

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2014



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Stock Exchange Listings : Tokyo 1st Section

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 Supplemental material of quarterly results : None
 Convening briefing of quarterly results : None

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

1. Consolidated Financial Highlights for the Interim Period Ended June 2013 (From April 1, 2013 to June 30, 2013)

(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	%
Three months ended June 30, 2013	12,490	5.5	18	(94.2)	130	(69.7)	6	(97.7)
Three months ended June 30, 2012	11,843	4.9	312	(12.2)	430	2.2	284	24.2

(Note) Comprehensive income : Three months ended June 30, 2013 : 471 million yen [518.1%], Three months ended June 30, 2012 : 76 million yen [(73.5)%].

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2013	0.14	—
Three months ended June 30, 2012	6.59	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at June 30, 2013	50,834	29,739	58.4
As at March 31, 2013	51,286	29,462	57.3

(Note) Owner's equity : June 30, 2013 : 29,665 million yen, March 31, 2013 : 29,390 million yen.

2. Dividends

	Dividend per share					
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total	
	Yen	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2013	—	4.00	—	4.00	8.00	
Year ending March 31, 2014	—					
Year ending March 31, 2014 (forecast)		4.00	—	4.00	8.00	

(Note) Correction of dividend forecast from the most recent dividend forecast : None

3. Consolidated Forecast for the Year Ending March 2014 (From April 1, 2013 to March 31, 2014)

(%: 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
Half year ending September 30, 2013	25,000	4.4	1,000	0.6	1,050	(11.4)	650	(8.4)	13.33
Year ending March 31, 2014	51,500	5.0	2,100	31.7	2,300	22.4	1,400	9.6	28.70

(Note) Correction of financial forecast from the most recent financial forecast : None

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 first quarter

(1) Overview of consolidated financial results

In regard to the business environment surrounding the JMS Group, competition is intensifying in overseas markets, due to business integration for advantage of scale by the Western major companies based on firm demand expansion in both advanced countries and emerging countries. In Japan, the government continues to curb the rise in medical expenses under the healthcare policy, in the context of the aging society with low birthrate and of worsening financial condition of the health insurance system. Yet, new markets are also emerging amidst calls for medical devices to cater to the aging society and to supply the peripheral devices for the regenerative medicine.

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 12,490 million yen in this quarter, up 5.5% / 647 million yen (year-over-year).

The operating income totaled 18 million yen, down 94.2%, due to the increase of labor costs in Southeast Asia as well as the temporary increase of selling expenses such as fees etc. As we recorded equity in earnings of affiliates, the ordinary income was 130 million yen, down 69.7%. The deduction of income taxes resulted net income of 6 million yen in this quarter, down 97.7%.

Business performance by geographical segment

(i) Japan

Continued growth in the sales of Infusion / Transfusion-related products and medical gloves was offset by the sales drop of hemodialysis machine and its ancillary equipments, reducing net sales to 9,346 million yen, down 3.5%. Temporary increase of selling expenses such as fees etc. resulted in a loss of 9 million yen, down 274 million yen (year-over-year), for this geographical segment.

(ii) Southeast Asia

Despite the stagnant sales of hemodialysis blood tubing sets for Japan, apheresis kits for the OEM customer boosted net sales to 4,178 million yen, up 20.9%. Increase of labor costs resulted in a loss of 106 million yen, down 228 million yen (year-over-year), for this geographical segment.

(iii) China

Despite the sales drop of infusion sets for Japan, continued growth in the sales of AV fistula needles for Europe and the United States raised net sales to 792 million yen, up 6.5%. Increase of labor costs and manufacturing expenses resulted in a loss of 45 million yen, down 44 million yen (year-over-year), for this geographical segment.

(iv) Germany

Strong sales of dialysis therapy chair for Europe raised net sales to 674 million yen, up 5.9%. Decline in purchase price on a yen basis by exchange rate movements led to a profit of 57 million yen, up 30.4%, for this geographical segment.

(v) The United States

Continued solid sales of safety scalp vein sets for North America raised net sales to 681 million yen, up 27.4%. Dividends income led to a profit of 71 million yen, up 162.0%, for this geographical segment.

(vi) Others

The remaining geographical segments recorded net sales of 365 million yen, up 21.9%, and a loss of 2 million yen, down 43 million yen (year-over-year).

The abovementioned figures do not include consumption tax, etc.

(2) Overview of consolidated business results

Gross assets as of the end of Q1 totaled 50,834 million yen, up 451 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 decreased to 30,104 million yen, down 939 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits.

Noncurrent assets grew to 20,730 million yen, up 488 million yen from the end of the previous consolidated fiscal year, mainly due to the acquisition of tangible noncurrent assets.

(Liabilities)

Current liabilities decreased to 17,337 million yen, down 549 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of income taxes payable etc.

Noncurrent liabilities decreased to 3,758 million yen, down 178 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of long-term loans payable.

(Net assets)

Net assets stand at 29,739 million yen, up 276 million yen from the end of the previous consolidated fiscal year, mainly due to the foreign currency translation adjustment.

Note that the equity ratio raised 1.1 percentage points to 58.4%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2014 released on May 9, 2013 has not been revised.

5. Consolidated Financial Statements

Consolidated Balance Sheet

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	As at March 31,	As at June 30,
	<u>2013</u>	<u>2013</u>
Assets		
Current assets		
Cash and deposits	4,153	2,950
Notes and accounts receivable-trade	15,026	14,703
Merchandise and finished goods	5,214	5,799
Work in process	1,973	2,223
Raw materials and supplies	3,571	3,433
Other	1,110	998
Allowance for doubtful accounts	(5)	(5)
Total current assets	<u>31,044</u>	<u>30,104</u>
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	5,286	5,621
Other, net	10,742	10,874
Total property, plant and equipment	<u>16,029</u>	<u>16,495</u>
Intangible assets	734	781
Investments and other assets		
Investments and other assets, gross	3,481	3,457
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	<u>3,477</u>	<u>3,453</u>
Total noncurrent assets	<u>20,241</u>	<u>20,730</u>
Total assets	<u><u>51,286</u></u>	<u><u>50,834</u></u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,474	7,141
Short-term loans payable	3,237	3,099
Current portion of long-term loans payable	1,386	1,397
Income taxes payable	503	81
Provision for product warranties	6	6
Provision for bonuses	1,002	599
Asset retirement obligations	21	21
Other	4,254	4,989
Total current liabilities	<u>17,886</u>	<u>17,337</u>
Noncurrent liabilities		
Long-term loans payable	2,393	2,252
Provision for retirement benefits	447	465
Provision for directors' retirement benefits	51	54
Asset retirement obligations	146	147
Other	897	838
Total noncurrent liabilities	<u>3,936</u>	<u>3,758</u>
Total liabilities	<u>21,823</u>	<u>21,095</u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,687	12,499
Treasury stock	(271)	(272)
Total shareholders' equity	<u>30,189</u>	<u>29,999</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	286	307
Foreign currency translation adjustment	(1,084)	(641)
Total accumulated other comprehensive income	<u>(798)</u>	<u>(334)</u>
Minority interests	71	73
Total net assets	<u>29,462</u>	<u>29,739</u>
Total liabilities and net assets	<u><u>51,286</u></u>	<u><u>50,834</u></u>

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Three months ended</u>	<u>Three months ended</u>
	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Net sales	11,843	12,490
Cost of sales	8,534	9,246
Gross profit	3,308	3,244
Selling, general and administrative expenses	2,996	3,225
Operating income	312	18
Non-operating income		
Interest income	1	2
Dividends income	10	49
Equity in earnings of affiliates	49	29
Foreign exchange gains	58	49
Other	29	31
Total non-operating income	150	162
Non-operating expenses		
Interest expenses	18	15
Commission fee	10	20
Other	3	14
Total non-operating expenses	32	50
Ordinary income	430	130
Extraordinary income		
Gain on sales of noncurrent assets	0	1
Total extraordinary income	0	1
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on abandonment of noncurrent assets	6	11
Loss on valuation of investment securities	—	9
Total extraordinary losses	6	21
Income before income taxes and minority interests	424	110
Income taxes-current	69	66
Income taxes-deferred	66	36
Total income taxes	136	103
Income before minority interests	288	7
Minority interests in income	4	0
Net income	284	6

Consolidated Statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Three months ended</u>	<u>Three months ended</u>
	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Income before minority interests	288	7
Other comprehensive income		
Valuation difference on available-for-sale securities	(77)	21
Foreign currency translation adjustment	(135)	443
Total other comprehensive income	(212)	464
Comprehensive income	76	471
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	75	469
Comprehensive income attributable to minority interests	0	1