

Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2014



November 6, 2013

Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
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 Quarterly statement filing date (as planned) : November 11, 2013 Payment date of cash dividends : December 10, 2013
 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 2013 (From April 1, 2013 to September 30, 2013)

(1) Consolidated financial results (%: change from the same previous period)

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|-------------------------------------|-----------------|-----|------------------|--------|-----------------|--------|-----------------|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended September 30, 2013 | 25,714 | 7.4 | 196 | (80.3) | 444 | (62.5) | 200 | (71.7) |
| Six months ended September 30, 2012 | 23,946 | 6.7 | 994 | 139.9 | 1,185 | 102.9 | 709 | 148.1 |

(Note) Comprehensive income : Six months ended September 30, 2013 : 727 million yen [100.5%], Six months ended September 30, 2012 : 363 million yen [-%].

| | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended September 30, 2013 | 4.12 | — |
| Six months ended September 30, 2012 | 16.45 | — |

(2) Consolidated financial positions

| | Total assets | Net assets | Capital adequacy ratio |
|--------------------------|-----------------|-----------------|------------------------|
| | Millions of yen | Millions of yen | % |
| As at September 30, 2013 | 52,062 | 29,998 | 57.5 |
| As at March 31, 2013 | 51,286 | 29,462 | 57.3 |

(Note) Owner's equity : September 30, 2013 : 29,917 million yen, March 31, 2013 : 29,390 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, 2013 | — | 4.00 | — | 4.00 | 8.00 |
| Year ending March 31, 2014 | — | 4.00 | | | |
| Year ending March 31, 2014 (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 2014 (From April 1, 2013 to March 31, 2014)

(%: change from the same previous period)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|----------------------------|-----------------|-----|------------------|--------|-----------------|--------|-----------------|--------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Year ending March 31, 2014 | 52,500 | 7.0 | 1,000 | (37.3) | 1,200 | (36.2) | 600 | (53.0) | 12.30 |

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

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, competition is intensifying in overseas markets, due to business integration for advantage of scale by the Western major companies based on firm demand expansion in both advanced countries and emerging countries. In Japan, the government continues to curb the rise in medical expenses under the healthcare policy, in the context of the aging society with low birthrate and of worsening financial condition of the health insurance system. Yet, new markets are also emerging amidst calls for medical devices to cater to the aging society and to supply the peripheral devices for the regenerative medicine.

In the given environment, JMS is striving to deliver goods and services for 'medical safety', 'medical efficiency' and 'regenerative medicine' under the corporate philosophy of 'Patient Comes First'. 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 exchange conversion by the weak yen, JMS recorded consolidated net sales of 25,714 million yen in this period, up 7.4% / 1,768 million yen (year-over-year).

The operating income totaled 196 million yen, down 80.3%, due to the increase of labor costs as well as selling expenses such as freight and fees etc. The ordinary income was 444 million yen, down 62.5%, due to favorable foreign exchange conditions overseas. The deduction of income taxes resulted net income of 200 million yen in this period, down 71.7%.

Business performance by geographical segment

(i) Japan

Continued growth in the sales of Infusion / Transfusion-related products and medical gloves was offset by the sales drop of hemodialysis machine and its ancillary equipments, reducing net sales to 19,381 million yen, down 1.8%. Depreciation cost of automated equipments for production enhancement as well as temporary increase of selling expenses such as fees resulted in a profit of 188 million yen, down 74.7% (year-over-year), for this geographical segment.

(ii) Southeast Asia

Despite the stagnant sales of hemodialysis blood tubing sets for Japan, apheresis kits for the OEM customer boosted net sales to 8,546 million yen, up 23.6%. Increase of labor costs resulted in a loss of 14 million yen, down 269 million yen (year-over-year), for this geographical segment.

(iii) China

Despite the sales drop of infusion sets for Japan, continued growth in the sales of AV fistula needles for Western and domestic markets raised net sales to 1,724 million yen, up 12.3%. Decline in conversion amount of net sales into Yuan resulted in a loss of 81 million yen, down 99 million yen (year-over-year), for this geographical segment.

(iv) Germany

Strong sales of blood purification-related products for domestic market raised net sales to 1,383 million yen, up 10.3%. Decline in conversion amount of purchase into Euro led to a profit of 112 million yen, up 51.8%, for this geographical segment.

(v) The United States

Continued solid sales of safety scalp vein sets for North America raised net sales to 1,367 million yen, up 23.3%. Dividends income led to a profit of 111 million yen, up 63.8%, for this geographical segment.

(vi) Others

The remaining geographical segments recorded net sales of 770 million yen, up 27.5%, and a profit of 15 million yen, down 80.7%.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of consolidated business results

Status of assets, liabilities and net assets

Gross assets as of the end of Q2 totaled 52,062 million yen, up 776 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 30,868 million yen, down 175 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes and accounts receivable-trade.

Noncurrent assets grew to 21,193 million yen, up 951 million yen from the end of the previous consolidated fiscal year, mainly due to the acquisition of tangible noncurrent assets.

(Liabilities)

Current liabilities decreased to 17,298 million yen, down 588 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of income taxes payable etc.

Noncurrent liabilities increased to 4,765 million yen, up 829 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 stand at 29,998 million yen, up 536 million yen from the end of the previous consolidated fiscal year, mainly due to the foreign currency translation adjustment.

Note that the equity ratio raised by 0.2 percentage points to 57.5%.

(3) Overview of consolidated business forecast

The consolidated net sales for the first half of the fiscal year ending March 2014 exceeded the previous forecast by 714 million yen, up 2.9%, due to the continued growth in sales of apheresis kits as well as the favorable foreign exchange conditions in currency translation, despite the sales drop of hemodialysis machine and its ancillary equipments in Japan.

Increase of import cost by weaker yen as well as depreciation cost reduced the operating profit. Accordingly, ordinary profit and net profit were all lower than expected.

Because of the above mentioned reason, consolidated business forecast for the fiscal year ending March 31, 2014 released on May 10, 2013 has been revised as shown below,

Revision of consolidated business forecasts for the FYE Mar. 2014

(Unit: million yen)

| | Previous Forecast (A) | New forecast (B) | Amount changed (B - A) | Results for previous FY ended Mar. 2012 |
|------------------|-----------------------|------------------|------------------------|---|
| Net sales | 51,500 | 52,500 | 1,000 | 49,068 |
| Operating income | 2,100 | 1,000 | (1,100) | 1,594 |
| Ordinary income | 2,300 | 1,200 | (1,100) | 1,879 |
| Net income | 1,400 | 600 | (800) | 1,277 |

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>2013</u> | <u>As at September 30,</u> <u>2013</u> |
|---|---------------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,153 | 3,954 |
| Notes and accounts receivable-trade | 15,026 | 14,382 |
| Merchandise and finished goods | 5,214 | 5,836 |
| Work in process | 1,973 | 2,154 |
| Raw materials and supplies | 3,571 | 3,528 |
| Other | 1,110 | 1,019 |
| Allowance for doubtful accounts | (5) | (6) |
| Total current assets | 31,044 | 30,868 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Machinery, equipment and vehicles, net | 5,286 | 5,795 |
| Other, net | 10,742 | 11,057 |
| Total property, plant and equipment | 16,029 | 16,853 |
| Intangible assets | 734 | 766 |
| Investments and other assets | | |
| Investments and other assets, gross | 3,481 | 3,576 |
| Allowance for doubtful accounts | (4) | (3) |
| Total investments and other assets | 3,477 | 3,573 |
| Total noncurrent assets | 20,241 | 21,193 |
| Total assets | 51,286 | 52,062 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 7,474 | 7,133 |
| Short-term loans payable | 3,237 | 4,054 |
| Current portion of long-term loans payable | 1,386 | 1,578 |
| Income taxes payable | 503 | 131 |
| Provision for product warranties | 6 | 6 |
| Provision for bonuses | 1,002 | 1,073 |
| Asset retirement obligations | 21 | 21 |
| Other | 4,254 | 3,298 |
| Total current liabilities | 17,886 | 17,298 |
| Noncurrent liabilities | | |
| Long-term loans payable | 2,393 | 3,235 |
| Provision for retirement benefits | 447 | 463 |
| Provision for directors' retirement benefits | 51 | 57 |
| Asset retirement obligations | 146 | 147 |
| Other | 897 | 861 |
| Total noncurrent liabilities | 3,936 | 4,765 |
| Total liabilities | 21,823 | 22,064 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 7,411 | 7,411 |
| Capital surplus | 10,362 | 10,362 |
| Retained earnings | 12,687 | 12,693 |
| Treasury stock | (271) | (274) |
| Total shareholders' equity | 30,189 | 30,192 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 286 | 354 |
| Foreign currency translation adjustment | (1,084) | (629) |
| Total accumulated other comprehensive income | (798) | (275) |
| Minority interests | 71 | 80 |
| Total net assets | 29,462 | 29,998 |
| Total liabilities and net assets | 51,286 | 52,062 |

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

| | <u>Six months ended</u> <u>September 30, 2012</u> | <u>Six months ended</u> <u>September 30, 2013</u> |
|---|--|--|
| Net sales | 23,946 | 25,714 |
| Cost of sales | 17,092 | 19,147 |
| Gross profit | 6,853 | 6,567 |
| Selling, general and administrative expenses | 5,859 | 6,371 |
| Operating income | 994 | 196 |
| Non-operating income | | |
| Interest income | 3 | 4 |
| Dividends income | 11 | 51 |
| Equity in earnings of affiliates | 107 | 95 |
| Foreign exchange gains | 76 | 140 |
| Other | 63 | 55 |
| Total non-operating income | 262 | 345 |
| Non-operating expenses | | |
| Interest expenses | 38 | 33 |
| Commission fee | 19 | 46 |
| Other | 13 | 17 |
| Total non-operating expenses | 70 | 98 |
| Ordinary income | 1,185 | 444 |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 1 | 2 |
| Total extraordinary income | 1 | 2 |
| Extraordinary loss | | |
| Loss on sales of noncurrent assets | 0 | 3 |
| Loss on abandonment of noncurrent assets | 19 | 35 |
| Loss on valuation of investment securities | 46 | 9 |
| Total extraordinary losses | 66 | 48 |
| Income before income taxes and minority interests | 1,120 | 398 |
| Income taxes-current | 400 | 159 |
| Income taxes-deferred | 2 | 34 |
| Total income taxes | 402 | 194 |
| Income before minority interests | 717 | 204 |
| Minority interests in income | 7 | 3 |
| Net income | 709 | 200 |

Consolidated Statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

| | <u>Six months ended</u> <u>September 30, 2012</u> | <u>Six months ended</u> <u>September 30, 2013</u> |
|---|--|--|
| Income before minority interests | 717 | 204 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (87) | 67 |
| Foreign currency translation adjustment | (266) | 455 |
| Total other comprehensive income | (354) | 523 |
| Comprehensive income | 363 | 727 |
| Attributable to: | | |
| Owners of the parent | 357 | 718 |
| Minority interests | 5 | 9 |

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

| | <u>Six months ended</u> <u>September 30, 2012</u> | <u>Six months ended</u> <u>September 30, 2013</u> |
|---|--|--|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes and minority interests | 1,120 | 398 |
| Depreciation and amortization | 814 | 1,043 |
| Increase (decrease) in allowance for doubtful accounts | (1) | (0) |
| Increase (decrease) in provision for retirement benefits | 23 | 21 |
| Interest and dividends income | (14) | (55) |
| Interest expenses | 38 | 33 |
| Foreign exchange losses (gains) | 20 | (74) |
| Equity in (earnings) losses of affiliates | (107) | (95) |
| Loss (gain) on sales of noncurrent assets | (1) | 0 |
| Loss on abandonment of noncurrent assets | 19 | 35 |
| Loss (gain) on valuation of investment securities | 46 | 9 |
| Decrease (increase) in notes and accounts receivable-trade | 953 | 787 |
| Decrease (increase) in inventories | (583) | (565) |
| Increase (decrease) in notes and accounts payable-trade | 99 | (376) |
| Increase (decrease) in accrued consumption taxes | 34 | 6 |
| Decrease (increase) in other current assets | (41) | 87 |
| Increase (decrease) in other current liabilities | (283) | (88) |
| Other, net | 60 | (30) |
| Subtotal | 2,199 | 1,140 |
| Interest and dividends income received | 85 | 109 |
| Interest expenses paid | (38) | (37) |
| Income taxes paid | (370) | (564) |
| Net cash provided by (used in) operating activities | 1,874 | 647 |
| Net cash provided by (used in) investing activities | | |
| Payments into time deposits | (0) | — |
| Proceeds from withdrawal of time deposits | 4 | — |
| Purchase of property, plant and equipment | (1,465) | (2,456) |
| Proceeds from sales of property, plant and equipment | 1 | 7 |
| Purchase of intangible assets | (52) | (108) |
| Purchase of investment securities | (1) | (1) |
| Collection of loans receivable | 12 | — |
| Other, net | (51) | (16) |
| Net cash provided by (used in) investing activities | (1,553) | (2,575) |
| Net cash provided by (used in) financing activities | | |
| Increase in short-term loans payable | 7,550 | 7,365 |
| Decrease in short-term loans payable | (6,885) | (6,555) |
| Proceeds from long-term loans payable | 1,300 | 1,727 |
| Repayment of long-term loans payable | (662) | (702) |
| Proceeds from sales of treasury stock | — | 0 |
| Purchase of treasury stock | (0) | (2) |
| Cash dividends paid | (172) | (194) |
| Net cash provided by (used in) financing activities | 1,128 | 1,638 |
| Effect of exchange rate change on cash and cash equivalents | (109) | 89 |
| Net increase (decrease) in cash and cash equivalents | 1,340 | (200) |
| Cash and cash equivalents at beginning of period | 3,468 | 4,152 |
| Cash and cash equivalents at end of period | 4,809 | 3,952 |