

# Financial Results for the Fiscal Year Ended March 31, 2018



May 11, 2018  
Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)  
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 Date of general shareholders' meeting (as planned) : June 21, 2018  
 Annual securities report filing date (as planned) : June 22, 2018 Dividend payable date (as planned) : June 22, 2018  
 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, 2018 (From April 1, 2017 to March 31, 2018)

### (1) Consolidated Financial 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	%
Year ended March 31, 2018	56,520	1.7	573	(48.1)	820	(43.5)	631	(46.6)
Year ended March 31, 2017	55,574	(3.6)	1,106	(22.2)	1,451	15.9	1,182	56.7

(Note) Comprehensive income : Year ended March 31, 2018: 880 million yen [37.5%], Year ended March 31, 2017: 640 million yen [—%].

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets ratio	Operating income to net sales ratio
	Yen	Yen	%	%	%
Year ended March 31, 2018	25.91	—	2.0	1.2	1.0
Year ended March 31, 2017	48.51	—	3.8	2.2	2.0

(Note) Equity in earnings of affiliates : Year ended March 31, 2018: 323 million yen, Year ended March 31, 2017: 245 million yen.

We have conducted a share consolidation of common stock of JMS Co., Ltd. ("the Company") pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the "Net income per share" has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As at March 31, 2018	67,727	31,549	46.4	1,289.55
As at March 31, 2017	65,681	31,061	47.1	1,269.31

(Note) Owner's equity : As at March 31, 2018: 31,422 million yen, As at March 31, 2017: 30,931 million yen.

We have conducted a share consolidation of common stock of JMS Co., Ltd. ("the Company") pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the "Net income per share" has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

### (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, 2018	2,666	(3,203)	1,420	7,220
Year ended March 31, 2017	4,675	(4,809)	644	6,333

## 2. Dividends

	Dividends per share					Total dividend paid	Payout ratio (Consolidated)	Ratio of total amount of dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2017	—	4.00	—	4.00	8.00	389	33.0	1.3
Year ended March 31, 2018	—	4.00	—	8.00	—	389	61.8	1.3
Year ending March 31, 2019 (forecast)	—	8.00	—	8.00	16.00		48.7	

(Note) We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of the year-end cash dividend per share for the fiscal year ended March 31, 2018 mentioned above and the total annual dividend amount is indicated as "—". The year-end cash dividend per share and total annual dividend amount per share for the fiscal year ended March 31, 2018, without taking into consideration the share consolidation, are 4 yen and 8 yen, respectively.

## 3. Consolidated Forecast for the Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to		Basic earnings per
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year ending September 30, 2017	28,000	4.7	350	123.2	450	34.6	300	42.4	12.31
Year ending March 31, 2018	58,000	2.6	1,000	74.3	1,200	46.3	800	26.7	32.83

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 performance

##### (1) Overview of business performance of this fiscal year

In regard to the business environment surrounding the JMS Group, while the medical device market keeps growing especially in emerging countries, the competition among domestic and foreign manufacturers with more supply capacity is intensifying in overseas markets. In Japan, while increasing access to the medical devices market by different industries which has sought new growth potential in there, the strong demand for safety and quality of medical devices keeps growing. The government continues to curb the rise in medical expenses under the healthcare policy by decreasing drug/device prices, in the context of the aging society with low birthrate and of worsening financial condition of the health insurance system.

In the given environment, JMS strives to enhance product development, production and sales as well as 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'. From the first quarter, JMS has shifted to Business Unit (BU) type organization, and set three Business Units, 'Hospital Products BU' mainly handles infusion and enteral nutrition, 'Surgical & Therapy BU' mainly handles Dialysis and Cardiovascular, and 'Blood Management & Cell Therapy BU' mainly handles Blood Transfusion.

As a result of the abovementioned operations, JMS recorded consolidated net sales of 56,520 million yen in this period, up 1.7% / 945 million yen (year-over-year).

The operating profit totaled 573 million yen in this period, down 48.1% (year-over-year), due to the increase in labor cost, selling cost and R&D cost. The addition of share of profit of entities accounted for using equity method was offset by the increased foreign exchange losses resulted in an ordinary profit of 820 million yen, down by 43.5% (year-over-year). The adjustment of income tax resulted in the net profit attributable to the profit attributable to owners of parent of 631 million yen, down by 46.6% (year-over-year).

##### Business performance by geographical segment.

Due to the revision in the segment classification from this fiscal year, the fiscal year (accumulated) comparison and analysis has been restated in accordance with these segment changes.

###### (i) Japan

Increased sales of Closed Mixing/Infusion System for Anticancer Drug "NEO SHIELD" and Single Patient Dialysis Machines for Asia market were offset by the sales drop of intersegment transactions, reducing net sales to 41,214 million yen, down by 1.6% (year-over-year). Despite the dividend income from affiliated companies, the influence of decrease sales and the increase R&D cost resulted in a profit of 795 million yen, down by 0.2% (year-over-year), for this geographical segment.

###### (ii) Singapore

Increased sales of Apheresis kits for North America market raised net sales to 18,975 million yen, up by 4.9% (year-over-year). The influence of increased labor cost and influence of foreign currency exchange resulted in a profit of 656 million yen, down by 17.3% (year-over-year), for this geographical segment.

###### (iii) China

Decreased sales of Dialyzer for the domestic market reduced net sales to 3,585 million yen, down by 9.2% (year-over-year). The influence of decreased sales and the increase of selling cost resulted in a profit of 27 million yen, down by 90.8% (year-over-year), for this geographical segment.

###### (iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 682 million yen, up by 246.3% (year-over-year). The influence of increased sales reduced loss to 629 million yen, improved by 77 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 7,765 million yen, up by 10.5% (year-over-year), and net profit of 308 million yen, up by 26.1% (year-over-year).

The abovementioned figures do not include consumption tax, etc.

[Future outlook]

The environment surrounding in Japan seems to continue to worsen that the government continues the healthcare policy to restrain medical expenditures and so the expectations to reduce costs in medical equipments will also be rising from medical institution. On the other hand, in overseas, there is a growing need for medical care and business opportunities of medical devices especially in developing countries with economic development.

Amidst this environment, our corporate group will work on developing products that can contribute to “Medical safety and efficiency” and “Improving Quality of Life”, production streamlining and global business deployment with the aim of providing products and services that can contribute to a healthy and better life by serving as a bridge between those who need medical care and those who provide it.

< Consolidated business forecast >

(Unit: million yen)

	Result of last fiscal year ended Mar. 2018	Forecast of current fiscal year ending Mar. 2019	Changes from same previous period
Net sales	56,520	58,000	2.6%
Operating profit	573	1,000	74.3%
Ordinary profit	820	1,200	46.3%
Profit attributable to owners of parent	631	800	26.7%

Exchange rate for the forecast: 1USD=105yen, 1EUR=130yen, 1SGD=82yen.

(2) Overview of the financial condition

Total assets as of the end of this period totaled 67,727 million yen, up by 2,046 million yen from the end of the previous fiscal year. The details of assets, liabilities and net assets are as shown below.

(Assets)

Current assets increased to 38,417 million yen, up by 2,138 million yen from the end of the previous fiscal year, mainly due to the increase of notes and accounts receivable – trade.

Non-current assets decreased to 29,309 million yen, down by 92 million yen from the end of the previous fiscal year, mainly due to the decrease of property, plant and equipment.

(Liabilities)

Current liabilities increased to 21,508 million yen, up by 724 million yen from the end of the previous fiscal year, mainly due to the increase of current portion of long-term loans payable.

Non-current liabilities increased to 14,669 million yen, up by 833 million yen from the end of the previous fiscal year, mainly due to the increase of lease obligations.

(Net assets)

Net assets increased to 31,549 million yen, up by 488 million yen from the end of the previous fiscal year, mainly due to the increase of retained earnings.

Note that the capital adequacy ratio decreased by 0.7 percentage points to 46.4%.

## 5. Consolidated Financial Statements

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

(Millions of yen)

	<u>As at March 31,</u> <u>2017</u>	<u>As at March 31,</u> <u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,270	7,162
Notes and accounts receivable - trade	15,357	16,452
Securities	71	71
Merchandise and finished goods	7,193	7,438
Work in process	2,162	2,331
Raw materials and supplies	3,676	3,409
Deferred tax assets	523	820
Other	1,102	761
Allowance for doubtful accounts	(78)	(29)
<b>Total current assets</b>	<b>36,279</b>	<b>38,417</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	20,753	20,729
Accumulated depreciation	(11,596)	(12,076)
Buildings and structures, net	9,156	8,652
Machinery, equipment and vehicles	28,687	28,758
Accumulated depreciation	(20,150)	(21,020)
Machinery, equipment and vehicles, net	8,536	7,738
Tools, furniture and fixtures	11,347	11,744
Accumulated depreciation	(8,989)	(9,328)
Tools, furniture and fixtures, net	2,357	2,415
Land	2,653	2,667
Leased assets	163	753
Accumulated depreciation	(10)	(62)
Leased assets, net	152	691
Construction in progress	1,085	1,159
<b>Total property, plant and equipment</b>	<b>23,942</b>	<b>23,324</b>
Intangible assets	448	438
<b>Investments and other assets</b>		
Investment securities	3,490	3,875
Deferred tax assets	154	174
Other	1,368	1,509
Allowance for doubtful accounts	(3)	(12)
<b>Total investments and other assets</b>	<b>5,011</b>	<b>5,546</b>
<b>Total non-current assets</b>	<b>29,402</b>	<b>29,309</b>
<b>Total assets</b>	<b>65,681</b>	<b>67,727</b>

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

(Millions of yen)

	<u>As at March 31,</u> <u>2017</u>	<u>As at March 31,</u> <u>2018</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,855	8,609
Short-term loans payable	3,990	4,110
Current portion of long-term loans payable	2,052	2,926
Lease obligations	23	126
Accounts payable - other	3,108	3,240
Income taxes payable	316	198
Deferred tax liabilities	—	27
Provision for product warranties	8	8
Provision for bonuses	1,085	1,041
Asset retirement obligations	—	135
Other	1,343	1,086
Total current liabilities	20,784	21,508
Non-current liabilities		
Long-term loans payable	11,645	11,959
Lease obligations	142	582
Deferred tax liabilities	642	745
Provision for directors' retirement benefits	92	103
Net defined benefit liability	651	751
Asset retirement obligations	236	106
Other	425	419
Total non-current liabilities	13,836	14,669
Total liabilities	34,620	36,177
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,313	13,554
Treasury shares	(282)	(283)
Total shareholders' equity	30,803	31,044
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	439	551
Foreign currency translation adjustment	(312)	(173)
Total accumulated other comprehensive income	127	378
Non-controlling interests	130	127
Total net assets	31,061	31,549
Total liabilities and net assets	65,681	67,727

## **Consolidated statements of income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2017</u>	<u>Year ended March 31,</u> <u>2018</u>
Net sales	55,574	56,520
Cost of sales	41,139	42,238
Gross profit	14,435	14,282
Selling, general and administrative expenses	13,329	13,708
Operating profit	1,106	573
Non-operating income		
Interest income	10	15
Dividend income	41	33
Share of profit of entities accounted for using equity method	245	323
House rent income	9	9
Subsidy income	71	45
Other	151	119
Total non-operating income	530	547
Non-operating expenses		
Interest expenses	126	128
Foreign exchange losses	14	130
Other	44	42
Total non-operating expenses	185	300
Ordinary profit	1,451	820
Extraordinary income		
Gain on sales of non-current assets	11	21
Gain on sales of investment securities	0	—
Subsidy income	800	—
Total extraordinary income	811	21
Extraordinary losses		
Loss on sales of non-current assets	0	6
Impairment loss	289	44
Loss on abandonment of non-current assets	118	50
Loss on reduction of non-current assets	755	—
Loss on sales of investment securities	0	—
Total extraordinary losses	1,163	101
Profit before income taxes	1,100	740
Income taxes - current	369	345
Income taxes - deferred	(461)	(234)
Total income taxes	(91)	111
Profit	1,191	629
Profit (loss) attributable to non-controlling interests	9	(2)
Profit attributable to owners of parent	1,182	631

## **Consolidated statements of comprehensive income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2017</u>	<u>Year ended March 31,</u> <u>2018</u>
Profit	1,191	629
Other comprehensive income		
Valuation difference on available-for-sale securities	68	112
Foreign currency translation adjustment	(620)	138
Total other comprehensive income	(551)	250
Comprehensive income	640	880
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	627	882
Comprehensive income attributable to non-controlling interests	12	(2)

## Consolidated statements of changes in net assets

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,411	10,362	12,618	(280)	30,111
Changes of items during period					
Dividends of surplus			(487)		(487)
Profit attributable to owners of parent			1,182		1,182
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	694	(2)	692
Balance at end of current period	7,411	10,362	13,313	(282)	30,803

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	370	308	678	117	30,907
Changes of items during period					
Dividends of surplus					(487)
Profit attributable to owners of parent					1,182
Purchase of treasury shares					(2)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity	68	(620)	(551)	12	(539)
Total changes of items during period	68	(620)	(551)	12	153
Balance at end of current period	439	(312)	127	130	31,061

## Consolidated statements of changes in net assets

Year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,411	10,362	13,313	(282)	30,803
Changes of items during period					
Dividends of surplus			(389)		(389)
Profit attributable to owners of parent			631		631
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	241	0	240
Balance at end of current period	7,411	10,362	13,554	(283)	31,044

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	439	(312)	127	130	31,061
Changes of items during period					
Dividends of surplus					(389)
Profit attributable to owners of parent					631
Purchase of treasury shares					(1)
Disposal of treasury shares					0
Net changes of items other than shareholders' equity	112	138	250	(2)	248
Total changes of items during period	112	138	250	(2)	488
Balance at end of current period	551	(173)	378	127	31,549

## Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2017</u>	<u>Year ended March 31,</u> <u>2018</u>
Cash flows from operating activities		
Profit before income taxes	1,100	740
Depreciation	2,972	3,059
Impairment loss	289	44
Increase (decrease) in allowance for doubtful accounts	0	(37)
Increase (decrease) in provision for directors' retirement benefits	7	1
Increase (decrease) in net defined benefit liability	(13)	123
Interest and dividend income	(52)	(49)
Interest expenses	126	128
Foreign exchange losses (gains)	47	(54)
Share of loss (profit) of entities accounted for using equity method	(245)	(323)
Loss (gain) on sales of non-current assets	(11)	(14)
Loss on abandonment of non-current assets	118	50
Loss on reduction of non-current assets	755	—
Loss (gain) on sales of investment securities	0	—
Subsidy income	(800)	—
Decrease (increase) in notes and accounts receivable - trade	(19)	(1,079)
Decrease (increase) in inventories	(770)	(93)
Increase (decrease) in notes and accounts payable - trade	321	(259)
Increase (decrease) in accrued consumption taxes	622	(280)
Decrease (increase) in other current assets	(21)	342
Increase (decrease) in other current liabilities	70	635
Other, net	191	(64)
Subtotal	4,689	2,870
Interest and dividend income received	126	148
Interest expenses paid	(127)	(127)
Proceeds from subsidy income	265	200
Income taxes paid	(278)	(424)
Net cash provided by (used in) operating activities	4,675	2,666
Cash flows from investing activities		
Payments into time deposits	(5)	(10)
Proceeds from withdrawal of time deposits	—	5
Purchase of property, plant and equipment	(4,744)	(2,800)
Proceeds from sales of property, plant and equipment	14	72
Purchase of intangible assets	(98)	(136)
Proceeds from sales of investment securities	0	—
Other, net	23	(333)
Net cash provided by (used in) investing activities	(4,809)	(3,203)
Cash flows from financing activities		
Increase in short-term loans payable	18,400	16,321
Decrease in short-term loans payable	(18,400)	(16,201)
Proceeds from long-term loans payable	3,316	3,326
Repayments of long-term loans payable	(2,168)	(1,927)
Proceeds from sales of treasury shares	—	0
Purchase of treasury shares	(2)	(1)
Cash dividends paid	(485)	(390)
Proceeds from sales and leasebacks	—	353
Repayments of lease obligations	(17)	(61)
Net cash provided by (used in) financing activities	644	1,420
Effect of exchange rate change on cash and cash equivalents	(157)	4
Net increase (decrease) in cash and cash equivalents	351	887
Cash and cash equivalents at beginning of period	5,982	6,333
Cash and cash equivalents at end of period	6,333	7,220