of 46,918 million yen, up by 7.2% / 3,148million yen (year-over-year), due in part to an increase in yen equivalent value resulting from yen depreciation. Despite the effect of increased sales, the impact of rising raw material prices, electricity costs and ocean freight rates, as well as the increase in labor costs and selling expenses associated with the gradual resumption of sales activities, resulted in an operating profit of 471 million yen, down by 61.3% (year-over-year). Recording of equity in losses of affiliates resulted in an ordinary income of 420 million yen, down by 65.9% (year-over-year). As a result of adding and subtracting gains on sales of investment securities, income taxes, etc., the profit attributable to owners of parent was 131 million yen, down by 85.1% (year-over-year).

Business performance by geographical segment.

(i) Japan

Although production adjustments continued for some products due to difficulties in procuring semiconductors, sales related to the Acute Blood Purification business including for China market increased, and sales of Closed Drug Mixing/Infusion Systems and Cardiopulmonary Blood Tubing Sets were also strong, resulting in net sales of 32,923 million yen, up by 2.8% (year-over-year). The impact of soaring prices of raw material, electricity costs, and ocean freight rates, and the increased in the yen equivalent of foreign currency-denominated purchase transactions due to yen depreciation and a gradual increase in selling expenses resulted in segment profit of 137 million yen, down by 84.9% (year-over-year).

(ii) Singapore

In addition to the recovery in sales of Apheresis kits to North America, increased sales of Blood bags to Asia resulted in net sales of 16,810 million yen, up by 29.1% (year-over-year). The effect of increased sales absorbed soaring prices of raw material prices, increased labor costs and recording of foreign exchange gains resulted in a profit of 222 million yen, up by 441.4% (year-over-year), for this geographical segment.

(iii) China

Strong sales of AV Fistula Needles, Hemodialysis Blood Tubing Sets and Acute Blood Purification Tubing Sets, resulted in net sales of 2,953 million yen, up by 16.1% (year-over-year). Increased raw material costs, labor costs and other costs, resulted in a profit of 94 million yen, down by 13.2% (year-over-year) for this geographical segment.

(iv) Philippines

Despite the decrease in sales of AV Fistula Needles for Europe, increased sales of Blood bags for Asia and Infusion Sets for Japan resulted in net sales of 2,718 million yen, up by 11.9% (year-over-year). Soaring raw material, electricity costs and increased labor costs, resulted in segment profit of 32 million yen, down by 85.3% (year-over-year) for this geographical segment.

(v) Germany

Due to strong sales of Dialysis therapy chairs and Dialysis Kits, net sales were 2,817 million yen, up by 6.6% (year-over-year). The effect of higher sales absorbed increased ocean freight costs, resulting in a profit of 136 million yen, up by 5.1 % (year-over-year), for this geographical segment.

(vi) Others

Due to increased sales of AV Fistula Needles for North America and other factors, the geographical segment recorded net sales of 4,012 million yen, up by 33.3% (year-over-year), and profit of 42 million yen, up by 161.4% (year-over-year).

(2) Overview of the financial condition

Total assets as of the end of this third quarter totaled 74,420 million yen, up by 2,449 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 42,208 million yen, up by 2,165 million yen from the end of the previous consolidated fiscal year, mainly due to the increase in Notes and accounts receivable - trade. Non-current assets increased to 32,211 million yen, up by 283 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in Property, plant and equipment.

(Liabilities)

Current liabilities decreased to 21,983 million yen, down by 864 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of Short-term borrowings. Non-current liabilities increased to 13,904 million yen, up by 1,874 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of Long-term borrowings.

(Net assets)

Net assets increased to 38,532 million yen, up by 1,439 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 51.5%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2023 released on November 4, 2022 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>2022</u>	<u>As at December 31,</u> <u>2022</u>
Assets		
Current assets		
Cash and deposits	6,605	6,254
Notes and accounts receivable - trade	16,077	17,318
Securities	208	—
Merchandise and finished goods	8,815	9,347
Work in process	2,848	3,199
Raw materials and supplies	4,870	5,308
Other	646	808
Allowance for doubtful accounts	(29)	(27)
Total current assets	<u>40,042</u>	<u>42,208</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,621	9,113
Machinery, equipment and vehicles, net	8,246	8,531
Other, net	8,592	8,296
Total property, plant and equipment	<u>25,460</u>	<u>25,941</u>
Intangible assets		
Goodwill	134	123
Other	900	775
Total intangible assets	<u>1,035</u>	<u>899</u>
Investments and other assets		
Investments and other assets	5,519	5,453
Allowance for doubtful accounts	(86)	(82)
Total investments and other assets	<u>5,432</u>	<u>5,370</u>
Total non-current assets	<u>31,928</u>	<u>32,211</u>
Total assets	<u>71,971</u>	<u>74,420</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 December 31,</u> <u>2022</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,482	8,339
Short-term borrowings	3,450	2,913
Current portion of long-term borrowings	4,604	5,177
Income taxes payable	229	148
Provision for bonuses	1,097	638
Asset retirement obligations	25	—
Other	4,958	4,766
Total current liabilities	22,847	21,983
Non-current liabilities		
Long-term borrowings	10,112	12,085
Provision for retirement benefits for directors (and other officers)	139	148
Retirement benefit liability	653	663
Asset retirement obligations	166	184
Other	958	823
Total non-current liabilities	12,030	13,904
Total liabilities	34,878	35,887
Net assets		
Shareholders' equity		
Share capital	7,411	7,411
Capital surplus	10,351	10,351
Retained earnings	17,652	17,365
Treasury shares	(233)	(219)
Total shareholders' equity	35,182	34,908
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	363
Foreign currency translation adjustment	1,437	3,085
Total accumulated other comprehensive income	1,777	3,449
Non-controlling interests	133	174
Total net assets	37,093	38,532
Total liabilities and net assets	71,971	74,420

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2021</u>	<u>Nine months ended</u> <u>December 31, 2022</u>
Net sales	43,769	46,918
Cost of sales	32,752	36,121
Gross profit	<u>11,017</u>	<u>10,796</u>
Selling, general and administrative expenses	<u>9,796</u>	<u>10,325</u>
Operating profit	<u>1,220</u>	<u>471</u>
Non-operating income		
Interest income	4	9
Dividend income	46	47
Share of profit of entities accounted for using equity method	74	—
Commission income	3	40
Subsidy income	64	26
Other	55	62
Total non-operating income	<u>249</u>	<u>186</u>
Non-operating expenses		
Interest expenses	122	119
Share of loss of entities accounted for using equity method	—	94
Foreign exchange losses	99	12
Other	14	11
Total non-operating expenses	<u>236</u>	<u>238</u>
Ordinary profit	<u>1,233</u>	<u>420</u>
Extraordinary income		
Gain on sale of non-current assets	2	7
Gain on sale of investment securities	—	57
Total extraordinary income	<u>2</u>	<u>65</u>
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on abandonment of non-current assets	32	18
Total extraordinary losses	<u>32</u>	<u>19</u>
Profit before income taxes	<u>1,203</u>	<u>466</u>
Income taxes - current	177	229
Income taxes - deferred	148	123
Total income taxes	<u>325</u>	<u>353</u>
Profit	<u>877</u>	<u>112</u>
Loss attributable to non-controlling interests	<u>(5)</u>	<u>(18)</u>
Profit attributable to owners of parent	<u>883</u>	<u>131</u>

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2021</u>	<u>Nine months ended</u> <u>December 31, 2022</u>
Profit	877	112
Other comprehensive income		
Valuation difference on available-for-sale securities	(42)	23
Foreign currency translation adjustment	761	1,648
Total other comprehensive income	718	1,671
Comprehensive income	1,596	1,784
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,603	1,798
Comprehensive income attributable to non-controlling interests	(6)	(13)