

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



February 8, 2018

Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)  
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 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 2017 (From April 1, 2017 to December 31, 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	%
Nine months ended December 31, 2017	41,983	0.5	548	(47.9)	713	(49.0)	497	(57.6)
Nine months ended December 31, 2016	41,773	(3.1)	1,053	3.4	1,397	45.6	1,174	62.7

(Note) Comprehensive income : Nine months ended December 31, 2017 : 1,263 million yen [349.1%], Nine months ended December 31, 2016 : 281 million yen [(18.0%)].

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2017	20.43	—
Nine months ended December 31, 2016	48.18	—

(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 December 31, 2017	66,797	31,941	47.6
As at March 31, 2017	65,681	31,061	47.1

(Note) Owner's equity : December 31, 2017 : 31,800 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 : 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 "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 business results for the third quarter

##### (1) Overview of consolidated business 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 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 & Therapy BU' mainly handles Dialysis and Cardiovascular, and 'Blood Management & Cell Therapy BU' mainly handles Blood Transfusion.

As a result of the abovementioned operations as well as the influence of the weak yen in foreign currency translation, JMS recorded consolidated net sales of 41,983 million yen in this period, up by 0.5% / 209 million yen (year-over-year).

Despite that we gave our best to reduce the overall expense, the operating income totaled 548 million yen in this period, down by 47.9% (year-over-year), due to the increase in depreciation by production equipment and the increase in selling cost. The addition of share of profit of entities accounted for using equity method resulted in an ordinary income of 713 million yen, down by 49.0% (year-over-year). The adjustment of income tax resulted in the net profit attributable to the profit attributable to owners of parent of 497million yen, down by 57.6% (year-over-year).

##### Business performance by geographical segment.

Due to the revision in the segment classification from this first quarter, the third quarter (accumulated) 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 intersegment transactions, reducing net sales to 30,691 million yen, down by 2.5% (year-over-year). Despite the dividend income from affiliated companies, the influence of decrease sales and the increase sales cost resulted in a profit of 393 million yen, down by 32.8% (year-over-year), for this geographical segment.

###### (ii) Singapore

Increased sales of AV fistula needles for North America market raised net sales to 14,338 million yen, up by 4.3% (year-over-year). The influence of increased sales and decreased manufacturing cost resulted in a profit of 619 million yen, up by 2.7% (year-over-year), for this geographical segment.

###### (iii) China

Decreased sales of Dialyzer for the domestic market reduced net sales to 2,643 million yen, down by 11.8% (year-over-year).The influence of decreased sales resulted in a profit of 25 million yen, down by 91.9% (year-over-year), for this geographical segment.

###### (iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 419 million yen, up by 378.1% (year-over-year). The influence of increased sales was offset by the increased of foreign exchange losses increased a loss to 483 million yen, decreased by 45 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 5,672 million yen, up by 8.6% (year-over-year), and net profit of 268 million yen, up by 45.6% (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 66,797 million yen, up by 1,115 million yen from the end of the previous fiscal year. The details of assets, liabilities and net assets are as shown below.

### (Assets)

Current assets increased to 36,929 million yen, up by 650 million yen from the end of the previous fiscal year, mainly due to the increase of notes and accounts receivable – trade.

Non-current assets increased to 29,867 million yen, up by 465 million yen from the end of the previous fiscal year, mainly due to the increase of investment securities.

### (Liabilities)

Current liabilities increased to 21,179 million yen, up by 395 million yen from the end of the previous fiscal year, mainly due to the increase of current portion of long-term loans payable.

Non-current liabilities decreased to 13,676 million yen, down by 159 million yen from the end of the previous fiscal year, mainly due to the decrease of long-term loans payable.

### (Net assets)

Net assets increased to 31,941 million yen, up by 880 million yen from the end of the previous fiscal year, mainly due to the fluctuation of foreign currency translation adjustment.

Note that the capital adequacy ratio increased by 0.5 percentage points to 47.6%.

## (3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2018 released on November 9, 2017 has not been revised as it has been going along within our expectation although 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>As at December 31,</u>
	<u>2017</u>	<u>2017</u>
Assets		
Current assets		
Cash and deposits	6,270	5,634
Notes and accounts receivable - trade	15,357	16,406
Securities	71	76
Merchandise and finished goods	7,193	7,007
Work in process	2,162	2,742
Raw materials and supplies	3,676	3,607
Other	1,626	1,493
Allowance for doubtful accounts	(78)	(38)
Total current assets	36,279	36,929
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,156	8,914
Machinery, equipment and vehicles, net	8,558	8,416
Other, net	6,227	6,415
Total property, plant and equipment	23,942	23,745
Intangible assets	448	421
Investments and other assets		
Investments and other assets, gross	5,014	5,712
Allowance for doubtful accounts	(3)	(13)
Total investments and other assets	5,011	5,699
Total non-current assets	29,402	29,867
Total assets	65,681	66,797

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

	(Millions of yen)	
	<u>As at March 31,</u>	<u>As at December 31,</u>
	<u>2017</u>	<u>2017</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,855	8,424
Short-term loans payable	3,990	4,576
Current portion of long-term loans payable	2,052	2,986
Income taxes payable	316	144
Provision for product warranties	8	8
Provision for bonuses	1,085	592
Asset retirement obligations	—	134
Other	4,476	4,311
Total current liabilities	20,784	21,179
Non-current liabilities		
Long-term loans payable	11,645	11,183
Provision for directors' retirement benefits	92	100
Net defined benefit liability	651	709
Asset retirement obligations	236	109
Other	1,210	1,573
Total non-current liabilities	13,836	13,676
Total liabilities	34,620	34,855
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,313	13,421
Treasury shares	(282)	(283)
Total shareholders' equity	30,803	30,911
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	439	660
Foreign currency translation adjustment	(312)	228
Total accumulated other comprehensive income	127	888
Non-controlling interests	130	141
Total net assets	31,061	31,941
Total liabilities and net assets	65,681	66,797

## Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Nine months ended</u>	<u>Nine months ended</u>
	<u>December 31, 2016</u>	<u>December 31, 2017</u>
Net sales	41,773	41,983
Cost of sales	30,766	31,213
Gross profit	11,007	10,769
Selling, general and administrative expenses	9,953	10,221
Operating profit	1,053	548
Non-operating income		
Interest income	7	12
Dividend income	41	33
Share of profit of entities accounted for using equity method	184	200
Foreign exchange gains	95	—
Other	150	136
Total non-operating income	478	382
Non-operating expenses		
Interest expenses	95	91
Foreign exchange losses	—	102
Other	39	23
Total non-operating expenses	135	218
Ordinary profit	1,397	713
Extraordinary income		
Gain on sales of non-current assets	2	15
Gain on sales of investment securities	0	—
Subsidy income	800	—
Total extraordinary income	802	15
Extraordinary losses		
Loss on sales of non-current assets	0	2
Loss on abandonment of non-current assets	39	15
Loss on reduction of non-current assets	755	—
Loss on sales of investment securities	0	—
Total extraordinary losses	795	17
Profit before income taxes	1,404	710
Income taxes - current	242	279
Income taxes - deferred	(17)	(70)
Total income taxes	224	209
Profit	1,180	501
Profit attributable to non-controlling interests	5	3
Profit attributable to owners of parent	1,174	497

## Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

	(Millions of yen)	
	<u>Nine months ended</u>	<u>Nine months ended</u>
	<u>December 31, 2016</u>	<u>December 31, 2017</u>
Profit	1,180	501
Other comprehensive income		
Valuation difference on available-for-sale securities	102	221
Foreign currency translation adjustment	(1,001)	540
Total other comprehensive income	(898)	761
Comprehensive income	281	1,263
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	277	1,252
Comprehensive income attributable to non-controlling interests	4	11