

Financial Results for the Fiscal Year Ended March 31, 2013



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Tokyo Stock Exchange

Listed Company Name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
 Stock Code : 7702
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 Date of the ordinary general shareholders' meeting (scheduled) : June 25, 2013
 Filing date of securities report (scheduled) : June 26, 2013 Payment date of cash dividends (scheduled) : June 26, 2013
 Supplemental material on financial results : None
 Presentation meeting on financial results : None

(Note: Amounts below are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Year Ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(1) Consolidated Financial Results (% : change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2013	49,068	4.8	1,594	51.5	1,879	36.0	1,277	35.5
Year ended March 31, 2012	46,836	2.7	1,052	(38.4)	1,382	(24.6)	942	(27.0)

(Note) Comprehensive income : Year ended March 31, 2013: 2,836 million yen [250.6%], Year ended March 31, 2012: 809 million yen [12.9%].

	Net income per share	Net income per share, fully diluted	Net income per shareholders' equity	Ordinary income per total assets	Operating income per net sales
	Yen	Yen	%	%	%
Year ended March 31, 2013	29.41	—	4.7	3.9	3.2
Year ended March 31, 2012	21.84	—	3.8	3.1	2.2

(Note) Equity in earnings of affiliates : Year ended March 31, 2013: 179 million yen, Year ended March 31, 2012: 233 million yen.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As at March 31, 2013	51,286	29,462	57.3	602.60
As at March 31, 2012	45,430	25,184	55.3	582.24

(Note) Shareholders' equity : As at March 31, 2013: 29,390 million yen, As at March 31, 2012: 25,127 million yen.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2013	2,545	(3,340)	1,262	4,152
Year ended March 31, 2012	1,754	(2,605)	(431)	3,468

2. Dividends

	Dividends per share					Total amount of dividends (Annual)	Dividend pay-out ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2012	—	4.00	—	4.00	8.00	345	36.6	1.4
Year ended March 31, 2013	—	4.00	—	4.00	8.00	367	27.2	1.4
Year ending March 31, 2014 (forecast)	—	4.00	—	4.00	8.00		27.9	

3. Consolidated Forecast for the Year Ending March 31, 2014 (From April 1, 2013 to March 31, 2014)

(% : change from the same previous period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year ending September 30, 2013	25,000	4.4	1,000	0.6	1,050	(11.4)	650	(8.4)	13.33
Year ending March 31, 2014	51,500	5.0	2,100	31.7	2,300	22.4	1,400	9.6	28.70

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. Analysis of Business performance and fiscal status

(1) Analysis of Business performance

Business performance of this fiscal year

The business environment surrounding JMS Group is becoming increasingly tougher, with major competitors in Europe and the United States forging business integration in pursuit for scale merit amidst solid demand expansion in both industrialized and emerging countries overseas. In Japan, on the other hand, the government maintains its policy of curbing growth in overall medical spending due to aging population and lower birthrate, poor fiscal health and difficulties surrounding the finances for the medical insurance system. Yet, new markets are emerging for medical equipment and services to cater to the needs of our aging society.

In the given environment, JMS is striving to deliver goods and services for 'medical safety', 'medical efficiency' and 'regenerative medicine' under the corporate philosophy of 'Patient Comes First'. Product development, production and sales are promoted to boost revenue in products, which are categorized into four system groups. 'Infusion and Transfusion' and 'General Medical Supplies' mainly handle infusion and enteral nutrition for contributing to 'medical safety', while 'Dialysis' mainly offers products for both hemodialysis and peritoneal dialysis for contributing to 'medical care efficiency', and 'Cardiovascular' mainly promotes value-added products such as membrane oxygenators and cardiopulmonary blood tubing sets.

< Net Sales >

In Japan, positive sales results were reported for Infusion / Transfusion products that contribute to medical safety, and hemodialysis blood tubing sets in the Dialysis business. In overseas, solid sales continued for Infusion / Transfusion products such as apheresis kits and blood bags. Consequently, Net Sales totaled 49,068 million yen (up 4.8% from the last fiscal year).

< Operating Income >

Increased revenues absorbed the impact of increased labor costs in emerging countries, boosting Gross profit by 698 million yen. At the same time, the increase of selling expenses such as commission and transportation fees raised SGA by 156 million yen. Consequently, Operating Income stood at 1,594 million yen (up 51.5% from the last fiscal year).

< Ordinary Income >

The recorded investment gains under the Equity method and foreign exchange gains brought Ordinary Income to 1,879 million yen (up 36.0% from the last fiscal year).

< Net Income >

Increased tax burden led to Net Income of 1,277 million yen (up 35.5% from the last fiscal year).

Business performance by geographical segment

< Japan >

Continued growth in the sales of infusion sets with needleless access port "Planecta" and extension tube sets brought net sales to 39,758 million yen, up 2/4%. Increased revenues generated a profit of 1,418 million yen, up 136.2%, for this geographical segment.

< Southeast Asia >

Positive sales of apheresis kits for OEM customer, blood bags for Southeast Asia and hemodialysis blood tubing sets for Japan boosted net sales to 14,497 million yen, up 18.2%. The rise of labor costs contracted the profit of 66 million yen, down 35.8%, for this geographical segment.

< China >

Continued solid sales of AV fistula needles for Japan and the domestic market raised net sales to 3,186 million yen, up 9.2%. The rise of material costs and labor costs contracted the profit of 45 million yen, down 70.9%, for this geographical segment.

< Germany >

Continued growth in the sales of AV fistula needles for the domestic market was offset by the sales drop of dialysis therapy chairs and foreign exchange conditions, reducing net sales to 2,550 million yen, down 8.9%. The depreciation of the Euro and resulting rise in procurement costs resulted in a profit of 116 million yen, down 47.6%, for this geographical segment.

< United States >

Continued solid sales of safety scalp vein sets for North America was offset by the sales drop of AV fistula needles, reducing net sales to 2,134 million yen, down 1.9%. The effect of downward pressure on market pricing led to a profit of 115 million yen, down 47.5%, for this geographical segment.

< Others >

The remaining geographical segments recorded net sales of 1,236 million yen, up 1189%, and a profit of 72 million yen, down 35.5%.

The abovementioned figures do not include consumption tax, etc.

Future outlook

Greater expansion into overseas markets is anticipated both in emerging countries, which see their medical spending grow to correspond to income rise, and are working on improving / enhancing their medical care systems, and in industrialized nations, which are experiencing aging population and embracing improvement in advanced medical care. In Japan, however, competition is expected to intensify further due to the growing difficulty in financing the nation's medical insurance scheme. In the given environment, the JMS Group will actively work on the fields of medical safety, medical efficiency and regenerative medicine to reinforce its profit-generating foundation on the global scale.

< Consolidated business forecast >

(Unit: million yen)

	Result of last fiscal year ended Mar. 2013	Forecast of current fiscal year ending Mar. 2014	Changes from same previous period
Net Sales	49,068	51,500	5.0%
Operating Income	1,594	2,100	31.7%
Ordinary Income	1,879	2,300	22.4%
Net Income	1,277	1,400	9.6%

(2) Analysis on the business results

Analysis of the status of assets, liabilities and net assets

Gross assets as of the end of this fiscal year totaled 51,286 million yen, up 5,855 million yen from the end of last fiscal year. The details of assets, liabilities and net assets are as shown below:

< Assets >

Current assets grew to 31,044 million yen, up 2,479 million yen from the end of last fiscal year, mainly due to the increase of inventories.

Noncurrent assets grew to 20,241 million yen, up 3,376 million yen from the end of last fiscal year, mainly due to the acquisition of tangible noncurrent assets.

< Liabilities >

Current liabilities increased to 17,886 million yen, up 1,420 million yen from the end of last fiscal year, mainly due to the increase of accounts payable-other.

Noncurrent liabilities increased to 3,936 million yen, up 157 million yen from the end of last fiscal year, mainly due to the increase of provision for retirement benefits.

< Net Assets >

Net assets stand at 29,462 million yen, up 4,277 million yen from the end of last fiscal year, mainly due to the increase of capital stock and capital surplus by the issue of new shares.

Note that the equity ratio rose 2.0 percentage points to 57.3%. Net assets per share increased to 602.60 yen, up 20.36 yen from the end of last fiscal year.

5. Management Policy

The company's challenges

The business environment surrounding JMS Group is expected to remain tough. In overseas, amidst the expansion of the healthcare market mainly in emerging countries, local companies and manufacturers outside their respective countries are intensifying competition. In Japan, the health care system continues to undergo reforms against the background of the graying population, poor fiscal health and difficulty surrounding the finances for the medical insurance system. In the given circumstance, JMS Group is taking following responses with the aim of delivering goods and services for our customer's satisfaction.

(Developing products that can contribute to medical safety and efficiency)

Under the corporate philosophy of "Patient Comes First", JMS will continue developing products for preventing infections and medical accidents to achieve "medical safety" and products for facilitating hospital / in-home treatment and care to contribute to "medical efficiency", needed on the medical frontline. We will also actively work on developing products in future-oriented fields such as regenerative medicine.

(Production streamlining)

In regard to production, JMS Group will make continued efforts to streamline production and gain technological innovation so as to achieve further quality stability, cost reduction and higher product competitiveness. At the same time, an efficient logistic structure is to be built and maintained to deliver safe and secure products to patients and healthcare workers across the world.

(Initiatives for global business deployment)

Given the varying selection criteria in different countries and regions, JMS will tap into its product strengths and technological expertise to actively deliver medical equipment that suits the medical needs of individual countries.

6. Consolidated Financial Statements

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

	<u>As at March 31,</u> <u>2012</u>	<u>As at March 31,</u> <u>2013</u>
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	3,474	4,153
Notes and accounts receivable-trade	14,991	15,026
Merchandise and finished goods	4,800	5,214
Work in process	1,750	1,973
Raw materials and supplies	2,673	3,571
Deferred tax assets	392	515
Other	488	594
Allowance for doubtful accounts	(7)	(5)
Total current assets	28,564	31,044
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	13,754	14,448
Accumulated depreciation	(9,865)	(10,298)
Buildings and structures, net	3,889	4,150
Machinery, equipment and vehicles	20,153	22,168
Accumulated depreciation	(16,083)	(16,882)
Machinery, equipment and vehicles, net	4,070	5,286
Tools, furniture and fixtures	8,667	9,497
Accumulated depreciation	(7,048)	(7,322)
Tools, furniture and fixtures, net	1,619	2,174
Land	2,719	2,738
Construction in progress	777	1,678
Total property, plant and equipment	13,076	16,029
Intangible assets	708	734
Investments and other assets		
Investment securities	2,304	2,746
Deferred tax assets	74	118
Other	707	616
Allowance for doubtful accounts	(5)	(4)
Total investments and other assets	3,080	3,477
Total noncurrent assets	16,865	20,241
Total assets	45,430	51,286

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

	<u>As at March 31,</u> <u>2012</u>	(Millions of yen) <u>As at March 31,</u> <u>2013</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,271	7,474
Short-term loans payable	3,306	3,237
Current portion of long-term loans payable	1,235	1,386
Accounts payable-other	2,450	3,148
Income taxes payable	329	503
Provision for product warranties	6	6
Provision for bonuses	992	1,002
Asset retirement obligations	21	21
Other	852	1,105
Total current liabilities	<u>16,466</u>	<u>17,886</u>
Noncurrent liabilities		
Long-term loans payable	2,610	2,393
Deferred tax liabilities	345	478
Provision for retirement benefits	226	447
Provision for directors' retirement benefits	30	51
Asset retirement obligations	165	146
Other	400	418
Total noncurrent liabilities	<u>3,779</u>	<u>3,936</u>
Total liabilities	<u>20,245</u>	<u>21,823</u>
Net assets		
Shareholders' equity		
Capital stock	6,522	7,411
Capital surplus	9,473	10,362
Retained earnings	11,755	12,687
Treasury stock	(270)	(271)
Total shareholders' equity	<u>27,481</u>	<u>30,189</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31	286
Foreign currency translation adjustment	(2,385)	(1,084)
Total accumulated other comprehensive income	<u>(2,353)</u>	<u>(798)</u>
Minority interests	56	71
Total net assets	<u>25,184</u>	<u>29,462</u>
Total liabilities and net assets	<u>45,430</u>	<u>51,286</u>

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Year ended March 31,</u>	<u>Year ended March 31,</u>
	<u>2012</u>	<u>2013</u>
Net sales	46,836	49,068
Cost of sales	34,096	35,630
Gross profit	12,739	13,438
Selling, general and administrative expenses	11,687	11,844
Operating income	1,052	1,594
Non-operating income		
Interest income	28	7
Dividends income	22	22
Equity in earnings of affiliates	233	179
House rent income	16	15
Foreign exchange gains	76	141
Other	100	96
Total non-operating income	478	462
Non-operating expenses		
Interest expenses	87	75
Stock issuance cost	—	18
Commission fee	37	54
Other	23	27
Total non-operating expenses	147	177
Ordinary income	1,382	1,879
Extraordinary income		
Gain on sales of noncurrent assets	6	1
Gain on sales of investment securities	—	2
Total extraordinary income	6	4
Extraordinary loss		
Loss on sales of noncurrent assets	1	3
Loss on abandonment of noncurrent assets	71	50
Impairment loss	14	—
Loss on valuation of investment securities	1	—
Total extraordinary losses	88	54
Income before income taxes and minority interests	1,299	1,829
Income taxes-current	565	692
Income taxes-deferred	(220)	(143)
Total income taxes	344	548
Income before minority interests	955	1,281
Minority interests in income	12	3
Net income	942	1,277

Consolidated Statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Year ended March 31,</u>	<u>Year ended March 31,</u>
	<u>2012</u>	<u>2013</u>
Income before minority interests	955	1,281
Other comprehensive income		
Valuation difference on available-for-sale securities	21	254
Foreign currency translation adjustment	(168)	1,300
Total other comprehensive income	(146)	1,554
Comprehensive income	809	2,836
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	798	2,821
Comprehensive income attributable to minority interests	10	14

Consolidated statements of changes in net assets

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Year ended March 31,</u>	<u>Year ended March 31,</u>
	<u>2012</u>	<u>2013</u>
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	6,522	6,522
Changes of items during the period		
Issuance of new shares	—	888
Total changes of items during the period	—	888
Balance at the end of current period	<u>6,522</u>	<u>7,411</u>
Capital surplus		
Balance at the beginning of current period	9,473	9,473
Changes of items during the period		
Issuance of new shares	—	888
Total changes of items during the period	—	888
Balance at the end of current period	<u>9,473</u>	<u>10,362</u>
Retained earnings		
Balance at the beginning of current period	11,158	11,755
Changes of items during the period		
Dividends from surplus	(345)	(345)
Net income	942	1,277
Total changes of items during the period	597	932
Balance at the end of current period	<u>11,755</u>	<u>12,687</u>
Treasury stock		
Balance at the beginning of current period	(269)	(270)
Changes of items during the period		
Purchase of treasury stock	(0)	(1)
Total changes of items during the period	(0)	(1)
Balance at the end of current period	<u>(270)</u>	<u>(271)</u>
Total shareholders' equity		
Balance at the beginning of current period	26,884	27,481
Changes of items during the period		
Issuance of new shares	—	1,777
Dividends from surplus	(345)	(345)
Net income	942	1,277
Purchase of treasury stock	(0)	(1)
Total changes of items during the period	596	2,708
Balance at the end of current period	<u>27,481</u>	<u>30,189</u>

Consolidated statements of changes in net assets

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Year ended March 31,</u>	<u>Year ended March 31,</u>
	<u>2012</u>	<u>2013</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	9	31
Changes of items during the period		
Net changes of items other than shareholders' equity	21	254
Total changes of items during the period	21	254
Balance at the end of current period	31	286
Foreign currency translation adjustment		
Balance at the beginning of current period	(2,217)	(2,385)
Changes of items during the period		
Net changes of items other than shareholders' equity	(168)	1,300
Total changes of items during the period	(168)	1,300
Balance at the end of current period	(2,385)	(1,084)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(2,207)	(2,353)
Changes of items during the period		
Net changes of items other than shareholders' equity	(146)	1,554
Total changes of items during the period	(146)	1,554
Balance at the end of current period	(2,353)	(798)
Minority interests		
Balance at the beginning of current period	46	56
Changes of items during the period		
Net changes of items other than shareholders' equity	10	14
Total changes of items during the period	10	14
Balance at the end of current period	56	71
Total net assets		
Balance at the beginning of current period	24,723	25,184
Changes of items during the period		
Issuance of new shares	—	1,777
Dividends from surplus	(345)	(345)
Net income	942	1,277
Purchase of treasury stock	(0)	(1)
Net changes of items other than shareholders' equity	(135)	1,569
Total changes of items during the period	460	4,277
Balance at the end of current period	25,184	29,462

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Year ended March 31,</u>	<u>Year ended March 31,</u>
	<u>2012</u>	<u>2013</u>
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	1,299	1,829
Depreciation and amortization	2,574	1,715
Impairment loss	14	—
Increase (decrease) in allowance for doubtful accounts	(6)	(3)
Increase (decrease) in provision for retirement benefits	24	168
Increase (decrease) in provision for directors' retirement benefits	4	14
Interest and dividends income	(51)	(29)
Interest expenses	87	75
Foreign exchange losses (gains)	27	(7)
Equity in (earnings) losses of affiliates	(233)	(179)
Stock issuance cost	—	18
Loss (gain) on sales of noncurrent assets	(4)	1
Loss on abandonment of noncurrent assets	71	50
Loss (gain) on sales of investment securities	—	(2)
Loss (gain) on valuation of investment securities	1	—
Decrease (increase) in notes and accounts receivable-trade	(1,751)	324
Decrease (increase) in inventories	(600)	(1,074)
Increase (decrease) in notes and accounts payable-trade	360	96
Increase (decrease) in accrued consumption taxes	(55)	24
Decrease (increase) in other current assets	35	(99)
Increase (decrease) in other current liabilities	527	84
Other, net	87	115
Subtotal	<u>2,412</u>	<u>3,125</u>
Interest and dividends income received	51	99
Interest expenses paid	(86)	(77)
Income taxes paid	(622)	(602)
Net cash provided by (used in) operating activities	<u>1,754</u>	<u>2,545</u>
Net cash provided by (used in) investing activities		
Payments into time deposits	(5)	(0)
Proceeds from withdrawal of time deposits	166	4
Purchase of property, plant and equipment	(2,541)	(3,177)
Proceeds from sales of property, plant and equipment	7	2
Purchase of intangible assets	(198)	(120)
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	0	33
Collection of loans receivable	25	25
Other, net	(58)	(105)
Net cash provided by (used in) investing activities	<u>(2,605)</u>	<u>(3,340)</u>
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	14,900	15,800
Decrease in short-term loans payable	(14,939)	(15,883)
Proceeds from long-term loans payable	1,500	1,300
Repayment of long-term loans payable	(1,545)	(1,365)
Proceeds from issuance of common stock	—	1,758
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(344)	(345)
Net cash provided by (used in) financing activities	<u>(431)</u>	<u>1,262</u>
Effect of exchange rate change on cash and cash equivalents	(70)	215
Net increase (decrease) in cash and cash equivalents	<u>(1,352)</u>	<u>683</u>
Cash and cash equivalents at beginning of period	<u>4,820</u>	<u>3,468</u>
Cash and cash equivalents at end of period	<u>3,468</u>	<u>4,152</u>