

Financial Results for the Fiscal Year Ended March 31, 2022



May 12, 2022

Listings : Prime Market of Tokyo Stock Exchange

Company name : JMS Co., Ltd. (URL <https://www.jms.cc/>)
 Securities code : 7702
 Representative : Hiroaki Okukubo, President and Representative Director
 Inquiries : Ryuji Katsura, Executive Director, Head of Corporate Affairs Division
 TEL : +81-82-243-5844
 Date of general shareholders' meeting (as planned) : Jun 22, 2022
 Annual securities report filing date (as planned) : Jun 23, 2022 Dividend payable date (as planned) : Jun 23, 2022
 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, 2022 (From April 1, 2021 to March 31, 2022)

(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, 2022	58,169	1.0	980	(53.9)	1,126	(44.1)	826	(52.4)
Year ended March 31, 2021	57,578	(1.7)	2,127	(8.1)	2,013	(24.6)	1,736	(12.2)

(Note) Comprehensive income: Year ended March 31, 2022: 2,522 million yen [(13.3)%], Year ended March 31 2021: 2,910 million yen [207.9%]

	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, 2022	33.83	—	2.3	1.6	1.7
Year ended March 31, 2021	71.13	—	5.2	3.0	3.7

(Note) Equity in earnings of affiliates: Year ended March 31, 2022: 9 million yen, Year ended March 31, 2021: 174 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, 2022	71,971	37,093	51.4	1,512.77
As at March 31, 2021	69,085	34,993	50.4	1,426.75

(Note) Owner's equity: As at March 31, 2022: 36,959 million yen, As at March 31, 2021: 34,841 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, 2022	4,399	(3,677)	(499)	6,810
Year ended March 31, 2021	3,739	(3,251)	(535)	6,222

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, 2021	—	8.50	—	8.50	17.00	415	23.9	1.2
Year ended March 31, 2022	—	8.50	—	8.50	17.00	415	50.3	1.2
Year ending March 31, 2023 (forecast)	—	8.50	—	8.50	17.00		46.1	

3. Consolidated Forecast for the Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(%: 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, 2022	29,100	2.9	400	(34.9)	400	(41.5)	250	(49.7)	10.23
Year ending March 31, 2023	60,000	3.1	1,200	22.4	1,200	6.5	900	8.9	36.84

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, for the domestic market, as a result of progress in COVID-19 countermeasures such as vaccination, showing a recovery trend in refraining from doctor visits and postponing non-essential surgeries and procedures. In addition, JMS captured new customers for Closed Drug Mixing/Infusion System “NEO SHIELD” and Nutrition System using the opportunity for switching to ISO standards and accepted transfer of the acute blood purification business. Based on these circumstances, net sales in the domestic market expanded. Meanwhile, in overseas markets, although the situation varies depending on the country and region, sales decreased due to the continued stagnation of demand for products affected by COVID-19. The external environment remains extremely severe due to soaring purchase prices of raw materials in connection with rising crude oil prices, difficulties in procurement of semiconductors and other materials, and soaring ocean freight rates against the backdrop of the global shortage of containers, as well as impact of the situation in Russia and the Ukraine. Even under these circumstances, the trend in medical equipment market is expected to continue to show stable growth against the background of the global advance of aging, rising expectations for highly advanced medical care in Europe and the United States, and increasing demand associated with the development of medical infrastructure in emerging countries including China. Especially, it is expected that the demand for medical equipment using digital technologies in order to relieve resource shortages in medical institutions under the COVID-19 situation will increase.

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.

As a result of the above, JMS recorded consolidated net sales of 58,169 million yen in this period, up by 1.0% / 590 million yen (year-over-year), due in part to an increase in yen equivalent value resulting from yen depreciation. Impact of the appreciation of local currencies in overseas production bases, soaring purchase prices of raw materials and ocean freight rates in worldwide resulted in an operating profit of 980 million yen, down by 53.9% (year-over-year). Due to the increase in subsidy incomes, despite a decrease in equity in earnings of affiliates, an ordinary income was 1,126 million yen, down by 44.1% (year-over-year). Because subsidy income of extraordinary income was recorded in the previous fiscal year, the profit attributable to owners of parent totaled 826 million yen, down by 52.4% (year-over-year).

The application of the accounting standard for revenue recognition, etc. decreased net sales, gross profit, selling, general and administrative expenses by 261 million yen respectively in the consolidated fiscal year, but there is no impact on operating income, ordinary income and Profit before income taxes.

As a manufacturer of medical devices, we are committed to making further contributions to settling COVID-19 as soon as possible by strengthening our supply system of products to meet market needs.

Business performance by geographical segment.

(i) Japan

Due to the recovery trend in refraining from doctor's visits and postponing non-urgent surgeries and procedures in medical institutions, net sales increased. Capturing new customers for Closed Drug Mixing/Infusion System “NEO SHIELD” whose system was enhanced and Nutrition system using the opportunity for switching to ISO standards, expanding its product portfolio for the blood purification business which was transferred in April 2021 and increased orders for Central dialysate supply system drove sales growth, while sales of hemodialysis machines to China were also strong. As a result, net sales were 42,696 million yen up by 4.5% (year-over-year). Despite the effect of increased sales, the increase costs associated with the blood purification business, the increase in selling expenses accompanying the deregulation of visits to medical facilities, and a decrease in dividends received from subsidiaries, resulted in a profit of 1,083 million yen, down by 7.2% (year-over-year), for this geographical segment. The application of the accounting standard for revenue recognition, etc. decreased net sales by 261 million yen in the consolidated fiscal year, but there is no impact on segment profit.

(ii) Singapore

Net sales decreased due to reduced orders in the products of the blood business, such as Apheresis kits and Blood bags, influenced by COVID-19. As a result, net sales were 17,752 million yen, down by 10.3% (year-over-year).

Despite the decreased labor costs, the influence of decreased sales and the impact of higher cost of sales ratio caused by increased raw material cost resulted in a loss of 75 million yen, down by 771 million yen (year-over-year), for this geographical segment.

(iii) China

Against the backdrop of an increase in the number of dialysis patients in the Chinese market, sales of AV Fistula Needle and Hemodialysis Blood Tubing Sets grow strongly. As for products for the Japanese market, Blood Purification Tubing Sets, which is the product of the transferred business contributed to the sales increase.

As a result, net sales were 3,386 million yen, up by 12.3% (year-over-year). Despite the effect of increased sales, increased cost of raw material, and an increase in labor costs resulted in a profit of 35 million yen, down by 84.5% (year-over-year), for this geographical segment.

(iv) Philippines

In addition to mitigation of impacts for movement and activity restrictions by the government as countermeasures against COVID-19, and an increased sales of AV Fistula Needle for Europe, Apheresis kits for North America raised net sales to 3,157 million yen, up by 8.0% (year-over-year). The influence of the effect of increased sales and the impact of soaring raw material prices that was offset by switching raw materials and changing suppliers, resulted in a profit of 251 million yen, up by 74.0% (year-over-year), for this geographical segment.

(v) Germany

Due to strong sales of AV Fistula Needle, net sales were 3,432 million yen, up by 9.3% (year-over-year).

Due to an increase in purchase costs caused by soaring marine transportation costs, resulted in a profit of 131 million yen, down by 40.5% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 4,059 million yen, up by 0.7% (year-over-year), and loss of 6 million yen, down by 217 million yen (year-over-year), for this geographical segment.

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 71,971 million yen, up by 2,885 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 40,042 million yen, up by 1,059 million yen from the end of the previous consolidated fiscal year, mainly due to an increase in raw materials and supplies. Non-current assets increased to 31,928 million yen, up by 1,826 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of plant and equipment.

(Liabilities)

Current liabilities increased to 22,847 million yen, up by 302 million yen from the end of the previous consolidated fiscal year mainly due to increase in accrued expenses for capital investment. Non-current liabilities increased to 12,030 million yen, up by 483 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 37,093 million yen, up by 2,099 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 1.0 percentage points to 51.4%.

(3) Overview of the cash flows

As of the consolidated fiscal year, cash and cash equivalents amounted to 6,810 million yen, up by 588 million yen from 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 4,399 million yen, up by 660 million yen from the preceding fiscal year, mainly due to decrease in trade receivable.

(Cash flows from investing activities)

Net cash used in investing activities was 3,677 million yen, up by 426 million yen from the previous consolidated fiscal year, mainly due to Payments for acquisition of businesses.

(Cash flows from financing activities)

Net cash used in financing activities was 499 million yen, down by 36 million yen from the preceding fiscal year, mainly due to the 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, the risk of deterioration of domestic and global economies still remain and the business environment is expected to change continuously in the future.

Amidst this environment, our corporate group has established a long-term vision of “By creating new value that anticipates the future of medical care, we will become a company that supports further improvement in the health and quality of life of people around the world”. Based on the basic policies of “Deepen customer-centric business development” and “Change to improve profitability” set in the Mid-term Management Plan “GAIN-RG 2023”, the Group will pursue five initiatives: "Optimization of the business portfolio", "Strengthening the global framework", "Creation of next generation business", "Strengthening the Group's management base", and "Achieving sustainable society”.

The forecast of consolidated financial results for the next fiscal year (ending March 2023) is as follows.

The forecast has been calculated based on the assumption that a certain impact of COVID-19 and the prolonged situation in Russia and Ukraine will still remain in the subsequent consolidated fiscal years.

< Consolidated business forecast >

(Unit: million yen)

	Result of last fiscal year ended Mar. 2022	Forecast of current fiscal year ending Mar. 2023	Changes from same previous period
Net sales	58,169	60,000	3.1%
Operating profit	980	1,200	22.4%
Ordinary profit	1,126	1,200	6.5%
Profit attributable to owners of parent	826	900	8.9%

Exchange rate for the forecast: 1USD=120yen, 1EUR=132yen, 1SGD=88yen.

5. Consolidated Financial Statements

Consolidated Balance Sheet JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2021</u>	<u>As at March 31,</u> <u>2022</u>
Assets		
Current assets		
Cash and deposits	5,968	6,605
Notes and accounts receivable - trade	16,415	—
Notes receivable - trade	—	1,559
Accounts receivable - trade	—	14,518
Securities	256	208
Merchandise and finished goods	8,872	8,815
Work in process	2,758	2,848
Raw materials and supplies	4,056	4,870
Other	683	646
Allowance for doubtful accounts	(27)	(29)
Total current assets	38,983	40,042
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,881	22,814
Accumulated depreciation	(13,551)	(14,192)
Buildings and structures, net	8,329	8,621
Machinery, equipment and vehicles	31,601	33,615
Accumulated depreciation	(24,192)	(25,369)
Machinery, equipment and vehicles, net	7,409	8,246
Tools, furniture and fixtures	11,718	12,395
Accumulated depreciation	(9,807)	(10,331)
Tools, furniture and fixtures, net	1,911	2,064
Land	2,604	2,682
Leased assets	428	427
Accumulated depreciation	(205)	(266)
Leased assets, net	222	161
Right of use assets	1,761	1,952
Accumulated depreciation	(435)	(635)
Right of use assets, net	1,325	1,317
Construction in progress	2,302	2,368
Total property, plant and equipment	24,105	25,460
Intangible assets		
Goodwill	—	134
Other	692	900
Total intangible assets	692	1,035
Investments and other assets		
Investment securities	4,212	4,168
Deferred tax assets	658	733
Other	443	616
Allowance for doubtful accounts	(11)	(86)
Total investments and other assets	5,304	5,432
Total non-current assets	30,101	31,928
Total assets	69,085	71,971

Consolidated Balance Sheet
JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2021</u>	<u>As at March 31,</u> <u>2022</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,322	8,482
Short-term borrowings	4,304	3,450
Current portion of long-term borrowings	4,109	4,604
Lease liabilities	258	297
Accounts payable - other	3,405	3,420
Income taxes payable	339	229
Contract liabilities	—	80
Provision for bonuses	1,099	1,097
Asset retirement obligations	—	25
Other	706	1,159
Total current liabilities	22,545	22,847
Non-current liabilities		
Long-term borrowings	9,336	10,112
Lease liabilities	495	252
Deferred tax liabilities	230	240
Provision for retirement benefits for directors (and other officers)	128	139
Retirement benefit liability	805	653
Asset retirement obligations	148	166
Other	401	465
Total non-current liabilities	11,546	12,030
Total liabilities	34,091	34,878
Net assets		
Shareholders' equity		
Share capital	7,411	7,411
Capital surplus	10,362	10,351
Retained earnings	17,241	17,652
Treasury shares	(242)	(233)
Total shareholders' equity	34,772	35,182
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	401	339
Foreign currency translation adjustment	(332)	1,437
Total accumulated other comprehensive income	69	1,777
Non-controlling interests	151	133
Total net assets	34,993	37,093
Total liabilities and net assets	69,085	71,971

Consolidated statements of income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2021</u>	<u>Year ended March 31,</u> <u>2022</u>
Net sales	57,578	58,169
Cost of sales	42,483	43,899
Gross profit	15,095	14,269
Selling, general and administrative expenses	12,968	13,288
Operating profit	2,127	980
Non-operating income		
Interest income	10	7
Dividend income	43	46
Share of profit of entities accounted for using equity method	174	9
Subsidy income	21	232
Other	127	78
Total non-operating income	376	373
Non-operating expenses		
Interest expenses	176	159
Foreign exchange losses	269	52
Other	43	15
Total non-operating expenses	490	227
Ordinary profit	2,013	1,126
Extraordinary income		
Gain on sale of non-current assets	7	2
Gain on sale of investment securities	1	—
Subsidy income	353	—
Total extraordinary income	362	2
Extraordinary losses		
Loss on sale of non-current assets	1	0
Loss on abandonment of non-current assets	151	53
Total extraordinary losses	153	53
Profit before income taxes	2,222	1,075
Income taxes - current	459	300
Income taxes - deferred	21	(39)
Total income taxes	480	261
Profit	1,742	813
Profit (loss) attributable to non-controlling interests	6	(12)
Profit attributable to owners of parent	1,736	826

Consolidated statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2021</u>	<u>Year ended March 31,</u> <u>2022</u>
Profit	1,742	813
Other comprehensive income		
Valuation difference on available-for-sale securities	197	(61)
Foreign currency translation adjustment	970	1,769
Total other comprehensive income	<u>1,168</u>	<u>1,708</u>
Comprehensive income	<u>2,910</u>	<u>2,522</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,891	2,529
Comprehensive income attributable to non-controlling interests	19	(7)

Consolidated statements of changes in net assets

Year ended March 31, 2021

(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	15,932	(270)	33,435
Changes during period					
Dividends of surplus			(427)		(427)
Profit attributable to owners of parent			1,736		1,736
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(0)	27	27
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	—	—	1,308	27	1,336
Balance at end of period	7,411	10,362	17,241	(242)	34,772

	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	203	(1,302)	(1,098)	133	32,470
Changes during period					
Dividends of surplus					(427)
Profit attributable to owners of parent					1,736
Purchase of treasury shares					(0)
Disposal of treasury shares					27
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes in items other than shareholders' equity	197	970	1,168	18	1,186
Total changes during period	197	970	1,168	18	2,522
Balance at end of period	401	(332)	69	151	34,993

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 cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Year ended March 31,</u> <u>2021</u>	<u>Year ended March 31,</u> <u>2022</u>
Cash flows from operating activities		
Profit before income taxes	2,222	1,075
Depreciation	3,242	3,345
Amortization of goodwill	—	14
Increase (decrease) in allowance for doubtful accounts	(3)	71
Increase (decrease) in provision for retirement benefits for directors (and other officer)	7	6
Increase (decrease) in retirement benefit liability	(5)	(193)
Interest and dividend income	(53)	(53)
Interest expenses	176	159
Foreign exchange losses (gains)	33	(32)
Share of loss (profit) of entities accounted for using equity method	(174)	(9)
Loss (gain) on sale of non-current assets	(6)	(3)
Loss on abandonment of non-current assets	151	53
Loss (gain) on sale of investment securities	(1)	—
Subsidy income	(353)	—
Decrease (increase) in trade receivables	(529)	526
Decrease (increase) in inventories	(895)	(110)
Increase (decrease) in trade payables	(222)	55
Increase (decrease) in accrued consumption taxes	47	(24)
Decrease (increase) in other current assets	296	62
Increase (decrease) in other current liabilities	248	(141)
Other, net	(28)	83
Subtotal	4,152	4,886
Interest and dividends received	107	79
Interest paid	(176)	(161)
Subsidies received	353	—
Income taxes paid	(698)	(405)
Net cash provided by (used in) operating activities	3,739	4,399
Cash flows from investing activities		
Payments into time deposits	(45)	—
Proceeds from withdrawal of time deposits	55	0
Purchase of property, plant and equipment	(2,988)	(2,857)
Proceeds from sale of property, plant and equipment	9	4
Purchase of intangible assets	(270)	(404)
Payments for acquisition of businesses	—	(274)
Purchase of investment securities	(45)	(55)
Proceeds from sale of investment securities	1	—
Proceeds from distributions from investment partnerships	56	2
Other, net	(24)	(93)
Net cash provided by (used in) investing activities	(3,251)	(3,677)
Cash flows from financing activities		
Proceeds from short-term borrowings	18,262	14,937
Repayments of short-term borrowings	(18,152)	(15,824)
Proceeds from long-term borrowings	3,800	5,837
Repayments of long-term borrowings	(3,766)	(4,714)
Purchase of treasury shares	(0)	(0)
Dividends paid	(427)	(414)
Dividends paid to non-controlling interests	(1)	(1)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(20)
Repayments of lease liabilities	(249)	(298)
Net cash provided by (used in) financing activities	(535)	(499)
Effect of exchange rate change on cash and cash equivalents	261	365
Net increase (decrease) in cash and cash equivalents	214	588
Cash and cash equivalents at beginning of period	6,008	6,222
Cash and cash equivalents at end of period	6,222	6,810