

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



November 9, 2017

Stock Exchange Listings : Tokyo 1st Section

Company name	: JMS Co., Ltd.	(URL <a href="http://www.jms.cc/">http://www.jms.cc/</a> )
Securities code	: 7702	
Representative	: Hiroaki Okukubo, President and Representative Director	
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Quarterly statement filing date (as planned)	: November 13, 2017	Payment date of cash dividends : December 8, 2017
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 September 2017 (From April 1, 2017 to September 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	%
Six months ended September 30, 2017	27,402	(0.4)	156	(73.6)	334	(52.2)	210	(48.6)
Six months ended September 30, 2016	27,526	(2.2)	592	13.2	699	62.5	409	42.2

(Note) Comprehensive income : Six months ended September 30, 2017 : 614 million yen [ -% ], Six months ended September 30, 2016 : (1,270) million yen [ -% ].

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2017	8.65	—
Six months ended September 30, 2016	16.82	—

(Note) We have conducted a share consolidation of common stock of JMS Co., Ltd. ("the Company") pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the "Net income per share" has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

## (2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at September 30, 2017	65,615	31,477	47.8
As at March 31, 2017	65,681	31,061	47.1

(Note) Owner's equity : September 30, 2017 : 31,348 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	—	4.00	—	—	—
Year ending March 31, 2018 (forecast)	—	—	—	8.00	—

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

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of the year-end cash dividend per share for the fiscal year ending March 31, 2018 (forecast) mentioned above and the total annual dividend amount is indicated as "—" The year-end cash dividend per share and total annual dividend amount per share for the fiscal year ending March 31, 2018 (forecast), without taking into consideration of the share consolidation, are 4 yen and 8 yen, respectively.

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

	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
Year ending March 31, 2018	56,000	0.8	700	(36.7)	900	(38.0)	600	(49.3)	—	24.62

(Note) Correction of financial forecast from the most recent financial forecast : Yes

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of "Basic earnings per share".

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 second 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 27,402 million yen in this period, down 0.4% / 123 million yen (year-over-year).

The operating income totaled 156 million yen in this period, down 73.6% (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 334 million yen, down 52.2% (year-over-year). The adjustment of income tax resulted in the profit attributable to owners of parent of 210million yen, down 48.6% (year-over-year).

##### Business performance by geographical segment.

Due to the revision in the segment classification from this first quarter, the second quarter comparison and analysis 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 Hemodialysis Machines, reducing net sales to 20,115 million yen, down 3.2% (year-over-year). Despite the dividend income from associated companies, the influence of decrease sales and the increase R&D cost resulted in a profit of 196 million yen, down 37.1% (year-over-year), for this geographical segment.

###### (ii) Singapore

Increased sales of AV fistula needles for North America market raised net sales to 9,372 million yen, up 2.7% (year-over-year). The decreased manufacturing cost and influence of foreign currency exchange resulted in a profit of 436 million yen, up 45.5% (year-over-year), for this geographical segment.

###### (iii) China

Decreased sales of Dialyzer for the domestic market reduced net sales to 1,761 million yen, down 11.6% (year-over-year).The influence of decreased sales as well as the increased selling cost resulted in a profit of 35 million yen, down 81.5% (year-over-year), for this geographical segment.

###### (iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 247 million yen (sales of 28 million yen in the same period of the previous year).

The influence of increased sales reduced loss to 307 million yen, improved by 80 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 3,724 million yen, up 4.9% (year-over-year), and a profit of 153 million yen, down 23.2% (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 65,615 million yen, down 65 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 36,111 million yen, down 167 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits.

Noncurrent assets increased to 29,503 million yen, up 101 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of investment securities.

### (Liabilities)

Current liabilities decreased to 19,816 million yen, down 967 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 increased to 14,321 million yen, up 484 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 increased to 31,477 million yen, up 416 million yen from the end of the previous consolidated fiscal year, mainly due to the fluctuation of foreign currency translation adjustment.

Note that the Capital adequacy ratio increased by 0.7 percentage points to 47.8%.

## (3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2018 released on May 12, 2017 has been revised as follows.

### **Revision of consolidated business forecasts for the FYE Mar. 2018**

(Unit: million yen)

	Previous Forecast (A)	New forecast (B)	Amount changed (B - A)	Results for previous FY ended Mar. 2017
Net sales	57,000	56,000	(1,000)	55,574
Operating income	1,150	700	(450)	1,106
Ordinary income	1,200	900	(300)	1,451
Profit attributable to owners of parent	700	600	(100)	1,182

The net sales was below the forecast due to the postponement in some of sales orders from customers in domestic market to later in the year. The profit was also below the forecast due to the decrease in net sales although we have proceeded to reduce the costs and expenses.

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>2017</u>	<u>As at September 30,</u> <u>2017</u>
Assets		
Current assets		
Cash and deposits	6,270	5,606
Notes and accounts receivable - trade	15,357	15,559
Securities	71	70
Merchandise and finished goods	7,193	7,207
Work in process	2,162	2,327
Raw materials and supplies	3,676	3,564
Other	1,626	1,814
Allowance for doubtful accounts	(78)	(38)
Total current assets	36,279	36,111
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,156	8,983
Machinery, equipment and vehicles, net	8,558	8,368
Other, net	6,227	6,499
Total property, plant and equipment	23,942	23,851
Intangible assets	448	422
Investments and other assets		
Investments and other assets, gross	5,014	5,242
Allowance for doubtful accounts	(3)	(12)
Total investments and other assets	5,011	5,229
Total non-current assets	29,402	29,503
Total assets	65,681	65,615

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

(Millions of yen)

	<u>As at March 31,</u> <u>2017</u>	<u>As at September 30,</u> <u>2017</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,855	8,078
Short-term loans payable	3,990	4,050
Current portion of long-term loans payable	2,052	2,609
Income taxes payable	316	188
Provision for product warranties	8	8
Provision for bonuses	1,085	1,087
Other	4,476	3,794
Total current liabilities	20,784	19,816
Non-current liabilities		
Long-term loans payable	11,645	11,822
Provision for directors' retirement benefits	92	96
Net defined benefit liability	651	671
Asset retirement obligations	236	242
Other	1,210	1,488
Total non-current liabilities	13,836	14,321
Total liabilities	34,620	34,137
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,313	13,329
Treasury shares	(282)	(283)
Total shareholders' equity	30,803	30,819
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	439	604
Foreign currency translation adjustment	(312)	(74)
Total accumulated other comprehensive income	127	529
Non-controlling interests	130	128
Total net assets	31,061	31,477
Total liabilities and net assets	65,681	65,615

## Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2016</u>	<u>Six months ended</u> <u>September 30, 2017</u>
Net sales	27,526	27,402
Cost of sales	20,363	20,449
Gross profit	<u>7,162</u>	<u>6,953</u>
Selling, general and administrative expenses	<u>6,569</u>	<u>6,796</u>
Operating profit	<u>592</u>	<u>156</u>
Non-operating income		
Interest income	5	9
Dividend income	26	18
Share of profit of entities accounted for using equity method	124	134
Other	<u>93</u>	<u>117</u>
Total non-operating income	<u>250</u>	<u>279</u>
Non-operating expenses		
Interest expenses	64	60
Foreign exchange losses	60	29
Other	<u>19</u>	<u>12</u>
Total non-operating expenses	<u>143</u>	<u>102</u>
Ordinary profit	<u>699</u>	<u>334</u>
Extraordinary income		
Gain on sales of non-current assets	1	1
Gain on sales of investment securities	0	—
Subsidy income	<u>100</u>	<u>—</u>
Total extraordinary income	<u>101</u>	<u>1</u>
Extraordinary losses		
Loss on sales of non-current assets	0	2
Loss on abandonment of non-current assets	17	8
Loss on reduction of non-current assets	96	—
Loss on sales of investment securities	<u>0</u>	<u>—</u>
Total extraordinary losses	<u>113</u>	<u>11</u>
Profit before income taxes	<u>687</u>	<u>324</u>
Income taxes - current	210	189
Income taxes - deferred	<u>60</u>	<u>(76)</u>
Total income taxes	<u>270</u>	<u>112</u>
Profit	<u>416</u>	<u>211</u>
Profit attributable to non-controlling interests	<u>7</u>	<u>0</u>
Profit attributable to owners of parent	<u>409</u>	<u>210</u>

## Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2016</u>	<u>Six months ended</u> <u>September 30, 2017</u>
Profit	416	211
Other comprehensive income		
Valuation difference on available-for-sale securities	(81)	165
Foreign currency translation adjustment	<u>(1,605)</u>	<u>237</u>
Total other comprehensive income	<u>(1,687)</u>	<u>402</u>
Comprehensive income	<u>(1,270)</u>	<u>614</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,269)	615
Comprehensive income attributable to non-controlling interests	<u>(1)</u>	<u>(1)</u>

## Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2016</u>	<u>Six months ended</u> <u>September 30, 2017</u>
Cash flows from operating activities		
Profit before income taxes	687	324
Depreciation	1,463	1,508
Increase (decrease) in allowance for doubtful accounts	0	(30)
Increase (decrease) in net defined benefit liability	20	25
Interest and dividend income	(32)	(27)
Interest expenses	64	60
Foreign exchange losses (gains)	370	(87)
Share of (profit) loss of entities accounted for using equity method	(124)	(134)
Loss (gain) on sales of non-current assets	(1)	1
Loss on abandonment of non-current assets	17	8
Loss on reduction of non-current assets	96	—
Loss (gain) on sales of investment securities	0	—
Subsidy income	(100)	—
Decrease (increase) in notes and accounts receivable - trade	(189)	(162)
Decrease (increase) in inventories	(144)	40
Increase (decrease) in notes and accounts payable - trade	(88)	(807)
Increase (decrease) in accrued consumption taxes	424	(276)
Decrease (increase) in other current assets	45	(42)
Increase (decrease) in other current liabilities	(70)	138
Other, net	49	(51)
Subtotal	2,487	487
Interest and dividend income received	32	28
Interest expenses paid	(65)	(60)
Proceeds from subsidy income	100	200
Income taxes paid	(154)	(273)
Net cash provided by (used in) operating activities	2,399	381
Cash flows from investing activities		
Payments into time deposits	(5)	(9)
Proceeds from withdrawal of time deposits	—	5
Purchase of property, plant and equipment	(3,689)	(1,723)
Proceeds from sales of property, plant and equipment	1	39
Purchase of intangible assets	(82)	(45)
Proceeds from sales of investment securities	0	—
Other, net	3	(33)
Net cash provided by (used in) investing activities	(3,772)	(1,766)
Cash flows from financing activities		
Increase in short-term loans payable	10,469	8,400
Decrease in short-term loans payable	(10,090)	(8,340)
Proceeds from long-term loans payable	2,573	1,650
Repayments of long-term loans payable	(1,516)	(812)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(290)	(195)
Other, net	(4)	(24)
Net cash provided by (used in) financing activities	1,141	676
Effect of exchange rate change on cash and cash equivalents	(485)	40
Net increase (decrease) in cash and cash equivalents	(717)	(668)
Cash and cash equivalents at beginning of period	5,982	6,333
Cash and cash equivalents at end of period	5,264	5,665