

# Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018



August 9, 2017

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 10, 2017 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 2017 (From April 1, 2017 to June 30, 2017)

(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	%
Three months ended June 30, 2017	13,240	(0.7)	46	(62.0)	148	(29.0)	238	183.3
Three months ended June 30, 2016	13,336	(3.7)	121	109.4	209	—	84	466.7

(Note) Comprehensive income : Three months ended June 30, 2017 : 273 million yen [—%], Three months ended June 30, 2016 : (982) million yen [—%].

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2017	4.88	—
Three months ended June 30, 2016	1.72	—

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at June 30, 2017	64,446	31,137	48.1
As at March 31, 2017	65,681	31,061	47.1

(Note) Owner's equity : June 30, 2017 : 31,011 million yen, March 31, 2017 : 30,931 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, 2017	—	4.00	—	4.00	8.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (forecast)		4.00	—	8.00	—

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

We are planning to carry out a share consolidation as to the shares of common stock of the Company at the ratio of two (2) shares into one (1) share effective as of October 1, 2017. Please note that such share consolidation was taken into consideration in determining the amount of the annual cash dividend for the next fiscal year (i.e., the year ending March 31, 2018) (forecast) mentioned above.

## 3. Consolidated Forecast for the Year Ending March 2018 (From April 1, 2017 to March 31, 2018)

(%: change from the same previous period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	Yen
Half year ending September 30, 2017	28,000	1.7	500	(15.7)	500	(28.5)	300	(26.8)	6.16	6.16
Year ending March 31, 2018	57,000	2.6	1,150	3.9	1,200	(17.3)	700	(40.8)	28.73	28.73

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

We are planning to carry out a share consolidation as to the shares of common stock of the Company at the ratio of two (2) shares into one (1) share effective as of October 1, 2017. Please note that such share consolidation was taken into consideration in calculating the amount of the basic earnings per share stated in the "Consolidated Forecast for the Year Ending March 31, 2018" above.

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, while the medical device market keeps growing especially in emerging countries, the competition among domestic and foreign manufacturers with more supply capacity is intensifying in overseas markets. In Japan, while increasing access to the medical devices market by different industries which has sought new growth potential in there, the strong demand for safety and quality of medical devices keeps growing. 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'. From the first quarter, JMS has shifted to Business Unit (BU) type organization, and set three Business Units, 'Hospital Products BU' mainly handles infusion and enteral nutrition, 'Surgical & Therapeutical BU' mainly handles Dialysis and Cardiovascular, and 'Blood Management & Cell Therapy BU' mainly handles Transfusion.

As a result of the abovementioned operations, JMS recorded consolidated net sales of 13,240 million yen in this period, down 0.7% / 95 million yen (year-over-year).

The operating income totaled 46 million yen in this period, down 62.0% (year-over-year), due to the influence of decreased sales and increase in selling cost. The addition of equity in earnings of affiliates resulted in an ordinary income of 148 million yen, down 29.0% (year-over-year). The adjustment of income tax resulted in the profit attributable to owners of parent of 238million yen, up 183.3% (year-over-year).

##### Business performance by geographical segment.

Due to the revision in the segment classification from the first quarter, the year-to-year comparison has been restated in accordance with these segment changes.

###### (i) Japan

Increased sales of Closed Mixing/Infusion System for Anticancer Drug "NEO SHIELD" was offset by the sales drop of Infusion Sets, reducing net sales to 9,469 million yen, down 4.6% (year-over-year). Despite the influence of sales decrease, the dividend income from associated companies resulted in a profit of 101 million yen, up 111 million yen (year-over-year), for this geographical segment.

###### (ii) Singapore

Decreased sales of Hemodialysis blood tubing sets for Japan market reduced net sales to 4,613 million yen, down 1.3% (year-over-year). The increase of selling cost resulted in a profit of 190 million yen, down 11.0% (year-over-year), for this geographical segment.

###### (iii) China

Decreased sales of Dialyzer for the domestic market reduced net sales to 862 million yen, down 9.4% (year-over-year). The influence of sales decrease as well as the increase of selling cost resulted in a profit of 13 million yen, down 78.4% (year-over-year), for this geographical segment.

###### (iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 115 million yen (sales of 2 million yen in the same period of the previous year). Loan payable with weak yen reduced loss to 166 million yen, improved by 18 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 1,899 million yen, up 4.7% (year-over-year), and a profit of 66 million yen, down 42.4% (year-over-year).

The abovementioned figures do not include consumption tax, etc.

## (2) Analysis of the financial condition

Total assets as of the end of this period totaled 64,446 million yen, down 1,235 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 35,282 million yen, down 997 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits.

Noncurrent assets decreased to 29,164 million yen, down 237 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 19,969 million yen, down 814 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes and accounts payable - trade.

Non-current liabilities decreased to 13,339 million yen, down 496 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 increased to 31,137 million yen, up 75 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of Valuation difference on available-for-sale securities.

Note that the Capital adequacy ratio increased by 1.0 percentage points to 48.1%.

## (3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2018 released on May 12, 2017 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>2017</u>	<u>As at June 30,</u> <u>2017</u>
Assets		
Current assets		
Cash and deposits	6,270	5,462
Notes and accounts receivable - trade	15,357	14,768
Securities	71	69
Merchandise and finished goods	7,193	7,451
Work in process	2,162	2,172
Raw materials and supplies	3,676	3,586
Other	1,626	1,809
Allowance for doubtful accounts	(78)	(37)
Total current assets	36,279	35,282
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,156	9,039
Machinery, equipment and vehicles, net	8,558	8,370
Other, net	6,227	6,256
Total property, plant and equipment	23,942	23,666
Intangible assets	448	436
Investments and other assets		
Investments and other assets, gross	5,014	5,073
Allowance for doubtful accounts	(3)	(12)
Total investments and other assets	5,011	5,061
Total non-current assets	29,402	29,164
Total assets	65,681	64,446

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

(Millions of yen)

	<u>As at March 31,</u> <u>2017</u>	<u>As at June 30,</u> <u>2017</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,855	8,188
Short-term loans payable	3,990	4,050
Current portion of long-term loans payable	2,052	2,126
Income taxes payable	316	109
Provision for product warranties	8	8
Provision for bonuses	1,085	577
Other	4,476	4,909
Total current liabilities	20,784	19,969
Non-current liabilities		
Long-term loans payable	11,645	10,990
Provision for directors' retirement benefits	92	90
Net defined benefit liability	651	655
Asset retirement obligations	236	237
Other	1,210	1,365
Total non-current liabilities	13,836	13,339
Total liabilities	34,620	33,309
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,313	13,356
Treasury shares	(282)	(282)
Total shareholders' equity	30,803	30,847
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	439	556
Foreign currency translation adjustment	(312)	(391)
Total accumulated other comprehensive income	127	164
Non-controlling interests	130	125
Total net assets	31,061	31,137
Total liabilities and net assets	65,681	64,446

## Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2016</u>	<u>Three months ended</u> <u>June 30, 2017</u>
Net sales	13,336	13,240
Cost of sales	9,906	9,833
Gross profit	3,430	3,407
Selling, general and administrative expenses	3,308	3,361
Operating profit	121	46
Non-operating income		
Interest income	3	7
Dividend income	26	18
Share of profit of entities accounted for using equity method	76	68
Subsidy income	30	49
Other	32	31
Total non-operating income	169	176
Non-operating expenses		
Interest expenses	32	29
Foreign exchange losses	32	37
Other	16	6
Total non-operating expenses	81	73
Ordinary profit	209	148
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	—	0
Loss on abandonment of non-current assets	10	5
Loss on sales of investment securities	0	—
Total extraordinary losses	10	5
Profit before income taxes	198	143
Income taxes - current	88	125
Income taxes - deferred	21	(218)
Total income taxes	109	(92)
Profit	88	236
Profit (loss) attributable to non-controlling interests	4	(1)
Profit attributable to owners of parent	84	238

## Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2016</u>	<u>Three months ended</u> <u>June 30, 2017</u>
Profit	88	236
Other comprehensive income		
Valuation difference on available-for-sale securities	(149)	117
Foreign currency translation adjustment	(921)	(79)
Total other comprehensive income	(1,070)	37
Comprehensive income	(982)	273
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(975)	278
Comprehensive income attributable to non-controlling interests	(6)	(4)