

Financial Results for the Fiscal Year Ended March 31, 2017



May 12, 2017

Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
 Securities code : 7702
 Representative : Hiroaki Okukubo, President and Representative Director
 Inquiries : Masaki Endo, Executive Officer, Head of Business Administrative Office
 TEL : +81-82-243-5844
 Date of general shareholders' meeting (as planned) : June 22, 2017
 Annual securities report filing date (as planned) : June 23, 2017 Dividend payable date (as planned) : June 23, 2017
 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, 2017 (From April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	55,574	(3.6)	1,106	(22.2)	1,451	15.9	1,182	56.7
Year ended March 31, 2016	57,636	4.0	1,422	275.3	1,252	235.4	754	442.5

(Note) Comprehensive income : Year ended March 31, 2017: 640 million yen [- %], Year ended March 31, 2016: (217) 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, 2017	24.26	—	3.8	2.2	2.0
Year ended March 31, 2016	15.48	—	2.4	2.0	2.5

(Note) Equity in earnings of affiliates : Year ended March 31, 2017: 245 million yen, Year ended March 31, 2016: 351 million yen.

(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, 2017	65,681	31,061	47.1	634.65
As at March 31, 2016	65,174	30,907	47.2	631.67

(Note) Owner's equity : As at March 31, 2017: 30,931 million yen, As at March 31, 2016: 30,790 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, 2017	4,675	(4,809)	644	6,333
Year ended March 31, 2016	4,526	(6,254)	3,446	5,982

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, 2016	—	4.00	—	6.00	10.00	487	64.6	1.6
Year ended March 31, 2017	—	4.00	—	4.00	8.00	387	33.0	1.3
Year ending March 31, 2018 (forecast)	—	4.00	—	8.00	—	—	55.7	—

(Note) We are planning to carry out a share consolidation as to the shares of common stock of the Company at the ratio of two (2) shares into one (1) share effective as of October 1, 2017. Please note that such share consolidation was taken into consideration in determining the amount of the annual cash dividend for the next fiscal year (i.e., the year ending March 31, 2018) (forecast) mentioned above.

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

	Net sales		Operating income		Ordinary income		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, 2017	28,000	1.7	500	(15.7)	500	(28.5)	300	(26.8)	6.16
Year ending March 31, 2018	57,000	2.6	1,150	3.9	1,200	(17.3)	700	(40.8)	28.73

(Note) We are planning to carry out a share consolidation as to the shares of common stock of the Company at the ratio of two (2) shares into one (1) share effective as of October 1, 2017. Please note that such share consolidation was taken into consideration in calculating the amount of the basic earnings per share stated in the "Consolidated Forecast for the Year Ending March 31, 2018" above.

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

[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, newly legislated “the Pharmaceuticals, Medical devices and Other Therapeutic Products Act” accelerates the new market access from outside industry and the growth of demand to 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 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'. 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, JMS recorded consolidated net sales of 55,574 million yen in this period, down 3.6% / 2,061 million yen (year-over-year).

The operating income totaled 1,106 million yen in this period, down 22.2% (year-over-year), due to the increase in depreciation burden by the large-scale investment and R&D cost. On the other hand, share of profit of entities accounted for using equity method and the decrease in foreign exchange losses resulted in an ordinary income of 1,451 million yen in this period, up 15.9% (year-over-year). The profit attributable to owners of parent of 1,182 million yen, up 56.7% (year-over-year).

Business performance by geographical segment.

(i) Japan

Increased sales of Enteral nutrition system products were offset by the decreased sales of Examination Gloves, reducing net sales to 41,866 million yen, down 0.7% (year-over-year). Despite the increase of depreciation burden, the higher profitability led to a profit of 797 million yen, up 41.4% (year-over-year), for this geographical segment.

(ii) Southeast Asia

Increased sales of apheresis kits for the Europe market was offset by the decreased sales of AV fistula needles, reducing net sales to 18,092 million yen, down 10.7% (year-over-year). Higher import cost with weak SGD resulted in a profit of 794 million yen, down 7.2% (year-over-year), for this geographical segment.

(iii) China

Increased sales of Infusion Sets for Japan market was offset by decrease in yen translation with strong yen, reducing net sales to 3,950 million yen, down 5.0% (year-over-year). The influence of sales increase on a local currency basis led to a profit of 295 million yen, up 369 million yen (year-over-year), for this geographical segment.

(iv) Germany

Decreased sales of Dialysis therapy chair for the Australia market reduced net sales to 2,932 million yen, down 11.6% (year-over-year). Higher import cost with weak Euro resulted in a profit of 86 million yen, down 70.4% (year-over-year), for this geographical segment.

(v) The United States

Decreased sales of AV fistula needles for North America market reduced net sales to 2,490 million yen, down 20.5% (year-over-year). The influence of decreased sales resulted in a profit to 93 million yen, down 20.7% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 1,610 million yen, down 14.1% (year-over-year), and a loss of 642 million yen, down 253 million yen (year-over-year).

The abovementioned figures do not include consumption tax, etc.

[Future outlook]

The environment surrounding our corporate group overseas is expected to increase in harshness more than ever due to intensifying competition with manufacturers from many countries, even as the medical market continues to expand fueled by economic growth, chiefly in emerging nations. In Japan, demand for advanced medical care and other high-cost medical services is expanding, but conditions are expected to remain harsh due to continued efforts to restrain medical spending against the background of the rise in medical expenses accompanying growth in the elderly population and the heavier burden it will place on national finances. 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. 2017	Forecast of current fiscal year ending Mar. 2018	Changes from same previous period
Net sales	55,574	57,000	2.6%
Operating income	1,106	1,150	3.9%
Ordinary income	1,451	1,200	(17.3%)
Profit attributable to owners of parent	1,182	700	(40.8%)

Exchange rate for the forecast: 1USD=110yen, 1EUR=120yen, 1SGD=79yen.

(2) Overview of the financial condition

Total assets as of the end of this period totaled 65,681 million yen, up 507 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 36,279 million yen, up 1,073 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of deferred tax assets.

Non-current assets decreased to 29,402 million yen, down 566 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of property, plant, and equipment.

(Liabilities)

Current liabilities decreased to 20,784 million yen, down 960 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes payable-equipment.

Non-current liabilities increased to 13,836 million yen, up 1,313 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 31,061 million yen, up 153 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of retained earnings.

Note that the equity ratio declined by 0.1 percentage points to 47.1%. Net assets per share increased to 634.65 yen, up 2.98 yen from the end of last fiscal year.

6. Consolidated Financial Statements

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

(Millions of yen)

	<u>As at March 31,</u> <u>2016</u>	<u>As at March 31,</u> <u>2017</u>
Assets		
Current assets		
Cash and deposits	5,927	6,270
Notes and accounts receivable - trade	15,714	15,357
Securities	57	71
Merchandise and finished goods	6,928	7,193
Work in process	2,149	2,162
Raw materials and supplies	3,371	3,676
Deferred tax assets	81	523
Other	1,053	1,102
Allowance for doubtful accounts	(78)	(78)
Total current assets	35,205	36,279
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,103	20,753
Accumulated depreciation	(11,501)	(11,596)
Buildings and structures, net	9,601	9,156
Machinery, equipment and vehicles	27,495	28,711
Accumulated depreciation	(19,256)	(20,153)
Machinery, equipment and vehicles, net	8,238	8,558
Tools, furniture and fixtures	11,410	11,486
Accumulated depreciation	(8,797)	(8,997)
Tools, furniture and fixtures, net	2,613	2,488
Land	2,665	2,653
Construction in progress	2,041	1,085
Total property, plant and equipment	25,159	23,942
Intangible assets	508	448
Investments and other assets		
Investment securities	3,236	3,490
Deferred tax assets	158	154
Other	907	1,368
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,299	5,011
Total non-current assets	29,968	29,402
Total assets	65,174	65,681

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

(Millions of yen)

	<u>As at March 31,</u> <u>2016</u>	<u>As at March 31,</u> <u>2017</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,564	8,855
Short-term loans payable	3,990	3,990
Current portion of long-term loans payable	2,140	2,052
Accounts payable - other	3,333	3,108
Income taxes payable	157	316
Deferred tax liabilities	14	—
Provision for product warranties	9	8
Provision for bonuses	1,091	1,085
Other	2,443	1,367
Total current liabilities	21,744	20,784
Non-current liabilities		
Long-term loans payable	10,457	11,645
Deferred tax liabilities	632	642
Provision for directors' retirement benefits	91	92
Net defined benefit liability	661	651
Asset retirement obligations	235	236
Other	443	568
Total non-current liabilities	12,522	13,836
Total liabilities	34,266	34,620
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,618	13,313
Treasury shares	(280)	(282)
Total shareholders' equity	30,111	30,803
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	370	439
Foreign currency translation adjustment	308	(312)
Total accumulated other comprehensive income	678	127
Non-controlling interests	117	130
Total net assets	30,907	31,061
Total liabilities and net assets	65,174	65,681

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2016</u>	<u>Year ended March 31,</u> <u>2017</u>
Net sales	57,636	55,574
Cost of sales	42,769	41,139
Gross profit	14,866	14,435
Selling, general and administrative expenses	13,444	13,329
Operating profit	1,422	1,106
Non-operating income		
Interest income	13	10
Dividend income	29	41
Share of profit of entities accounted for using equity method	351	245
House rent income	11	9
Subsidy income	56	71
Other	109	151
Total non-operating income	572	530
Non-operating expenses		
Interest expenses	97	126
Foreign exchange losses	449	14
Loss on abandonment of inventories	138	—
Other	55	44
Total non-operating expenses	741	185
Ordinary profit	1,252	1,451
Extraordinary income		
Gain on sales of non-current assets	75	11
Gain on sales of investment securities	—	0
Subsidy income	—	800
Total extraordinary income	75	811
Extraordinary losses		
Loss on sales of non-current assets	26	0
Impairment loss	—	289
Loss on abandonment of non-current assets	94	118
Loss on reduction of non-current assets	—	755
Loss on sales of investment securities	—	0
Total extraordinary losses	121	1,163
Profit before income taxes	1,205	1,100
Income taxes - current	236	369
Income taxes - deferred	197	(461)
Total income taxes	434	(91)
Profit	771	1,191
Profit attributable to non-controlling interests	16	9
Profit attributable to owners of parent	754	1,182

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2016</u>	<u>Year ended March 31,</u> <u>2017</u>
Profit	771	1,191
Other comprehensive income		
Valuation difference on available-for-sale securities	(157)	68
Foreign currency translation adjustment	(832)	(620)
Total other comprehensive income	(989)	(551)
Comprehensive income	(217)	640
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(223)	627
Comprehensive income attributable to non-controlling interests	5	12

Consolidated statements of changes in net assets

Year ended March 31, 2016

(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	12,253	(277)	29,749
Changes of items during period					
Dividends of surplus			(390)		(390)
Profit attributable to owners of parent			754		754
Purchase of treasury shares				(3)	(3)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	364	(3)	361
Balance at end of current period	7,411	10,362	12,618	(280)	30,111

	Valuation and translation adjustments			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	528	1,140	1,668	112	31,530
Changes of items during period					
Dividends of surplus					(390)
Profit attributable to owners of parent					754
Purchase of treasury shares					(3)
Net changes of items other than shareholders' equity	(157)	(832)	(989)	5	(983)
Total changes of items during period	(157)	(832)	(989)	5	(622)
Balance at end of current period	370	308	678	117	30,907

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)
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

	Valuation and translation adjustments			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)
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 cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2016</u>	<u>Year ended March 31,</u> <u>2017</u>
Cash flows from operating activities		
Profit before income taxes	1,205	1,100
Depreciation	2,691	2,972
Impairment loss	—	289
Increase (decrease) in allowance for doubtful accounts	(10)	0
Increase (decrease) in provision for directors' retirement benefits	14	7
Increase (decrease) in net defined benefit liability	46	(13)
Interest and dividend income	(43)	(52)
Interest expenses	97	126
Foreign exchange losses (gains)	539	47
Share of (profit) loss of entities accounted for using equity method	(351)	(245)
Loss (gain) on sales of non-current assets	(48)	(11)
Loss on abandonment of non-current assets	94	118
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	302	(19)
Decrease (increase) in inventories	(278)	(770)
Increase (decrease) in notes and accounts payable - trade	360	321
Increase (decrease) in accrued consumption taxes	(386)	622
Decrease (increase) in other current assets	119	(21)
Increase (decrease) in other current liabilities	202	70
Other, net	114	191
Subtotal	4,671	4,689
Interest and dividend income received	148	126
Interest expenses paid	(132)	(127)
Proceeds from subsidy income	—	265
Income taxes paid	(161)	(278)
Net cash provided by (used in) operating activities	4,526	4,675
Cash flows from investing activities		
Payments into time deposits	—	(5)
Purchase of property, plant and equipment	(6,275)	(4,744)
Proceeds from sales of property, plant and equipment	146	14
Purchase of intangible assets	(81)	(98)
Purchase of investment securities	(2)	—
Proceeds from sales of investment securities	—	0
Other, net	(42)	23
Net cash provided by (used in) investing activities	(6,254)	(4,809)
Cash flows from financing activities		
Increase in short-term loans payable	18,821	18,400
Decrease in short-term loans payable	(19,598)	(18,400)
Proceeds from long-term loans payable	6,300	3,316
Repayments of long-term loans payable	(1,678)	(2,168)
Purchase of treasury shares	(3)	(2)
Cash dividends paid	(390)	(485)
Other, net	(4)	(17)
Net cash provided by (used in) financing activities	3,446	644
Effect of exchange rate change on cash and cash equivalents	(445)	(157)
Net increase (decrease) in cash and cash equivalents	1,272	351
Cash and cash equivalents at beginning of period	4,709	5,982
Cash and cash equivalents at end of period	5,982	6,333