

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2015



August 7, 2014

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
 Quarterly statement filing date (as planned) : August 11, 2014 Payment date of cash dividends : —
 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 2014 (From April 1, 2014 to June 30, 2014)

(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, 2014	12,236	(2.0)	(182)	—	(128)	—	(253)	—
Three months ended June 30, 2013	12,490	5.5	18	(94.2)	130	(69.7)	6	(97.7)

(Note) Comprehensive income : Three months ended June 30, 2014 : (454) million yen [—%], Three months ended June 30, 2013 : 471 million yen [518.1%].

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2014	(5.21)	—
Three months ended June 30, 2013	0.14	—

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at June 30, 2014	54,831	29,972	54.5
As at March 31, 2014	53,222	30,619	57.4

(Note) Owner's equity : June 30, 2014 : 29,869 million yen, March 31, 2014 : 30,526 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, 2014	—	4.00	—	4.00	8.00	
Year ending March 31, 2015	—					
Year ending March 31, 2015 (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 2015 (From April 1, 2014 to March 31, 2015)

(%: 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, 2014	26,800	4.2	400	103.7	500	12.5	300	49.4	6.15
Year ending March 31, 2015	56,000	4.0	1,200	33.2	1,400	17.9	800	285.7	16.41

(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, the medical market keeps growing mainly in emerging countries, and the competition among domestic and foreign manufacturers is intensifying in overseas markets. In Japan, the government policy accelerates the new market access to the healthcare field. 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, JMS recorded consolidated net sales of 12,236 million yen in this period, down 2.0% / 254 million yen (year-over-year).

Despite the efforts to reduce the labor cost, the operating loss totaled 182 million yen (operating income of 18 million yen in the same period of the previous year), due to the influence of decreased sales. The addition of equity in earnings of affiliates resulted in the ordinary loss of 128 million yen (ordinary income of 130 million yen in the same period of the previous year). The deduction of tax expense resulted in the net loss of 253 million yen in this period (net income of 6 million yen in the same period of the previous year).

Business performance by geographical segment.

(i) Japan

Continued growth in the sales of cardiopulmonary blood tubing sets and AV fistula needles for Germany was offset by the sales drop of hemodialysis machine and its ancillary equipments, reducing net sales to 8,864 million yen, down 5.2% (year-over-year). Despite the efforts to reduce labor cost, the influence of decreased sales resulted in a loss of 271 million yen, down 261 million yen, for this geographical segment.

(ii) Southeast Asia

Continued growth in the sales of blood bags for Indonesia raised net sales to 4,205 million yen, up 0.6% (year-over-year). Favorable foreign exchange resulted in a loss of 51 million yen, up 55 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 860 million yen, up 8.6% (year-over-year). The influence of increased sales led to a profit of 48 million yen, up 94 million yen, for this geographical segment.

(iv) Germany

Strong sales of AV fistula needles for Europe raised net sales to 819 million yen, up 21.4% (year-over-year). Lower import cost with strong Euro led to a profit of 92 million yen, up 61.5%, for this geographical segment.

(v) The United States

Sales drop of blood bags for the South and Central America reduced net sales to 569 million yen, down 16.4% (year-over-year). The influence of decreased sales as well as no dividend payment from the shares owned resulted in a profit of 5 million yen, down 92.0%, for this geographical segment.

The remaining geographical segments recorded net sales of 440 million yen, up 20.5% (year-over-year), and a profit of 36 million yen, up 38 million yen.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of the business results

Gross assets as of the end of Q1 totaled 54,831 million yen, up 1,608 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 31,693 million yen, up 927 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Noncurrent assets grew to 23,138 million yen, up 681 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 18,009 million yen, down 332 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of short-term loans payable.

Noncurrent liabilities increased to 6,849 million yen, up 2,588 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 decreased to 29,972 million yen, down 646 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 2.9 percentage points to 54.5%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2015 released on May 8, 2014 has not been revised, as the overall business environment remained unclear.

2. Summary information (Notes)

(Changes in important subsidiaries during the period)

JMS HEALTHCARE PHL, INC. was established and included in the scope of consolidation during the current fiscal year.

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>2014</u>	<u>2014</u>
Assets		
Current assets		
Cash and deposits	1,997	3,711
Notes and accounts receivable - trade	16,211	14,765
Merchandise and finished goods	5,608	6,545
Work in process	2,330	2,381
Raw materials and supplies	3,668	3,481
Other	957	814
Allowance for doubtful accounts	(7)	(6)
Total current assets	<u>30,766</u>	<u>31,693</u>
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	6,095	6,967
Other, net	12,060	11,790
Total property, plant and equipment	<u>18,156</u>	<u>18,758</u>
Intangible assets	730	707
Investments and other assets		
Investments and other assets, gross	3,573	3,675
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	<u>3,569</u>	<u>3,672</u>
Total non-current assets	<u>22,456</u>	<u>23,138</u>
Total assets	<u><u>53,222</u></u>	<u><u>54,831</u></u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,705	7,415
Short-term loans payable	4,681	3,693
Current portion of long-term loans payable	1,363	1,679
Income taxes payable	314	125
Provision for product warranties	9	8
Provision for bonuses	1,040	612
Other	3,226	4,474
Total current liabilities	<u>18,342</u>	<u>18,009</u>
Non-current liabilities		
Long-term loans payable	2,632	5,163
Provision for directors' retirement benefits	71	69
Net defined benefit liability	472	483
Asset retirement obligations	246	245
Other	839	886
Total non-current liabilities	<u>4,261</u>	<u>6,849</u>
Total liabilities	<u><u>22,603</u></u>	<u><u>24,859</u></u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,504	12,055
Treasury shares	(274)	(275)
Total shareholders' equity	<u>30,003</u>	<u>29,554</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	429
Foreign currency translation adjustment	169	(114)
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	<u>523</u>	<u>315</u>
Minority interests	92	102
Total net assets	<u>30,619</u>	<u>29,972</u>
Total liabilities and net assets	<u><u>53,222</u></u>	<u><u>54,831</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, 2013</u>	<u>June 30, 2014</u>
Net sales	12,490	12,236
Cost of sales	9,246	9,199
Gross profit	<u>3,244</u>	<u>3,037</u>
Selling, general and administrative expenses	<u>3,225</u>	<u>3,220</u>
Operating income (loss)	<u>18</u>	<u>(182)</u>
Non-operating income		
Interest income	2	0
Dividend income	49	16
Share of profit of entities accounted for using equity method	29	42
Foreign exchange gains	49	—
Other	31	36
Total non-operating income	<u>162</u>	<u>96</u>
Non-operating expenses		
Interest expenses	15	23
Foreign exchange losses	—	9
Commission fee	20	3
Other	14	6
Total non-operating expenses	<u>50</u>	<u>42</u>
Ordinary income (loss)	<u>130</u>	<u>(128)</u>
Extraordinary income		
Gain on sales of non-current assets	1	0
Total extraordinary income	<u>1</u>	<u>0</u>
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on abandonment of non-current assets	11	2
Loss on valuation of investment securities	9	—
Total extraordinary losses	<u>21</u>	<u>2</u>
Income (loss) before income taxes and minority interests	<u>110</u>	<u>(131)</u>
Income taxes - current	66	87
Income taxes - deferred	36	28
Total income taxes	<u>103</u>	<u>115</u>
Income (loss) before minority interests	<u>7</u>	<u>(246)</u>
Minority interests in income	0	6
Net income (loss)	<u>6</u>	<u>(253)</u>

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, 2013</u>	<u>June 30, 2014</u>
Income (loss) before minority interests	7	(246)
Other comprehensive income		
Valuation difference on available-for-sale securities	21	75
Foreign currency translation adjustment	443	(283)
Remeasurements of defined benefit plans, net of tax	—	0
Total other comprehensive income	<u>464</u>	<u>(207)</u>
Comprehensive income	<u>471</u>	<u>(454)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	469	(465)
Comprehensive income attributable to minority interests	1	10