

Financial Results for the Fiscal Year Ended March 31, 2015



May 08, 2015
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 19, 2015
 Annual securities report filing date (as planned) : June 22, 2015 Dividend payable date (as planned) : June 22, 2015
 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, 2015 (From April 1, 2014 to March 31, 2015)

(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, 2015	55,401	2.9	378	(57.9)	373	(68.6)	139	(32.9)
Year ended March 31, 2014	53,860	9.8	900	(43.5)	1,187	(36.8)	207	(83.8)

(Note) Comprehensive income : Year ended March 31, 2015: 1,292 million yen [(16.0)%], Year ended March 31, 2014: 1,539 million yen [(45.7)%].

	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, 2015	2.85	—	0.4	0.7	0.7
Year ended March 31, 2014	4.25	—	0.7	2.3	1.7

(Note) Equity in earnings of affiliates : Year ended March 31, 2015: 175 million yen, Year ended March 31, 2014: 137 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, 2015	60,452	31,530	52.0	644.42
As at March 31, 2014	53,222	30,619	57.4	626.01

(Note) Shareholders' equity : As at March 31, 2015: 31,418 million yen, As at March 31, 2014: 30,526 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, 2015	2,901	(3,856)	3,484	4,709
Year ended March 31, 2014	1,206	(4,751)	1,219	1,995

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			
Year ended March 31, 2014	—	4.00	—	4.00	8.00	390	188.2	1.3
Year ended March 31, 2015	—	4.00	—	4.00	8.00	390	280.7	1.3
Year ending March 31, 2016 (forecast)	—	4.00	—	4.00	8.00		78.0	

3. Consolidated Forecast for the Year Ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(%: change from the same previous period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year ending September 30, 2015	28,000	6.7	250	442.6	300	109.7	150	106.2	3.08
Year ending March 31, 2016	58,000	4.7	700	84.7	800	114.3	500	259.5	10.26

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, the medical market keeps growing mainly in emerging countries, and the competition among domestic and foreign manufacturers is intensifying in overseas markets. In Japan, newly legislated “the Pharmaceuticals, Medical devices and Other Therapeutic Products Act” accelerates new market access from other industry and the growth of demand of safety and quality for medical devices. In the meantime the government continues to curb the rise in medical expenses under the healthcare policy by increasing medical fees and 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 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 55,401 million yen in this period, up 2.9% / 1,540 million yen (year-over-year).

The operating income totaled 378 million yen, down 57.9%, due to the depreciation cost of automated equipment for production enhancement as well as the increase of import cost with weaker yen. The foreign exchange loss resulted in the ordinary income of 373 million yen, down 68.6% (year-over-year). The addition of gain on sales of investment securities and the deduction of tax expense resulted in the net income of 139 million yen, down 32.9% (year-over-year).

Business performance by geographical segment.

(i) Japan

Strong sales of single patient hemodialysis machines for overseas markets was offset by the influence of reaction of the last-minutes demand before the consumption tax increase and decreasing reimbursement price in Japan, reducing net sales to 40,412 million yen, down 1.6% (year-over-year). The influence of sales drop as well as the increase of import prices by the weak yen resulted in a profit of 105 million yen, down 88.7%, for this geographical segment.

(ii) Southeast Asia

Continued growth in the sales of AV fistula needles for Western markets raised net sales to 18,766 million yen, up 12.2% (year-over-year). Despite the increase of labor cost, the influence of increased sales led to a profit of 63 million yen, up 367 million yen 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 3,896 million yen, up 3.3% (year-over-year). The influence of increased sales led to a profit of 31 million yen, up 56.1%, for this geographical segment.

(iv) Germany

Strong sales of AV fistula needles for Europe raised net sales to 3,398 million yen, up 12.1% (year-over-year). The influence of increased sales as well as the lower import cost with strong Euro led to a profit of 373 million yen, up 12.9%, for this geographical segment.

(v) The United States

Despite the sales drop of Blood bags for Central and South America, translation by the weak yen raised net sales to 2,830 million yen, up 4.6%. The provision for allowance for doubtful accounts and the influence of no dividend payment from the shares owned resulted in a loss of 3 million yen, down 192 million yen, for this geographical segment.

The remaining geographical segments recorded net sales of 1,843 million yen, up 14.4% (year-over-year), and a loss of 17 million yen, down 81 million yen.

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 theme 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.

< Consolidated business forecast >

(Unit: million yen)

	Result of last fiscal year ended Mar. 2015	Forecast of current fiscal year ending Mar. 2016	Changes from same previous period
Net sales	55,401	58,000	4.7%
Operating income	378	700	84.7%
Ordinary income	373	800	114.3%
Net income	139	500	259.5%

1. Net income of fiscal year ending March 2016 shows Net income attributable to owners of the parent, based on "Accounting Standard for Business Combination".

2. Exchange rate for the forecast: 1USD=115yen, 1EUR=125yen, 1SGD=92yen.

(2) Analysis on the fiscal status

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

Gross assets as of the end this period totaled 60,452 million yen, up 7,230 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 34,431 million yen, up 3,665 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Noncurrent assets grew to 26,021 million yen, up 3,564 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 20,609 million yen, up 2,267 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of notes payable-equipment.

Noncurrent liabilities increased to 8,312 million yen, up 4,051 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 increased to 31,530 million yen, up 911 million yen from the end of the previous consolidated fiscal year, mainly due to the foreign currency translation adjustment.

Note that the equity ratio declined by 5.4 percentage points to 52.0%. Net assets per share increased to 644.42 yen, up 18.41 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, we still confront tough situation as the governments undergo continuous restraints for medical expenses foreseeing serious difficulties in financial burdens by increasing medical expenditure due to expanding demand of expensive care utilizing advanced medical technologies. In the given circumstance, JMS Group is taking following responses to strive for delivering goods and services to contribute to the safety and security for the patients and the medical professionals.

(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", needed on the medical frontline, or 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 expand the manufacturing sites as well as 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 medical professionals 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>2014</u>	<u>As at March 31,</u> <u>2015</u>
Assets		
Current assets		
Cash and deposits	1,997	4,711
Notes and accounts receivable - trade	16,211	16,233
Merchandise and finished goods	5,608	6,863
Work in process	2,330	2,342
Raw materials and supplies	3,668	3,254
Deferred tax assets	171	195
Other	785	924
Allowance for doubtful accounts	(7)	(94)
Total current assets	30,766	34,431
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,235	16,269
Accumulated depreciation	(10,820)	(11,313)
Buildings and structures, net	4,414	4,956
Machinery, equipment and vehicles	23,525	26,183
Accumulated depreciation	(17,429)	(18,718)
Machinery, equipment and vehicles, net	6,095	7,464
Tools, furniture and fixtures	10,220	10,992
Accumulated depreciation	(7,767)	(8,381)
Tools, furniture and fixtures, net	2,452	2,611
Land	2,779	2,782
Construction in progress	2,414	3,240
Total property, plant and equipment	18,156	21,055
Intangible assets	730	627
Investments and other assets		
Investment securities	2,925	3,209
Deferred tax assets	113	142
Other	534	989
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	3,569	4,337
Total non-current assets	22,456	26,021
Total assets	53,222	60,452

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

(Millions of yen)

	<u>As at March 31,</u> <u>2014</u>	<u>As at March 31,</u> <u>2015</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,705	8,264
Short-term loans payable	4,681	4,770
Current portion of long-term loans payable	1,363	1,627
Accounts payable - other	2,415	2,900
Income taxes payable	314	54
Deferred tax liabilities	5	27
Provision for product warranties	9	9
Provision for bonuses	1,040	1,094
Asset retirement obligations	—	21
Other	804	1,839
Total current liabilities	18,342	20,609
Non-current liabilities		
Long-term loans payable	2,632	6,374
Deferred tax liabilities	487	572
Provision for directors' retirement benefits	71	85
Net defined benefit liability	472	675
Asset retirement obligations	246	236
Other	351	368
Total non-current liabilities	4,261	8,312
Total liabilities	22,603	28,922
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,504	12,253
Treasury shares	(274)	(277)
Total shareholders' equity	30,003	29,749
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	528
Foreign currency translation adjustment	169	1,140
Remeasurements of defined benefit plans	(0)	—
Total accumulated other comprehensive income	523	1,668
Minority interests	92	112
Total net assets	30,619	31,530
Total liabilities and net assets	53,222	60,452

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2014</u>	<u>Year ended March 31,</u> <u>2015</u>
Net sales	53,860	55,401
Cost of sales	40,237	41,948
Gross profit	13,622	13,452
Selling, general and administrative expenses	12,721	13,073
Operating income	900	378
Non-operating income		
Interest income	6	8
Dividend income	63	28
Share of profit of entities accounted for using equity method	137	175
Foreign exchange gains	134	—
House rent income	13	13
Subsidy income	28	65
Other	102	119
Total non-operating income	488	411
Non-operating expenses		
Interest expenses	71	112
Foreign exchange losses	—	258
Commission fee	86	24
Other	43	22
Total non-operating expenses	201	417
Ordinary income	1,187	373
Extraordinary income		
Gain on sales of non-current assets	11	15
Gain on sales of investment securities	45	156
Total extraordinary income	57	171
Extraordinary losses		
Loss on sales of non-current assets	8	3
Loss on abandonment of non-current assets	87	60
Loss on abandonment of inventories	167	—
Compensation for damage	—	76
Total extraordinary losses	263	140
Income before income taxes and minority interests	981	404
Income taxes - current	439	239
Income taxes - deferred	324	18
Total income taxes	764	257
Income before minority interests	217	146
Minority interests in income	9	7
Net income	207	139

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2014</u>	<u>Year ended March 31,</u> <u>2015</u>
Income before minority interests	217	146
Other comprehensive income		
Valuation difference on available-for-sale securities	68	173
Foreign currency translation adjustment	1,254	970
Remeasurements of defined benefit plans, net of tax	—	0
Total other comprehensive income	1,322	1,145
Comprehensive income	1,539	1,292
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,518	1,272
Comprehensive income attributable to minority interests	20	19

Consolidated statements of changes in net assets

Year ended March 31, 2014

(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	12,687	(271)	30,189
Changes of items during period					
Dividends of surplus			(390)		(390)
Net income			207		207
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(182)	(2)	(185)
Balance at 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 accumulated other comprehensive income		
Balance at beginning of current period	286	(1,084)	—	(798)	71	29,462
Changes of items during period						
Dividends of surplus						(390)
Net income						207
Purchase of treasury shares						(3)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	68	1,254	(0)	1,321	20	1,342
Total changes of items during period	68	1,254	(0)	1,321	20	1,156
Balance at end of current period	354	169	(0)	523	92	30,619

Consolidated statements of changes in net assets

Year ended March 31, 2015

(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	12,504	(274)	30,003
Changes of items during period					
Dividends of surplus			(390)		(390)
Net income			139		139
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	(251)	(2)	(253)
Balance at end of current period	7,411	10,362	12,253	(277)	29,749

	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 accumulated other comprehensive income		
Balance at beginning of current period	354	169	(0)	523	92	30,619
Changes of items during period						
Dividends of surplus						(390)
Net income						139
Purchase of treasury shares						(2)
Disposal of treasury shares						—
Net changes of items other than shareholders' equity	173	970	0	1,145	19	1,165
Total changes of items during period	173	970	0	1,145	19	911
Balance at end of current period	528	1,140	—	1,668	112	31,530

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2014</u>	<u>Year ended March 31,</u> <u>2015</u>
Cash flows from operating activities		
Income before income taxes and minority interests	981	404
Depreciation	2,249	2,522
Increase (decrease) in allowance for doubtful accounts	0	78
Increase (decrease) in provision for directors' retirement benefits	5	13
Increase (decrease) in net defined benefit liability	(1)	155
Interest and dividend income	(70)	(37)
Interest expenses	71	112
Foreign exchange losses (gains)	(51)	7
Share of (profit) loss of entities accounted for using equity method	(137)	(175)
Loss (gain) on sales of non-current assets	(3)	(11)
Loss on abandonment of non-current assets	87	60
Loss (gain) on sales of investment securities	(45)	(156)
Loss on compensation for damage	—	76
Decrease (increase) in notes and accounts receivable - trade	(838)	287
Decrease (increase) in inventories	(407)	(531)
Increase (decrease) in notes and accounts payable - trade	149	495
Increase (decrease) in accrued consumption taxes	103	29
Decrease (increase) in other current assets	(128)	(106)
Increase (decrease) in other current liabilities	(158)	228
Other, net	(19)	23
Subtotal	1,784	3,477
Interest and dividend income received	124	133
Interest expenses paid	(72)	(97)
Compensation for damage paid	—	(76)
Income taxes paid	(630)	(535)
Net cash provided by (used in) operating activities	1,206	2,901
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,551)	(3,534)
Proceeds from sales of property, plant and equipment	24	19
Purchase of intangible assets	(169)	(79)
Purchase of investment securities	(2)	(99)
Proceeds from sales of investment securities	63	274
Other, net	(116)	(436)
Net cash provided by (used in) investing activities	(4,751)	(3,856)
Cash flows from financing activities		
Increase in short-term loans payable	17,477	20,027
Decrease in short-term loans payable	(16,062)	(19,980)
Proceeds from long-term loans payable	1,734	5,363
Repayments of long-term loans payable	(1,536)	(1,533)
Proceeds from sales of treasury shares	0	—
Purchase of treasury shares	(3)	(2)
Cash dividends paid	(390)	(390)
Net cash provided by (used in) financing activities	1,219	3,484
Effect of exchange rate change on cash and cash equivalents	169	184
Net increase (decrease) in cash and cash equivalents	(2,156)	2,713
Cash and cash equivalents at beginning of period	4,152	1,995
Cash and cash equivalents at end of period	1,995	4,709