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Financial Results for the Fiscal Year Ended March 31, 2023

May 12, 2023

Stock Exchange Listings : Prime Market of Tokyo

Company name : JMS Co., Ltd. (URL <https://www.jms.cc/>)
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 Date of general shareholders' meeting (as planned) : Jun 27, 2023
 Annual securities report filing date (as planned) : Jun 28, 2023 Dividend payable date (as planned) : Jun 28, 2023
 Supplemental material of annual results : Yes

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

1. Consolidated Financial Highlights for the Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(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, 2023	63,740	9.6	724	(26.1)	586	(47.9)	281	(66.0)
Year ended March 31, 2022	58,169	1.0	980	(53.9)	1,126	(44.1)	826	(52.4)

(Note) Comprehensive income: Year ended March 31, 2023: 1,957 million yen [(22.4)%], Year ended March 31 2022: 2,522 million yen [(13.3)%]

	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, 2023	11.50	—	0.7	0.8	1.1
Year ended March 31, 2022	33.83	—	2.3	1.6	1.7

(Note) Equity in earnings of affiliates: Year ended March 31, 2023: (154) million yen, Year ended March 31, 2022: 9 million yen.

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As at March 31, 2023	74,407	38,700	51.8	1,575.95
As at March 31, 2022	71,971	37,093	51.4	1,512.77

(Note) Owner's equity: As at March 31, 2023: 38,530 million yen, As at March 31, 2022: 36,959 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, 2023	2,485	(3,691)	525	6,325
Year ended March 31, 2022	4,399	(3,677)	(499)	6,810

2. Dividends

	Dividend 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, 2022	—	8.50	—	8.50	17.00	415	50.3	1.2
Year ended March 31, 2023	—	8.50	—	8.50	17.00	415	147.8	1.1
Year ending March 31, 2024 (forecast)	—	8.50	—	8.50	17.00		52.0	

3. Consolidated Forecast for the Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(%: 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
Half year ending September 30, 2023	32,400	8.1	350	—	400	610.5	300	—	12.27
Year ending March 31, 2024	67,000	5.1	1,000	37.9	1,100	87.5	800	184.7	32.72

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

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.

In regard to the business environment surrounding the JMS Group, for the domestic market, as a result of progress in COVID-19 countermeasures such as vaccination and the shift to a "new lifestyle" towards coexistence with COVID-19, showing a recovery trend in refraining from doctor visits and postponing non-essential surgeries and procedures. Demand is expected to continue to recover due to the deregulation of COVID-19 and other factors, including the revision of classification of COVID-19 to "Category 5" in the Infectious Diseases Act in May 2023. In overseas markets, although the situation varies depending on the country and region, there is a general recovery from the impact of COVID-19, and the shift to coexistence with COVID-19 is accelerating worldwide. Although soaring ocean freight rates calms down, soaring prices of raw materials and electricity costs based on rising crude oil prices are still putting pressure on corporate management, and the external business environment remains severe. Even under these circumstances, the outlook in medical equipment market is expected to continue to show stable growth against the background of the global advance of aging, growing health conscious, rising expectations for advanced medical care, and increased demand in emerging countries. In recent years, the trend toward medical DX has led to a demand for reducing the burden on medical staff and improving the efficiency of medical services through online medical care and the use of collected/analyzed data. As a result, it is expected that the provision of optimal solutions to meet these demands will become increasingly important in the market.

In the domestic market, sales related to the Acute Blood Purification business increased, and sales of Closed Drug Mixing/Infusion Systems, Hemodialysis Machines, and Cardiopulmonary Blood Tubing Sets were also strong. In overseas markets, the situation varies depending on the country or region, but there has been a recovery from the impact of the COVID-19, with increased sales of AVF needles and Apheresis kits, and strong sales of Blood bags.

As a result of the above, JMS recorded consolidated net sales of 63,740 million yen in this period, up by 9.6% / 5,571 million yen (year-over-year), due in part to an increase in yen equivalent value resulting from yen depreciation. Despite the effect of increase sales, the impact of soaring raw material and electricity costs, and the increase in labor costs in preparation for the recovery in demand, as well as selling expenses associated with the resumption of sales activities, resulted in an operating profit of 724 million yen, down by 26.1% (year-over-year). Due to a decrease in subsidy income and equity in earnings of affiliates, ordinary income resulted in 586 million yen, down by 47.9% (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 the parent was 281 million yen, down by 66.0% (year-over-year).

Business performance by geographical segment.

(i) Japan

Sales related to the Acute Blood Purification business, including for the China market, increased. Sales of Closed Drug Mixing/Infusion Systems and Cardiopulmonary Blood Tubing Sets were also strong. In addition, exports of Hemodialysis Machines for China resumed with the arrival of semiconductors, and, together with the recovery in demand for the domestic market, increased sales. As a result, net sales were 44,573 million yen, up by 4.4% (year-over-year). The impact of soaring prices of raw materials, electricity costs, and ocean freight rates, as well as the increase in the yen equivalent of foreign currency-denominated purchase transactions due to yen depreciation and an increase in selling expenses, resulted in a segment profit of 378 million yen, down by 65.1% (year-over-year).

(ii) Singapore

Sales of Apheresis kits showed a recovery in North America, and sales of Blood bags for Asia and AV Fistula Needles for affiliates also increased, resulting in net sales of 22,558 million yen, up by 27.1% (year-over-year). The effect of increased sales absorbed soaring prices of raw materials and increased labor costs in preparation for the recovery in demand, resulting in a segment profit of 159 million yen, up by 234 million yen (year-over-year) for this geographical segment.

(iii) China

Increased demand in China market led to strong sales of AV Fistula Needles and Blood Purification Tubing Sets, while increased sales of Enteral nutrition-related products and materials supplied to affiliated companies resulted in net sales of 4,088 million yen, up by 20.7% (year-over-year). Despite soaring prices of raw materials and increased labor costs, the effect of increased sales and the recording of foreign exchange gains resulted in a profit of 79 million yen, up by 122.6% (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 3,716 million yen, up by 17.7% (year-over-year). Due to soaring prices of raw materials and electricity costs, as well as increased labor costs and depreciation associated with investing in facilities, resulted in a profit of 85 million yen, down by 66.1% (year-over-year) for this geographical segment.

(v) Germany

Due to increased sales of Dialysis Therapy Chairs and Dialysis Kits, as well as strong sales of Blood bags, net sales were 3,749 million yen, up by 9.2% (year-over-year). The effect of higher sales absorbed increased ocean freight costs, resulting in a profit of 178 million yen, up by 35.9% (year-over-year) for this geographical segment.

(vi) Others

Due to increased sales of AV Fistula Needles for North America and other factors, net sales amounted to 5,376 million yen, up by 32.5% (year-over-year), with a profit of 141 million yen, up by 147 million yen (year-over-year).

The above-mentioned figures do not include consumption tax, etc.

(2) Overview of the financial condition

Total assets as of the end of this period totaled 74,407 million yen, up by 2,436 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 42,263 million yen, up by 2,220 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in accounts receivable - trade. Non-current assets increased to 32,144 million yen, up by 215 million yen from the end of the previous fiscal year, mainly due to an increase in Property, plant, and equipment.

(Liabilities)

Current liabilities decreased to 22,437 million yen, down by 410 million yen from the end of the previous consolidated fiscal year, mainly due to a decrease in the current portion of Long-term borrowings. Non-current liabilities increased to 13,270 million yen, up by 1,240 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in Long-term borrowings.

(Net assets)

Net assets increased to 38,700 million yen, up by 1,607 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 0.4 percentage points to 51.8%.

(3) Overview of the cash flows

As of the end of the consolidated fiscal year, cash and cash equivalents amounted to 6,325 million yen, down by 485 million yen from the end of the previous consolidated fiscal year. Cash flows from various activities are described in more detail below.

(Cash flows from operating activities)

Net cash provided by operating activities was 2,485 million yen, down by 1,914 million yen from the preceding fiscal year, mainly due to an increase in trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was 3,691 million yen, up by 13 million yen from the previous consolidated fiscal year, mainly due to the acquisition of Property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities was 525 million yen, an increase of 1,024 million yen from the preceding fiscal year, mainly due to a balance of loans payable.

(4) Overview of consolidated business forecast

In terms of the outlook, as uncertainty over the impact of COVID-19 and the prolonged situation in Russia and Ukraine persists, the risk of deterioration of domestic and global economies still remains, and the business environment is expected to continue changing in the future. Amidst this environment, despite the ongoing impact of higher costs associated with soaring prices, our corporate group will expand sales in domestic and overseas in response to the recovery in demand. At the same time, we will promote further improvements in productivity and cost reductions, and review the terms and conditions of transactions, such as sales prices, in a timely manner to recover our business performance. The forecast of consolidated financial results for the next fiscal year (ending March 2024) is as follows.

< Consolidated business forecast >

(Unit: million yen)

	Result of last fiscal year ended Mar. 2023	Forecast of current fiscal year ending Mar. 2024	Changes from same previous period
Net sales	63,740	67,000	5.1%
Operating profit	724	1,000	37.9%
Ordinary profit	586	1,100	87.5%
Profit attributable to owners of parent	281	800	184.7%

Exchange rate for the forecast: 1USD=130yen, 1EUR=140yen, 1SGD=98yen.

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 March 31,</u> <u>2023</u>
Assets		
Current assets		
Cash and deposits	6,605	6,329
Notes receivable - trade	1,559	1,849
Accounts receivable - trade	14,518	15,348
Securities	208	—
Merchandise and finished goods	8,815	9,158
Work in process	2,848	3,096
Raw materials and supplies	4,870	5,503
Other	646	1,008
Allowance for doubtful accounts	(29)	(30)
Total current assets	<u>40,042</u>	<u>42,263</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,814	24,151
Accumulated depreciation	(14,192)	(14,931)
Buildings and structures, net	<u>8,621</u>	<u>9,219</u>
Machinery, equipment and vehicles	33,615	36,060
Accumulated depreciation	(25,369)	(27,303)
Machinery, equipment and vehicles, net	<u>8,246</u>	<u>8,756</u>
Tools, furniture and fixtures	12,395	12,589
Accumulated depreciation	(10,331)	(10,688)
Tools, furniture and fixtures, net	<u>2,064</u>	<u>1,900</u>
Land	2,682	2,696
Leased assets	427	425
Accumulated depreciation	(266)	(325)
Leased assets, net	<u>161</u>	<u>99</u>
Right of use assets	1,952	1,575
Accumulated depreciation	(635)	(620)
Right of use assets, net	<u>1,317</u>	<u>955</u>
Construction in progress	2,368	2,379
Total property, plant and equipment	<u>25,460</u>	<u>26,008</u>
Intangible assets		
Goodwill	134	119
Other	900	728
Total intangible assets	<u>1,035</u>	<u>847</u>
Investments and other assets		
Investment securities	4,168	4,099
Deferred tax assets	733	593
Other	616	678
Allowance for doubtful accounts	(86)	(84)
Total investments and other assets	<u>5,432</u>	<u>5,287</u>
Total non-current assets	<u>31,928</u>	<u>32,144</u>
Total assets	<u>71,971</u>	<u>74,407</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 March 31,</u> <u>2023</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,482	8,699
Short-term borrowings	3,450	4,002
Current portion of long-term borrowings	4,604	3,916
Lease liabilities	297	172
Accounts payable - other	3,420	3,544
Income taxes payable	229	141
Contract liabilities	80	244
Provision for bonuses	1,097	1,111
Asset retirement obligations	25	—
Other	1,159	604
Total current liabilities	22,847	22,437
Non-current liabilities		
Long-term borrowings	10,112	11,599
Lease liabilities	252	59
Deferred tax liabilities	240	279
Provision for retirement benefits for directors (and other officers)	139	151
Retirement benefit liability	653	500
Asset retirement obligations	166	189
Other	465	489
Total non-current liabilities	12,030	13,270
Total liabilities	34,878	35,707
Net assets		
Shareholders' equity		
Share capital	7,411	7,411
Capital surplus	10,351	10,351
Retained earnings	17,652	17,514
Treasury shares	(233)	(219)
Total shareholders' equity	35,182	35,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	339	362
Foreign currency translation adjustment	1,437	3,110
Total accumulated other comprehensive income	1,777	3,473
Non-controlling interests	133	169
Total net assets	37,093	38,700
Total liabilities and net assets	71,971	74,407

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2022</u>	<u>Year ended March 31,</u> <u>2023</u>
Net sales	58,169	63,740
Cost of sales	43,899	49,145
Gross profit	14,269	14,594
Selling, general and administrative expenses	13,288	13,869
Operating profit	980	724
Non-operating income		
Interest income	7	12
Dividend income	46	47
Share of profit of entities accounted for using equity method	9	—
Commission income	4	45
Subsidy income	232	56
Other	73	97
Total non-operating income	373	258
Non-operating expenses		
Interest expenses	159	167
Share of loss of entities accounted for using equity method	—	154
Foreign exchange losses	52	56
Other	15	19
Total non-operating expenses	227	397
Ordinary profit	1,126	586
Extraordinary income		
Gain on sale of non-current assets	2	8
Gain on sale of investment securities	—	57
Total extraordinary income	2	65
Extraordinary losses		
Loss on sale of non-current assets	0	0
Loss on abandonment of non-current assets	53	31
Total extraordinary losses	53	31
Profit before income taxes	1,075	620
Income taxes - current	300	198
Income taxes - deferred	(39)	160
Total income taxes	261	358
Profit	813	261
Loss attributable to non-controlling interests	(12)	(19)
Profit attributable to owners of parent	826	281

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2022</u>	<u>Year ended March 31,</u> <u>2023</u>
Profit	813	261
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	22
Foreign currency translation adjustment	1,769	1,672
Total other comprehensive income	<u>1,708</u>	<u>1,695</u>
Comprehensive income	<u>2,522</u>	<u>1,957</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,529	1,977
Comprehensive income attributable to non-controlling interests	(7)	(20)

Consolidated statements of changes in net assets

Year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,411	10,362	17,241	(242)	34,772
Changes during period					
Dividends of surplus			(415)		(415)
Profit attributable to owners of parent			826		826
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			0	9	10
Change in ownership interest of parent due to transactions with non-controlling interests		(10)			(10)
Net changes in items other than shareholders' equity					
Total changes during period	—	(10)	411	9	410
Balance at end of period	7,411	10,351	17,652	(233)	35,182

	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 period	401	(332)	69	151	34,993
Changes during period					
Dividends of surplus					(415)
Profit attributable to owners of parent					826
Purchase of treasury shares					(0)
Disposal of treasury shares					10
Change in ownership interest of parent due to transactions with non-controlling interests					(10)
Net changes in items other than shareholders' equity	(61)	1,769	1,708	(18)	1,689
Total changes during period	(61)	1,769	1,708	(18)	2,099
Balance at end of period	339	1,437	1,777	133	37,093

Consolidated statements of changes in net assets

Year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,411	10,351	17,652	(233)	35,182
Changes during period					
Dividends of surplus			(415)		(415)
Profit attributable to owners of parent			281		281
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(4)	13	9
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	(138)	13	(125)
Balance at end of period	7,411	10,351	17,514	(219)	35,057

	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 period	339	1,437	1,777	133	37,093
Changes during period					
Dividends of surplus					(415)
Profit attributable to owners of parent					281
Purchase of treasury shares					(0)
Disposal of treasury shares					9
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity	22	1,672	1,695	36	1,732
Total changes during period	22	1,672	1,695	36	1,607
Balance at end of period	362	3,110	3,473	169	38,700

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2022</u>	<u>Year ended March 31,</u> <u>2023</u>
Cash flows from operating activities		
Profit before income taxes	1,075	620
Depreciation	3,345	3,576
Amortization of goodwill	14	17
Increase (decrease) in allowance for doubtful accounts	71	(3)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	6	1
Increase (decrease) in retirement benefit liability	(193)	(170)
Interest and dividend income	(53)	(59)
Interest expenses	159	167
Foreign exchange losses (gains)	(32)	(77)
Share of loss (profit) of entities accounted for using equity method	(9)	154
Loss (gain) on sale of non-current assets	(3)	(7)
Loss on abandonment of non-current assets	53	31
Loss (gain) on sale of investment securities	—	(57)
Decrease (increase) in trade receivables	526	(818)
Decrease (increase) in inventories	(110)	(576)
Increase (decrease) in trade payables	55	99
Increase (decrease) in accrued consumption taxes	(24)	(124)
Decrease (increase) in other current assets	62	(301)
Increase (decrease) in other current liabilities	(141)	272
Other, net	83	98
Subtotal	<u>4,886</u>	<u>2,843</u>
Interest and dividends received	79	59
Interest paid	(161)	(169)
Income taxes paid	(405)	(248)
Net cash provided by (used in) operating activities	<u>4,399</u>	<u>2,485</u>
Cash flows from investing activities		
Payments into time deposits	—	(0)
Proceeds from withdrawal of time deposits	0	—
Purchase of property, plant and equipment	(2,857)	(3,511)
Proceeds from sale of property, plant and equipment	4	19
Purchase of intangible assets	(404)	(45)
Payments for acquisition of businesses	(274)	(10)
Purchase of investment securities	(55)	(100)
Proceeds from sale of investment securities	—	96
Proceeds from distributions from investment partnerships	2	—
Other, net	(93)	(140)
Net cash provided by (used in) investing activities	<u>(3,677)</u>	<u>(3,691)</u>
Cash flows from financing activities		
Proceeds from short-term borrowings	14,937	11,928
Repayments of short-term borrowings	(15,824)	(11,409)
Proceeds from long-term borrowings	5,837	5,855
Repayments of long-term borrowings	(4,714)	(5,191)
Proceeds from share issuance to non-controlling shareholders	—	55
Purchase of treasury shares	(0)	(0)
Proceeds from sale of treasury shares	—	0
Dividends paid	(414)	(415)
Dividends paid to non-controlling interests	(1)	—
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(20)	—
Repayments of lease liabilities	(298)	(297)
Net cash provided by (used in) financing activities	<u>(499)</u>	<u>525</u>
Effect of exchange rate change on cash and cash equivalents	365	195
Net increase (decrease) in cash and cash equivalents	<u>588</u>	<u>(485)</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>6,810</u>	<u>6,325</u>