

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2013



February 6, 2013

1st Section of the Tokyo Stock Exchange

Listed Company Name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
 Stock Code : 7702
 Representative : Hiroaki Okukubo, President and Representative Director
 Contact : Masaki Endo, Executive Officer, Head of Business Administrative Office
 TEL : +81-82-243-5844
 Filing date of quarterly reporting : February 8, 2013 Payment date of cash dividends : —
 Supplemental material on quarterly reporting : None
 Presentation on quarterly results : None

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

1. Consolidated Financial Highlights for the Interim Period Ended December 2012 (From April 1, 2012 to December 31, 2012)

(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	%
Nine months ended December 31, 2012	36,733	5.9	1,649	79.3	1,937	58.3	1,394	74.8
Nine months ended December 31, 2011	34,701	2.0	919	(36.9)	1,224	(21.0)	797	(18.4)

(Note) Comprehensive income : Nine months ended December 31, 2012 : 1,904 million yen [—%], Nine months ended December 31, 2011 : 90 million yen ((55.1)%).

	Net income per share	Net income per share, fully diluted
	Yen	Yen
Nine months ended December 31, 2012	32.31	—
Nine months ended December 31, 2011	18.48	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As at December 31, 2012	48,841	26,750	54.6
As at March 31, 2012	45,430	25,184	55.3

(Note) Shareholders' equity : December 31, 2012 : 26,674 million yen, March 31, 2012 : 25,127 million yen.

2. Dividends

	Dividends per share					
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	
	Yen	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2012	—	4.00	—	4.00	8.00	
Year ending March 31, 2013	—	4.00	—			
Year ending March 31, 2013 (forecast)				4.00	8.00	

(Note) Revisions to the forecast of dividends since the last announcement : None

3. Consolidated Forecast for the Year Ending March 2013 (From April 1, 2012 to March 31, 2013)

(%: change from the same previous period)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2013	48,000	2.5	2,000	90.1	2,200	59.1	1,400	48.5	32.44

(Note) Revisions to the forecast of consolidated results since the last announcement : Yes

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 financial results for the third quarter

(1) Overview of consolidated financial results

In regard to the business environment surrounding the JMS Group, competition is intensifying in overseas markets led by both domestic and foreign manufacturers amidst the expansion of the healthcare market, particularly in emerging countries. In Japan, the simultaneous revision of the reimbursement price for medical service fee and care-service fee in April 2012 has made business conditions even tougher with the drastic reduction in the reimbursement price for medical devices and materials. Yet, new markets are also emerging amidst calls for medical devices and diverse services to cater to the aging society.

In the given environment, JMS is striving to deliver goods and services for 'medical safety', 'medical efficiency' and 'regenerative medicine' 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, JMS recorded consolidated net sales of 36,733 million yen in this quarter, up 5.9% / 2,032 million yen (year-over-year).

The operating income totaled 1,649 million yen, up 79.3%, due to the increase of revenues offsetting fixed expenses such as labor costs. As we recorded equity in earnings of affiliates, the ordinary income was 1,937 million yen, up 58.3%. The deduction of income taxes resulted net income of 1,394 million yen in this quarter, up 74.8%.

Business performance by geographical segment

(i) Japan

Continued growth in the sales of Infusion and Transfusion products and hemodialysis blood tubing sets brought net sales to 30,268 million yen, up 4.9%. Increased revenues generated a profit of 1,328 million yen, up 161.4%, for this geographical segment.

(ii) Southeast Asia

Positive sales of hemodialysis blood tubing sets for Japan and apheresis kits for the OEM customer boosted net sales to 10,517 million yen, up 18.5%. Increased revenues led to a profit of 267 million yen, up 133.5%, for this geographical segment.

(iii) China

Continued solid sales of AV fistula needles for the domestic market raised net sales to 2,380 million yen, up 9.8%. The rise of material costs and labor costs contracted the profit of this geographical segment to 56 million yen, down 59.9%.

(iv) Germany

Stagnant sales of AV fistula needles and dialysis therapy chairs for EU market reduced net sales to 1,869 million yen, down 13.9%. The depreciation of the Euro and resulting rise in procurement costs, and also decreased revenues resulted in a profit of 97 million yen, down 46.1%, for this geographical segment.

(v) United States

Despite the stagnant sales of AV fistula needles for North America, the sales boost of safety scalp vein sets edged up net sales to 1,627 million yen, up 1.2%. The effect of downward pressure on market pricing led to a profit of 95 million yen, down 47.6%, for this geographical segment.

(vi) Others

The remaining geographical segments recorded net sales of 884 million yen, up 7.2%, and a profit of 108 million yen, up 42.4%.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of consolidated business results
(i) Analysis of the status of assets, liabilities and net assets

Gross assets as of the end of Q3 totaled 48,841 million yen, up 3,411 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 grew to 30,344 million yen, up 1,779 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of merchandise and finished goods.

Noncurrent assets grew to 18,497 million yen, up 1,631 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 17,895 million yen, up 1,429 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of short-term loans payable.

Noncurrent liabilities increased to 4,195 million yen, up 415 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 stand at 26,750 million yen, up 1,566 million yen from the end of the previous consolidated fiscal year, mainly due to the accounting of net income.

Note that the equity ratio dropped 0.7 percentage points to 54.6%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2013 released on May 10, 2012 has been revised as shown below, due to the influence of exchange rate fluctuation on overseas affiliates' profit as well as the increase of manufacturing costs caused by political wage raise in emerging countries.

(Unit: million yen)

	Previous forecast	New forecast	Amount changed	Results for previous FY ended March 2012
Net sales	48,000	48,000	—	46,836
Operating income	2,300	2,000	(300)	1,052
Ordinary income	2,500	2,200	(300)	1,382
Net income	1,550	1,400	(150)	942

5. Consolidated Financial Statements

Consolidated Balance Sheet

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2012</u>	<u>As at December 31,</u> <u>2012</u>
Assets		
Current assets		
Cash and deposits	3,474	4,207
Notes and accounts receivable-trade	14,991	15,000
Merchandise and finished goods	4,800	5,234
Work in process	1,750	1,877
Raw materials and supplies	2,673	3,210
Other	881	819
Allowance for doubtful accounts	(7)	(6)
Total current assets	28,564	30,344
Noncurrent assets		
Property, plant and equipment	13,076	14,657
Intangible assets	708	720
Investments and other assets		
Investments and other assets, gross	3,086	3,124
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	3,080	3,118
Total noncurrent assets	16,865	18,497
Total assets	45,430	48,841
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,271	7,783
Short-term loans payable	3,306	4,093
Current portion of long-term loans payable	1,235	1,400
Income taxes payable	329	291
Provision for product warranties	6	5
Provision for bonuses	992	531
Asset retirement obligations	21	21
Other	3,303	3,768
Total current liabilities	16,466	17,895
Noncurrent liabilities		
Long-term loans payable	2,610	2,946
Provision for retirement benefits	226	275
Provision for directors' retirement benefits	30	30
Asset retirement obligations	165	146
Other	746	796
Total noncurrent liabilities	3,779	4,195
Total liabilities	20,245	22,090
Net assets		
Shareholders' equity		
Capital stock	6,522	6,522
Capital surplus	9,473	9,473
Retained earnings	11,755	12,804
Treasury stock	(270)	(271)
Total shareholders' equity	27,481	28,529
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31	90
Foreign currency translation adjustment	(2,385)	(1,945)
Total accumulated other comprehensive income	(2,353)	(1,854)
Minority interests	56	76
Total net assets	25,184	26,750
Total liabilities and net assets	45,430	48,841

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2011</u>	<u>Nine months ended</u> <u>December 31, 2012</u>
Net sales	34,701	36,733
Cost of sales	25,105	26,231
Gross profit	9,595	10,501
Selling, general and administrative expenses	8,676	8,852
Operating income	919	1,649
Non-operating income		
Interest income	27	5
Dividends income	22	22
Equity in earnings of affiliates	174	156
Foreign exchange gains	94	112
Other	85	99
Total non-operating income	403	396
Non-operating expenses		
Interest expenses	66	57
Commission fee	17	32
Other	14	17
Total non-operating expenses	98	107
Ordinary income	1,224	1,937
Extraordinary income		
Gain on sales of noncurrent assets	4	2
Gain on sales of investment securities	—	2
Total extraordinary income	4	4
Extraordinary loss		
Loss on sales of noncurrent assets	1	1
Loss on abandonment of noncurrent assets	59	29
Impairment loss	14	—
Loss on valuation of investment securities	10	50
Total extraordinary losses	85	81
Income before income taxes and minority interests	1,143	1,861
Income taxes-current	280	459
Income taxes-deferred	56	(3)
Total income taxes	336	456
Income before minority interests	807	1,405
Minority interests in income	9	10
Net income	797	1,394

Consolidated Statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2011</u>	<u>Nine months ended</u> <u>December 31, 2012</u>
Income before minority interests	807	1,405
Other comprehensive income		
Valuation difference on available-for-sale securities	(79)	59
Foreign currency translation adjustment	(636)	439
Total other comprehensive income	(716)	499
Comprehensive income	90	1,904
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	87	1,884
Comprehensive income attributable to minority interests	3	19