

Financial Results for the Fiscal Year Ended March 31, 2014



May 08, 2014

Stock Exchange Listings : Tokyo 1st Section

Company name	: JMS Co., Ltd.	(URL http://www.jms.cc/)
Securities code	: 7702	
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Date of general shareholders' meeting (as planned)	: June 25, 2014	
Annual securities report filing date (as planned)	: June 26, 2014	Dividend payable date (as planned) : June 26, 2014
Supplemental material of annual results	: None	
Convening briefing of annual results	: None	

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

1. Consolidated Financial Highlights for the Year Ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(1) Consolidated Financial Results (%: change from the same previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2014	53,860	9.8	900	(43.5)	1,187	(36.8)	207	(83.8)
Year ended March 31, 2013	49,068	4.8	1,594	51.5	1,879	36.0	1,277	35.5

(Note) Comprehensive income : Year ended March 31, 2014: 1,539 million yen [(45.7%)], Year ended March 31, 2013: 2,836 million yen [250.6%].

	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, 2014	4.25	—	0.7	2.3	1.7
Year ended March 31, 2013	29.41	—	4.7	3.9	3.2

(Note) Equity in earnings of affiliates : Year ended March 31, 2014: 137 million yen, Year ended March 31, 2013: 179 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, 2014	53,222	30,619	57.4	626.01
As at March 31, 2013	51,286	29,462	57.3	602.60

(Note) Shareholders' equity : As at March 31, 2014: 30,526 million yen, As at March 31, 2013: 29,390 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, 2014	1,206	(4,751)	1,219	1,995
Year ended March 31, 2013	2,545	(3,340)	1,262	4,152

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	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2013	—	4.00	—	4.00	8.00	367	27.2	1.4
Year ended March 31, 2014	—	4.00	—	4.00	8.00	390	188.2	1.3
Year ending March 31, 2015 (forecast)	—	4.00	—	4.00	8.00		48.8	

3. Consolidated Forecast for the Year Ending March 31, 2015 (From April 1, 2014 to March 31, 2015)

(%: 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, 2014	26,800	4.2	400	103.7	500	12.5	300	49.4	6.15
Year ending March 31, 2015	56,000	4.0	1,200	33.2	1,400	17.9	800	285.7	16.41

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]

In regard to the business environment surrounding the JMS Group, competition is intensifying in overseas markets, due to business integration for advantage of scale by the Western major companies based on firm demand expansion in both advanced countries and emerging countries. In Japan, the government continues to curb the rise in medical expenses under the healthcare policy, in the context of the aging society with low birthrate and of worsening financial condition of the health insurance system. Yet, new markets are also emerging amidst calls for medical devices and various services to cater to the aging society.

In the given environment, JMS is striving to deliver goods and services for 'medical safety', 'medical efficiency', 'regenerative medicine' and 'improving the quality of life (QOL) for people requiring medical services' 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 efficiency', and 'Cardiovascular' mainly promotes value-added products such as membrane oxygenators and cardiopulmonary blood tubing sets.

As a result of the abovementioned operations as well as the influence of exchange conversion by the weak yen, JMS recorded consolidated net sales of 53,860 million yen in this period, up 9.8% / 4,791 million yen (year-over-year).

The operating income totaled 900 million yen, down 43.5%, due to the depreciation cost of automated equipments for production enhancement as well as the increase of selling expenses such as commission and transportation fees etc. The equity in earnings of affiliates and foreign exchange gains resulted in the ordinary income of 1,187 million yen, down 36.8%. The increase of tax expense due to the reversal of deferred tax assets under tax effect accounting resulted in the net income of 207 million yen in this period, down 83.8% (year-over-year).

Business performance by geographical segment.

(i) Japan

Continued growth in the sales of enteral nutrition products and medical gloves as well as hemodialysis machines with new features brought net sales to 41,049 million yen, up 3.2%. Increase of depreciation cost from investment for facilities as well as increase in import cost with weaker Yen resulted in a profit of 939 million yen, down 33.8% (year-over-year), for this geographical segment.

(ii) Southeast Asia

Positive sales of apheresis kits for an OEM customer as well as blood bags for Japan boosted net sales to 16,733 million yen, up 15.4%. Increase of labor costs resulted in a loss of 303 million yen, down 370 million yen (year-over-year), for this geographical segment.

(iii) China

Continued growth in the sales of AV fistula needles for Western and the domestic markets raised net sales to 3,770 million yen, up 18.3%. Decline in conversion amount of net sales into Yuan resulted in a loss of 20 million yen, down 55.9% (year-over-year), for this geographical segment.

(iv) Germany

Despite the sales drop of AV fistula needles for the domestic markets, strong sales of dialysis therapy chairs for the Middle East raised net sales to 3,032 million yen, up 18.9%. Lower import cost with stronger Euro led to a profit of 331 million yen, up 183.8% (year-over-year), for this geographical segment.

(v) The United States

Positive sales of blood bags for Latin America as well as AV fistula needles for the domestic markets boosted net sales to 2,705 million yen, up 26.7%. Dividends income led to a profit of 188 million yen, up 63.9% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 1,611 million yen, up 30.3%, and a profit of 63 million yen, down 12.1%.

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, regenerative medicine and improving the quality of life (QOL) for people requiring medical services to reinforce its profit-generating foundation on the global scale. The Consolidated business forecast is as shown below:

< Consolidated business forecast >

(Unit: million yen)

	Result of last fiscal year ended Mar. 2014	Forecast of current fiscal year ending Mar. 2015	Changes from same previous period
Net sales	53,860	56,000	4.0%
Operating income	900	1,200	33.2%
Ordinary income	1,187	1,400	17.9%
Net income	207	800	285.7%

Exchange rate for the forecast: 1USD=100yen, 1EUR=134yen, 1SGD=81yen.

(2) Analysis on the business results

[Overview of the status of assets, liabilities and net assets]

Gross assets as of the end of this period totaled 53,222 million yen, up 1,936 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 decreased to 30,766 million yen, down 278 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits.

Noncurrent assets grew to 22,456 million yen, up 2,214 million yen from the end of the previous consolidated fiscal year, mainly due to the acquisition of tangible noncurrent assets.

(Liabilities)

Current liabilities increased to 18,342 million yen, up 455 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of short-term loans payable.

Noncurrent liabilities increased to 4,261 million yen, up 324 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 stand at 30,619 million yen, up 1,156 million yen from the end of the previous consolidated fiscal year, mainly due to the foreign currency translation adjustment.

Note that the equity ratio raised 0.1 percentage points to 57.4%. Net assets per share increased to 626.01 yen, up 23.41 yen from the end of last fiscal year.

5. Management Policy

[The company's challenges]

We face increasingly severe competition driven by local and foreign manufacturers in the business environment surrounding JMS Group while the healthcare markets grow mainly in emerging countries along with their economic growth. In the industrialized nations which are experiencing aging population, we still confront tough situation as the governments undergo continuous cost cutting in the medical service fee and reimbursement price foreseeing serious difficulties in increasing financial burdens because the medical expenditures have been increasing due to the development of advanced medical technologies and more application of minimally-invasive treatments. In the given circumstance, JMS Group is taking following responses to create and provide truly useful "value" for the medical professionals in order to solve their on-site problems.

(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", products for facilitating hospital / in-home treatment and care to contribute to "medical efficiency" and "reduction of medical cost", needed on the medical frontline, and products for assisting patients' recovery by their own to support "QOL improvement". We will also actively work on developing products to lead new medical care 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 as well as seeking business alliance with leading companies within and outside Japan 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

(Millions of yen)

	<u>As at March 31,</u> <u>2013</u>	<u>As at March 31,</u> <u>2014</u>
Assets		
Current assets		
Cash and deposits	4,153	1,997
Notes and accounts receivable - trade	15,026	16,211
Merchandise and finished goods	5,214	5,608
Work in process	1,973	2,330
Raw materials and supplies	3,571	3,668
Deferred tax assets	515	171
Other	594	785
Allowance for doubtful accounts	(5)	(7)
Total current assets	31,044	30,766
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,448	15,235
Accumulated depreciation	(10,298)	(10,820)
Buildings and structures, net	4,150	4,414
Machinery, equipment and vehicles	22,168	23,525
Accumulated depreciation	(16,882)	(17,429)
Machinery, equipment and vehicles, net	5,286	6,095
Tools, furniture and fixtures	9,497	10,220
Accumulated depreciation	(7,322)	(7,767)
Tools, furniture and fixtures, net	2,174	2,452
Land	2,738	2,779
Construction in progress	1,678	2,414
Total property, plant and equipment	16,029	18,156
Intangible assets	734	730
Investments and other assets		
Investment securities	2,746	2,925
Deferred tax assets	118	113
Other	616	534
Allowance for doubtful accounts	(4)	(3)
Total investments and other assets	3,477	3,569
Total non-current assets	20,241	22,456
Total assets	51,286	53,222

Consolidated balance sheet
JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2013</u>	<u>As at March 31,</u> <u>2014</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,474	7,705
Short-term loans payable	3,237	4,681
Current portion of long-term loans payable	1,386	1,363
Accounts payable - other	3,148	2,415
Income taxes payable	503	314
Deferred tax liabilities	—	5
Provision for product warranties	6	9
Provision for bonuses	1,002	1,040
Asset retirement obligations	21	—
Other	1,105	804
Total current liabilities	17,886	18,342
Non-current liabilities		
Long-term loans payable	2,393	2,632
Deferred tax liabilities	478	487
Provision for retirement benefits	447	—
Provision for directors' retirement benefits	51	71
Net defined benefit liability	—	472
Asset retirement obligations	146	246
Other	418	351
Total non-current liabilities	3,936	4,261
Total liabilities	21,823	22,603
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,687	12,504
Treasury shares	(271)	(274)
Total shareholders' equity	30,189	30,003
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	286	354
Foreign currency translation adjustment	(1,084)	169
Remeasurements of defined benefit plans	—	(0)
Total accumulated other comprehensive income	(798)	523
Minority interests	71	92
Total net assets	29,462	30,619
Total liabilities and net assets	51,286	53,222

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2013</u>	<u>Year ended March 31,</u> <u>2014</u>
Net sales	49,068	53,860
Cost of sales	35,630	40,237
Gross profit	13,438	13,622
Selling, general and administrative expenses	11,844	12,721
Operating income	1,594	900
Non-operating income		
Interest income	7	6
Dividend income	22	63
Share of profit of entities accounted for using equity method	179	137
House rent income	15	13
Foreign exchange gains	141	134
Other	96	131
Total non-operating income	462	488
Non-operating expenses		
Interest expenses	75	71
Share issuance cost	18	—
Commission fee	54	86
Other	27	43
Total non-operating expenses	177	201
Ordinary income	1,879	1,187
Extraordinary income		
Gain on sales of non-current assets	1	11
Gain on sales of investment securities	2	45
Total extraordinary income	4	57
Extraordinary losses		
Loss on sales of non-current assets	3	8
Loss on abandonment of non-current assets	50	87
Loss on abandonment of inventories	—	167
Total extraordinary losses	54	263
Income before income taxes and minority interests	1,829	981
Income taxes - current	692	439
Income taxes - deferred	(143)	324
Total income taxes	548	764
Income before minority interests	1,281	217
Minority interests in income	3	9
Net income	1,277	207

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2013</u>	<u>Year ended March 31,</u> <u>2014</u>
Income before minority interests	1,281	217
Other comprehensive income		
Valuation difference on available-for-sale securities	254	68
Foreign currency translation adjustment	1,300	1,254
Total other comprehensive income	1,554	1,322
Comprehensive income	2,836	1,539
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,821	1,518
Comprehensive income attributable to minority interests	14	20

Consolidated statements of changes in net assets

Year ended March 31, 2013

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	6,522	9,473	11,755	(270)	27,481
Changes of items during the period					
Issuance of new shares	888	888			1,777
Dividends from surplus			(345)		(345)
Net income			1,277		1,277
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	888	888	932	(1)	2,708
Balance at the end of current period	7,411	10,362	12,687	(271)	30,189

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at the beginning of current period	31	(2,385)	—	(2,353)	56	25,184
Changes of items during the period						
Issuance of new shares						1,777
Dividends from surplus						(345)
Net income						1,277
Purchase of treasury stock						(1)
Disposal of treasury stock						—
Net changes of items other than shareholders' equity	254	1,300	—	1,554	14	1,569
Total changes of items during the period	254	1,300	—	1,554	14	4,277
Balance at the end of current period	286	(1,084)	—	(798)	71	29,462

Consolidated statements of changes in net assets

Year ended March 31, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	7,411	10,362	12,687	(271)	30,189
Changes of items during the period					
Issuance of new shares					—
Dividends from surplus			(390)		(390)
Net income			207		207
Purchase of treasury stock				(3)	(3)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(182)	(2)	(185)
Balance at the end of current period	7,411	10,362	12,504	(274)	30,003

	Valuation and translation adjustments				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
Balance at the beginning of current period	286	(1,084)	—	(798)	71	29,462
Changes of items during the period						
Issuance of new shares						—
Dividends from surplus						(390)
Net income						207
Purchase of treasury stock						(3)
Disposal of treasury stock						0
Net changes of items other than shareholders' equity	68	1,254	(0)	1,321	20	1,342
Total changes of items during the period	68	1,254	(0)	1,321	20	1,156
Balance at the end of current period	354	169	(0)	523	92	30,619

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2013</u>	<u>Year ended March 31,</u> <u>2014</u>
Cash flows from operating activities		
Income before income taxes and minority interests	1,829	981
Depreciation	1,715	2,249
Increase (decrease) in allowance for doubtful accounts	(3)	0
Increase (decrease) in provision for retirement benefits	168	—
Increase (decrease) in provision for directors' retirement benefits	14	5
Increase(decrease) in net defined benefit liability	—	(1)
Interest and dividend income	(29)	(70)
Interest expenses	75	71
Foreign exchange losses (gains)	(7)	(51)
Share of (profit) loss of entities accounted for using equity method	(179)	(137)
Share issuance cost	18	—
Loss (gain) on sales of non-current assets	1	(3)
Loss on abandonment of non-current assets	50	87
Loss (gain) on sales of investment securities	(2)	(45)
Decrease (increase) in notes and accounts receivable - trade	324	(838)
Decrease (increase) in inventories	(1,074)	(407)
Increase (decrease) in notes and accounts payable - trade	96	149
Increase (decrease) in accrued consumption taxes	24	103
Decrease (increase) in other current assets	(99)	(128)
Increase (decrease) in other current liabilities	84	(158)
Other, net	115	(19)
Subtotal	3,125	1,784
Interest and dividend income received	99	124
Interest expenses paid	(77)	(72)
Income taxes paid	(602)	(630)
Net cash provided by (used in) operating activities	2,545	1,206
Cash flows from investing activities		
Payments into time deposits	(0)	—
Proceeds from withdrawal of time deposits	4	—
Purchase of property, plant and equipment	(3,177)	(4,551)
Proceeds from sales of property, plant and equipment	2	24
Purchase of intangible assets	(120)	(169)
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	33	63
Collection of loans receivable	25	—
Other, net	(105)	(116)
Net cash provided by (used in) investing activities	(3,340)	(4,751)
Cash flows from financing activities		
Increase in short-term loans payable	15,800	17,477
Decrease in short-term loans payable	(15,883)	(16,062)
Proceeds from long-term loans payable	1,300	1,734
Repayments of long-term loans payable	(1,365)	(1,536)
Proceeds from issuance of common shares	1,758	—
Proceeds from sales of treasury shares	—	0
Purchase of treasury shares	(1)	(3)
Cash dividends paid	(345)	(390)
Net cash provided by (used in) financing activities	1,262	1,219
Effect of exchange rate change on cash and cash equivalents	215	169
Net increase (decrease) in cash and cash equivalents	683	(2,156)
Cash and cash equivalents at beginning of period	3,468	4,152
Cash and cash equivalents at end of period	4,152	1,995