

# Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2016



February 5, 2016

Stock Exchange Listings : Tokyo 1st Section

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 Quarterly statement filing date (as planned) : February 10, 2016 Dividend payable date (as planned) : —  
 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 December 2015 (From April 1, 2015 to December 31, 2015)

### (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	%
Nine months ended December 31, 2015	43,095	5.0	1,019	154.0	959	94.5	721	144.7
Nine months ended December 31, 2014	41,046	3.0	401	(33.2)	493	(46.2)	294	(49.1)

(Note) Comprehensive income : Nine months ended December 31, 2015 : 343 million yen [(73.7)%], Nine months ended December 31, 2014 : 1,304 million yen [(22.1)%].

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended December 31, 2015	14.81		—	
Nine months ended December 31, 2014	6.05		—	

### (2) Consolidated financial positions

	Total assets		Net assets		Capital adequacy ratio	
	Millions of yen		Millions of yen		%	
As at December 31, 2015	64,795		31,474		48.4	
As at March 31, 2015	60,452		31,530		52.0	

(Note) Owner's equity : December 31, 2015 : 31,360 million yen, March 31, 2015 : 31,418 million yen.

## 2. Dividends

	Dividend per share				
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	4.00	—	4.00	8.00
Year ending March 31, 2016	—	4.00	—		
Year ending March 31, 2016 (forecast)				4.00	8.00

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

## 3. Consolidated Forecast for the Year Ending March 2016 (From April 1, 2015 to March 31, 2016)

(%: change from the same previous period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2016	58,000	4.7	1,100	190.3	1,100	194.6	800	475.2	16.41

(Note) Correction of financial forecast from the most recent financial forecast : 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, the medical market keeps growing mainly in emerging countries, and the competition among domestic and foreign manufacturers 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 for 'medical safety', 'medical efficiency', 'regenerative medicine' and 'improving the quality of life (QOL) for people requiring medical services' 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 43,095 million yen in this period, up 5.0% / 2,048 million yen (year-over-year).

The operating income totaled 1,019 million yen in this period, up 154.0% (year-over-year), due to the influence of increased sales as well as the cost reduction at our manufacturing sites. The addition of equity in earnings of affiliates was offset by the exchange loss, resulting in an ordinary income of 959 million yen, up 94.5% (year-over-year). The addition of gain on sales of non-current assets and the deduction of tax expense resulted in the net income attributable to equity holders of the parent company of 721 million yen, up 144.7% (year-over-year).

##### Business performance by geographical segment

###### (i) Japan

Increased sales of cardiopulmonary equipment as well as launch of blood bags with leukocyte reduction filter raised net sales to 30,811 million yen, up 2.4% (year-over-year). Despite the influence of sales increase, the higher import cost with weak yen as well as the loss of abandonment of inventories resulted in a loss of 9 million yen, down 46 million yen, for this geographical segment.

###### (ii) Southeast Asia

Continued growth in the sales of apheresis kits equipment raised net sales to 15,522 million yen, up 13.3% (year-over-year). The influence of sales increase led to a profit of 672 million yen, up 746 million yen, for this geographical segment.

###### (iii) China

Despite the sales drop of AV fistula needles for the domestic market, increase of yen equivalent by weak yen raised net sales to 3,062 million yen, up 6.9% (year-over-year). Decrease of profit from the sales on a yen basis transaction resulted in a loss of 109 million yen, down 190 million yen, for this geographical segment.

###### (iv) Germany

Increased sales of dialysis therapy chairs for Australian market was offset by decrease of sales in yen equivalent by strong yen, reducing net sales to 2,410 million yen, down 2.3% (year-over-year). Higher import cost with weak Euro resulted in a profit of 222 million yen, down 19.4%, for this geographical segment.

(v) The United States

Strong sales of AV fistula needles for South and Central America market raised net sales to 2,473 million yen, up 16.4% (year-over-year). Despite the increase of selling expenses, influence of sales increase raised net profit of 102 million yen, up 25.2%, for this geographical segment.

The remaining geographical segments recorded net sales of 1,426 million yen, up 7.9% (year-over-year), and a loss of 230 million yen, down 292 million yen.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of the business results

Gross assets as of the end of this period totaled 64,795 million yen, up 4,342 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 35,654 million yen, up 1,222 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Noncurrent assets grew to 29,140 million yen, up 3,119 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 20,463 million yen, down 146 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of allowance for bonus.

Noncurrent liabilities increased to 12,856 million yen, up 4,543 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 31,474 million yen, down 55 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 3.6 percentage points to 48.4%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2016 released on May 8, 2015 has been revised as follows;

**Revision of consolidated business forecasts for the FYE Mar. 2015**

(Unit: million yen)

	Previous Forecast (A)	New forecast (B)	Amount changed (B - A)	Results for previous FY ended Mar. 2015
Net sales	58,000	58,000	—	55,401
Operating income	700	1,100	400	378
Ordinary income	800	1,100	300	373
Profit attributable to owners of parent	500	800	300	139

Steady growth in sales and the decline of material cost and the reduction of manufacturing expenses resulted in the increase of profit.

The assessment figures described on this forecast are based on available information at this moment, including uncertain data. Actual results may be different from the figures.

## 5. Consolidated Financial Statements

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

	(Millions of yen)	
	<u>As at March 31,</u> <u>2015</u>	<u>As at December 31,</u> <u>2015</u>
Assets		
Current assets		
Cash and deposits	4,711	5,601
Notes and accounts receivable - trade	16,233	16,190
Merchandise and finished goods	6,863	7,286
Work in process	2,342	2,333
Raw materials and supplies	3,254	3,241
Other	1,120	1,094
Allowance for doubtful accounts	(94)	(93)
Total current assets	34,431	35,654
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	7,464	7,293
Construction in progress	3,240	6,592
Other, net	10,349	10,007
Total property, plant and equipment	21,055	23,892
Intangible assets	627	534
Investments and other assets		
Investments and other assets, gross	4,341	4,717
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,337	4,714
Total non-current assets	26,021	29,140
Total assets	60,452	64,795

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

(Millions of yen)

	<u>As at March 31,</u> <u>2015</u>	<u>As at December 31,</u> <u>2015</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,264	8,271
Short-term loans payable	4,770	4,350
Current portion of long-term loans payable	1,627	2,265
Income taxes payable	54	113
Provision for product warranties	9	9
Provision for bonuses	1,094	626
Asset retirement obligations	21	21
Other	4,767	4,806
Total current liabilities	20,609	20,463
Non-current liabilities		
Long-term loans payable	6,374	10,811
Provision for directors' retirement benefits	85	78
Net defined benefit liability	675	698
Asset retirement obligations	236	236
Other	940	1,030
Total non-current liabilities	8,312	12,856
Total liabilities	28,922	33,320
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,253	12,585
Treasury shares	(277)	(280)
Total shareholders' equity	29,749	30,078
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	528	583
Foreign currency translation adjustment	1,140	698
Total accumulated other comprehensive income	1,668	1,281
Non-controlling interests	112	114
Total net assets	31,530	31,474
Total liabilities and net assets	60,452	64,795

## **Consolidated Statements of Income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2014</u>	<u>Nine months ended</u> <u>December 31, 2015</u>
Net sales	41,046	43,095
Cost of sales	30,918	32,013
Gross profit	10,127	11,081
Selling, general and administrative expenses	9,726	10,062
Operating income	401	1,019
Non-operating income		
Interest income	3	10
Dividend income	28	29
Share of profit of entities accounted for using equity method	175	271
Other	110	112
Total non-operating income	318	422
Non-operating expenses		
Interest expenses	80	100
Foreign exchange losses	108	204
Loss on abandonment of inventories	—	139
Commission fee	22	3
Other	15	34
Total non-operating expenses	226	482
Ordinary income	493	959
Extraordinary income		
Gain on sales of non-current assets	13	83
Gain on sales of investment securities	156	—
Total extraordinary income	170	83
Extraordinary losses		
Loss on sales of non-current assets	3	26
Loss on abandonment of non-current assets	30	60
Compensation for damage	75	—
Total extraordinary losses	109	87
Income before income taxes and minority interests	554	955
Income taxes - current	210	164
Income taxes - deferred	37	61
Total income taxes	247	225
Profit	306	729
Profit attributable to non-controlling interests	11	7
Profit attributable to owners of parent	294	721

## **Consolidated Statements of Comprehensive Income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2014</u>	<u>Nine months ended</u> <u>December 31, 2015</u>
Profit	306	729
Other comprehensive income		
Valuation difference on available-for-sale securities	53	55
Foreign currency translation adjustment	945	(441)
Remeasurements of defined benefit plans, net of tax	0	—
Total other comprehensive income	998	(386)
Comprehensive income	1,304	343
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,279	340
Comprehensive income attributable to non-controlling interests	25	2