

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017



February 10, 2017

Stock Exchange Listings : Tokyo 1st Section

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 Quarterly statement filing date (as planned) : February 14, 2017 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 2016 (From April 1, 2016 to December 31, 2016)

(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, 2016	41,773	(3.1)	1,053	3.4	1,397	45.6	1,174	62.7
Nine months ended December 31, 2015	43,095	5.0	1,019	154.0	959	94.5	721	144.7

(Note) Comprehensive income : Nine months ended December 31, 2016 : 281 million yen [(18.0)%], Nine months ended December 31, 2015 : 343 million yen [(73.7)%].

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended December 31, 2016	24.09		—	
Nine months ended December 31, 2015	14.81		—	

(2) Consolidated financial positions

	Total assets		Net assets		Capital adequacy ratio	
	Millions of yen		Millions of yen		%	
As at December 31, 2016	65,238		30,698		46.9	
As at March 31, 2016	65,174		30,907		47.2	

(Note) Owner's equity : December 31, 2016 : 30,576 million yen, March 31, 2016 : 30,790 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, 2016	—		4.00		—		6.00		10.00	
Year ending March 31, 2017	—		4.00		—					
Year ending March 31, 2017 (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 2017 (From April 1, 2016 to March 31, 2017)

(%: 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, 2017	56,000	(2.8)	1,100	(22.7)	1,200	(4.2)	900	19.3	18.47	

(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 business results for the third quarter

(1) Overview of consolidated business results

In regard to the business environment surrounding the JMS Group, the medical device 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 to enhance product development, production and sales as well as 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'. 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 as well as the influence of the strong yen in foreign currency translation, JMS recorded consolidated net sales of 41,773 million yen in this period, down 3.1% / 1,321 million yen (year-over-year).

Despite the increase of depreciation burden by the large-scale investment, the operating income totaled 1,053 million yen in this period, up 3.4% (year-over-year), due to the improved gross profit margin ratio. Share of profit of entities accounted for using equity method and foreign exchange gains resulted in an ordinary income of 1,397 million yen in this period, up 45.6% (year-over-year). The deduction of tax expense resulted in the profit attributable to owners of parent of 1,174 million yen, up 62.7% (year-over-year).

Business performance by geographical segment

(i) Japan

Increased sales of Enteral nutrition system products raised net sales to 31,487 million yen, up 2.2% (year-over-year). The increase of depreciation burden was offset by the sales increase effect, leading to a profit of 585 million yen, up 594 million yen (year-over-year), for this geographical segment.

(ii) Southeast Asia

Decreased sales of AV fistula needles for North America market reduced net sales to 13,740 million yen, down 11.5% (year-over-year). Higher import cost with weak SGD resulted in a profit of 603 million yen, down 10.2% (year-over-year), for this geographical segment.

(iii) China

Increased sales of Infusion Sets for Japan market was offset by decrease in yen translation with strong yen, reducing net sales to 2,995 million yen, down 2.2% (year-over-year). The influence of sales increase on a local currency basis led to a profit of 315 million yen, up 425 million yen (year-over-year), for this geographical segment.

(iv) Germany

Increased sales of Blood bags for Russia market was offset by decrease in yen translation with strong yen, reducing net sales to 2,224 million yen, down 7.7% (year-over-year). Higher import cost with weak Euro resulted in a profit of 68million yen, down 69.3% (year-over-year), for this geographical segment.

(v) The United States

Decreased sales of AV fistula needles for North America market reduced net sales to 1,783 million yen, down 27.9% (year-over-year). The influence of decreased sales resulted in a profit to 66 million yen, down 34.6% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 1,216 million yen, down 14.7% (year-over-year), and a loss of 389 million yen, down 158 million yen (year-over-year).

The abovementioned figures do not include consumption tax, etc.

(2) Overview of the financial condition

Total assets as of the end of this period totaled 65,238 million yen, up 64 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 35,815 million yen, up 609 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of notes and accounts receivable – trade.

Non-current assets decreased to 29,422 million yen, down 545 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of property, plant, and equipment.

(Liabilities)

Current liabilities decreased to 20,251 million yen, down 1,492 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes payable-equipment.

Non-current liabilities increased to 14,287 million yen, up 1,765 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 30,698 million yen, down 209 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 0.3 percentage points to 46.9%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2017 released on November 10, 2016 has not been revised, as the overall business environment remained unclear.

5. Consolidated Financial Statements

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

(Millions of yen)

	<u>As at March 31,</u> <u>2016</u>	<u>As at December 31,</u> <u>2016</u>
Assets		
Current assets		
Cash and deposits	5,927	5,980
Notes and accounts receivable - trade	15,714	16,099
Securities	57	68
Merchandise and finished goods	6,928	6,809
Work in process	2,149	2,312
Raw materials and supplies	3,371	3,455
Other	1,135	1,169
Allowance for doubtful accounts	(78)	(79)
Total current assets	35,205	35,815
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,601	8,966
Machinery, equipment and vehicles, net	8,238	8,539
Other, net	7,319	6,334
Total property, plant and equipment	25,159	23,840
Intangible assets	508	460
Investments and other assets		
Investments and other assets, gross	4,303	5,125
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,299	5,121
Total non-current assets	29,968	29,422
Total assets	65,174	65,238

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

(Millions of yen)

	<u>As at March 31,</u> <u>2016</u>	<u>As at December 31,</u> <u>2016</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,564	8,725
Short-term loans payable	3,990	4,350
Current portion of long-term loans payable	2,140	1,917
Income taxes payable	157	175
Provision for product warranties	9	7
Provision for bonuses	1,091	613
Other	5,790	4,462
Total current liabilities	21,744	20,251
Non-current liabilities		
Long-term loans payable	10,457	12,201
Provision for directors' retirement benefits	91	78
Net defined benefit liability	661	686
Asset retirement obligations	235	234
Other	1,076	1,086
Total non-current liabilities	12,522	14,287
Total liabilities	34,266	34,539
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,618	13,305
Treasury shares	(280)	(281)
Total shareholders' equity	30,111	30,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	370	473
Foreign currency translation adjustment	308	(693)
Total accumulated other comprehensive income	678	(220)
Non-controlling interests	117	121
Total net assets	30,907	30,698
Total liabilities and net assets	65,174	65,238

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2015</u>	<u>Nine months ended</u> <u>December 31, 2016</u>
Net sales	43,095	41,773
Cost of sales	32,013	30,766
Gross profit	11,081	11,007
Selling, general and administrative expenses	10,062	9,953
Operating income	1,019	1,053
Non-operating income		
Interest income	10	7
Dividend income	29	41
Share of profit of entities accounted for using equity method	271	184
Foreign exchange gains	—	95
Other	112	150
Total non-operating income	422	478
Non-operating expenses		
Interest expenses	100	95
Foreign exchange losses	204	—
Loss on abandonment of inventories	139	—
Other	38	39
Total non-operating expenses	482	135
Ordinary income	959	1,397
Extraordinary income		
Gain on sales of non-current assets	83	2
Gain on sales of investment securities	—	0
Subsidy income	—	800
Total extraordinary income	83	802
Extraordinary losses		
Loss on sales of non-current assets	26	0
Loss on abandonment of non-current assets	60	39
Loss on reduction of non-current assets	—	755
Loss on sales of investment securities	—	0
Total extraordinary losses	87	795
Profit before income taxes	955	1,404
Income taxes - current	164	242
Income taxes - deferred	61	(17)
Total income taxes	225	224
Profit	729	1,180
Profit attributable to non-controlling interests	7	5
Profit attributable to owners of parent	721	1,174

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2015</u>	<u>Nine months ended</u> <u>December 31, 2016</u>
Profit	729	1,180
Other comprehensive income		
Valuation difference on available-for-sale securities	55	102
Foreign currency translation adjustment	(441)	(1,001)
Total other comprehensive income	(386)	(898)
Comprehensive income	343	281
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	340	277
Comprehensive income attributable to non-controlling interests	2	4