

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2019



November 8, 2018

Stock Exchange Listings : Tokyo 1st Section

Company name	: JMS Co., Ltd.	(URL http://www.jms.cc/)
Securities code	: 7702	
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Quarterly statement filing date (as planned)	: November 13, 2018	Dividend payable date (as planned) : December 7, 2018
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 2018 (From April 1, 2018 to September 30, 2018)

(1) Consolidated operating results

(%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	28,426	3.7	490	213.0	593	77.6	426	102.4
Six months ended September 30, 2017	27,402	(0.4)	156	(73.6)	334	(52.2)	210	(48.6)

(Note) Comprehensive income : Six months ended September 30, 2018 : 374 million yen [(39.0%)], Six months ended September 30, 2017 : 614 million yen [-%].

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	17.50	—
Six months ended September 30, 2017	8.65	—

(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 "Basic earnings 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, 2018	65,844	31,739	48.0
As at March 31, 2018	67,304	31,549	46.7

(Note) Owner's equity : September 30, 2018 : 31,608 million yen, March 31, 2018 : 31,422 million yen.

The Company applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Corporate Accounting Standard No. 28, February 16, 2018), etc. from the beginning of the first quarter of consolidated financial statements. The figure as of the previous fiscal year is based on retroactive application.

2. Dividends

	Dividend per share				
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	4.00	—	8.00	—
Year ending March 31, 2019	—	8.00			
Year ending March 31, 2019 (forecast)			—	8.00	16.00

(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 ended March 31, 2018 mentioned above and the total annual dividend amount is indicated as "—".

3. Consolidated Forecast for the Year Ending March 2019 (From April 1, 2018 to March 31, 2019)

(%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		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, 2019	58,000	2.6	1,000	74.3	1,200	46.3	800	26.7		32.83

(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 financial results for the second quarter

(1) Overview of consolidated financial results

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'. JMS has set up 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.

JMS recorded consolidated net sales for the second quarter of 28,426 million yen, up by 3.7% / 1,023 million yen (year-over-year). The operating profit totaled 490million yen, up by 213.0% (year-over-year), due to the influence of increased sales and the decrease of selling cost. The addition of share of profit of entities accounted for using equity method was offset by the foreign exchange losses, resulting in ordinary profit of 593million yen, up by 77.6% (year-over-year). The deduction of tax expense resulted in profit attributable to owners of parent of 426million yen, up by 102.4% (year-over-year).

Business performance by geographical segment.

(i) Japan

Increased sales of New Hemodialysis Machine "GC-X01" and Dysphagia related products raised net sales to 20,822 million yen, up by 3.5% (year-over-year). The influence of increase sales and the decrease of selling cost resulted in profit of 336 million yen, up by 71.3% (year-over-year), for this geographical segment.

(ii) Singapore

Increased sales of Safety Scalp Vein Needles for North America market raised net sales to 9,427 million yen, up by 0.6% (year-over-year). The influence of increased labor cost resulted in profit of 374 million yen, down by 14.2% (year-over-year), for this geographical segment.

(iii) China

Decreased sales of Infusion Sets for Japan market by production transfer to Philippines reduced net sales to 1,535 million yen, down 12.8% (year-over-year). The influence of decreased sales resulted in loss of 3 million yen, down by 39 million yen (year-over-year), for this geographical segment.

(iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 747 million yen, up by 202.3% (year-over-year). The influence of increased sales reduced in loss to 214 million yen, improved by 93 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 3,921 million yen, up by 5.3% (year-over-year), and profit of 213 million yen, up by 38.9% (year-over-year).

The above-mentioned figures do not include consumption tax, etc.

(2) Overview of the financial condition

(i) Assets, Liabilities, Net assets

Total assets as of the end of this second quarter totaled 65,844 million yen, down 1,460 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 36,125 million yen, down 1,471 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits by the repayment of loans payable.

Non-current assets increased to 29,718 million yen, up 11 million yen from the end of the previous consolidated fiscal year.

(Liabilities)

Current liabilities increased to 21,757 million yen, up 276 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of current portion of long-term loans payable by the transfer of long-term loans payable.

Non-current liabilities decreased to 12,346 million yen, down 1,926 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of long-term loans payable by the transfer to current liabilities.

(Net assets)

Net assets increased to 31,739 million yen, up 190 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of retained earnings by the post of profit attributable to owners of parent.

Note that the Capital adequacy ratio increased by 1.3 percentage points to 48.0%.

(ii) Cash flows

As of September 30, 2018, cash and cash equivalents amounted to 5,647 million yen, down 18 million yen from September 30, 2017. Cash flows from various activities are described in more detail below.

(Cash flows from operating activities)

Net cash provided by operating activities was 1,573 million yen, up 1,191 million yen from the first six months of the preceding fiscal year, mainly due to the decrease in notes and accounts payable – trade.

(Cash flows from investing activities)

Net cash used in investing activities was 1,347 yen million, down 419 million yen, mainly due to the decrease of purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 1,796 million yen, up 2,472 million yen, mainly due to the balance difference of loan payable.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2019 released on May 11, 2018 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>2018</u>	<u>As at September 30,</u> <u>2018</u>
Assets		
Current assets		
Cash and deposits	7,162	5,576
Notes and accounts receivable - trade	16,452	16,020
Securities	71	73
Merchandise and finished goods	7,438	7,957
Work in process	2,331	2,313
Raw materials and supplies	3,409	3,416
Other	761	799
Allowance for doubtful accounts	(29)	(32)
Total current assets	37,597	36,125
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,652	8,626
Machinery, equipment and vehicles, net	7,738	7,738
Other, net	6,933	7,039
Total property, plant and equipment	23,324	23,404
Intangible assets	438	486
Investments and other assets		
Investments and other assets, gross	5,956	5,839
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	5,943	5,827
Total non-current assets	29,707	29,718
Total assets	67,304	65,844

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

(Millions of yen)

	<u>As at March 31,</u> <u>2018</u>	<u>As at September 30,</u> <u>2018</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,609	8,496
Short-term loans payable	4,110	4,050
Current portion of long-term loans payable	2,926	3,369
Income taxes payable	198	278
Provision for product warranties	8	7
Provision for bonuses	1,041	1,083
Asset retirement obligations	135	—
Other	4,452	4,472
Total current liabilities	21,481	21,757
Non-current liabilities		
Long-term loans payable	11,959	10,128
Provision for directors' retirement benefits	103	98
Net defined benefit liability	751	797
Asset retirement obligations	106	110
Other	1,351	1,212
Total non-current liabilities	14,272	12,346
Total liabilities	35,754	34,104
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,554	13,785
Treasury shares	(283)	(275)
Total shareholders' equity	31,044	31,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	551	471
Foreign currency translation adjustment	(173)	(146)
Total accumulated other comprehensive income	378	325
Non-controlling interests	127	131
Total net assets	31,549	31,739
Total liabilities and net assets	67,304	65,844

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2017</u>	<u>Six months ended</u> <u>September 30, 2018</u>
Net sales	27,402	28,426
Cost of sales	20,449	21,225
Gross profit	6,953	7,200
Selling, general and administrative expenses	6,796	6,710
Operating profit	156	490
Non-operating income		
Interest income	9	7
Dividend income	18	21
Share of profit of entities accounted for using equity method	134	182
Other	117	68
Total non-operating income	279	280
Non-operating expenses		
Interest expenses	60	94
Foreign exchange losses	29	68
Other	12	14
Total non-operating expenses	102	177
Ordinary profit	334	593
Extraordinary income		
Gain on sales of non-current assets	1	4
Total extraordinary income	1	4
Extraordinary losses		
Loss on sales of non-current assets	2	0
Loss on abandonment of non-current assets	8	28
Total extraordinary losses	11	29
Profit before income taxes	324	568
Income taxes - current	189	202
Income taxes - deferred	(76)	(61)
Total income taxes	112	140
Profit	211	427
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	210	426

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2017</u>	<u>Six months ended</u> <u>September 30, 2018</u>
Profit	211	427
Other comprehensive income		
Valuation difference on available-for-sale securities	165	(79)
Foreign currency translation adjustment	237	26
Total other comprehensive income	402	(52)
Comprehensive income	614	374
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	615	370
Comprehensive income attributable to non-controlling interests	(1)	4

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2017</u>	<u>Six months ended</u> <u>September 30, 2018</u>
Cash flows from operating activities		
Profit before income taxes	324	568
Depreciation	1,508	1,507
Increase (decrease) in allowance for doubtful accounts	(30)	0
Increase (decrease) in net defined benefit liability	25	41
Interest and dividend income	(27)	(29)
Interest expenses	60	94
Foreign exchange losses (gains)	(87)	12
Share of loss (profit) of entities accounted for using equity method	(134)	(182)
Loss (gain) on sales of non-current assets	1	(3)
Loss on abandonment of non-current assets	8	28
Decrease (increase) in notes and accounts receivable - trade	(162)	480
Decrease (increase) in inventories	40	(435)
Increase (decrease) in notes and accounts payable - trade	(807)	(139)
Increase (decrease) in accrued consumption taxes	(276)	(1)
Decrease (increase) in other current assets	(42)	(29)
Increase (decrease) in other current liabilities	138	(338)
Other, net	(51)	(15)
Subtotal	487	1,558
Interest and dividend income received	28	29
Interest expenses paid	(60)	(96)
Proceeds from subsidy income	200	200
Income taxes paid	(273)	(117)
Net cash provided by (used in) operating activities	381	1,573
Cash flows from investing activities		
Payments into time deposits	(9)	(0)
Proceeds from withdrawal of time deposits	5	10
Purchase of property, plant and equipment	(1,723)	(1,150)
Proceeds from sales of property, plant and equipment	39	6
Purchase of intangible assets	(45)	(83)
Other, net	(33)	(129)
Net cash provided by (used in) investing activities	(1,766)	(1,347)
Cash flows from financing activities		
Increase in short-term loans payable	8,400	7,700
Decrease in short-term loans payable	(8,340)	(7,760)
Proceeds from long-term loans payable	1,650	—
Repayments of long-term loans payable	(812)	(1,477)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(195)	(194)
Repayments of lease obligations	(24)	(64)
Net cash provided by (used in) financing activities	676	(1,796)
Effect of exchange rate change on cash and cash equivalents	40	(3)
Net increase (decrease) in cash and cash equivalents	(668)	(1,573)
Cash and cash equivalents at beginning of period	6,333	7,220
Cash and cash equivalents at end of period	5,665	5,647