

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



February 5, 2014
1st Section of the Tokyo Stock Exchange

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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 2013 (From April 1, 2013 to December 31, 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	%
Nine months ended December 31, 2013	39,840	8.5	600	(63.6)	916	(52.7)	580	(58.4)
Nine months ended December 31, 2012	36,733	5.9	1,649	79.3	1,937	58.3	1,394	74.8

(Note) Comprehensive income : Nine months ended December 31, 2013 : 1,674 million yen [(12.0)%], Nine months ended December 31, 2012 : 1,904 million yen [—%].

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2013	11.89	—
Nine months ended December 31, 2012	32.31	—

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at December 31, 2013	54,169	30,758	56.6
As at March 31, 2013	51,286	29,462	57.3

(Note) Owner's equity : December 31, 2013 : 30,664 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 : 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 third 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 39,840 million yen in this period, up 8.5% / 3,107 million yen (year-over-year).

The operating income totaled 600 million yen, down 63.6%, due to the increase of labor costs as well as depreciation cost of automated equipments for production enhancement etc. The ordinary income was 916 million yen, down 52.7%, due to equity in earnings of affiliates and foreign exchange gains. The deduction of income taxes resulted in the net income of 580 million yen in this period, down 58.4%.

Business performance by geographical segment.

(i) Japan

Despite the stagnant sales of hemodialysis machine, the sales of Infusion / Transfusion products and medical gloves increased net sales to 30,458 million yen, up 0.6%. Increase of depreciation cost from investment for facilities as well as increase in import cost with weaker Yen resulted in a profit of 543 million yen, down 59.1% (year-over-year), for this geographical segment.

(ii) Southeast Asia

Despite the stagnant sales of hemodialysis blood tubing sets for Japan, apheresis kits for an OEM customer boosted net sales to 12,774 million yen, up 21.5%. Increase of labor costs resulted in a loss of 102 million yen, down 369 million yen (year-over-year), for this geographical segment.

(iii) China

Continued growth in the sales of AV fistula needles for Western and the domestic markets raised net sales to 2,645 million yen, up 11.2%. Decline in conversion amount of net sales into Yuan resulted in a loss of 53 million yen, down 109 million yen (year-over-year), for this geographical segment.

(iv) Germany

Despite the sales drop of AV fistula needles for EU nations, strong sales of blood purification products raised net sales to 2,194 million yen, up 17.4%. Lower import cost with stronger Euro led to a profit of 204 million yen, up 109.0% (year-over-year), for this geographical segment.

(v) The United States

Despite the sales drop of AV fistula needles for North America, growth of blood bags sales raised net sales to 2,056 million yen, up 26.4%. Dividends income led to a profit of 153 million yen, up 60.7% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 1,181 million yen, up 33.6%, and a profit of 32 million yen, down 70.3%.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of consolidated business results

Gross assets as of the end of this period totaled 54,169 million yen, up 2,883 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 increased to 31,974 million yen, up 929 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of notes and accounts receivable-trade.

Noncurrent assets grew to 22,195 million yen, up 1,953 million yen from the end of the previous consolidated fiscal year, mainly due to the acquisition of tangible noncurrent assets.

(Liabilities)

Current liabilities increased to 18,638 million yen, up 751 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of short-term loans payable.

Noncurrent liabilities increased to 4,773 million yen, up 836 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 30,758 million yen, up 1,295 million yen from the end of the previous consolidated fiscal year, mainly due to the foreign currency translation adjustment.

Note that the equity ratio declined by 0.7 percentage points to 56.6%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2014 revised and released on November 6, 2013 has not been revised.

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 December 31,</u> <u>2013</u>
Assets		
Current assets		
Cash and deposits	4,153	3,066
Notes and accounts receivable-trade	15,026	16,134
Merchandise and finished goods	5,214	5,789
Work in process	1,973	2,176
Raw materials and supplies	3,571	3,834
Other	1,110	979
Allowance for doubtful accounts	(5)	(7)
Total current assets	<u>31,044</u>	<u>31,974</u>
Noncurrent assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	5,286	5,772
Other, net	10,742	11,978
Total property, plant and equipment	<u>16,029</u>	<u>17,750</u>
Intangible assets	734	737
Investments and other assets		
Investments and other assets, gross	3,481	3,710
Allowance for doubtful accounts	(4)	(3)
Total investments and other assets	<u>3,477</u>	<u>3,707</u>
Total noncurrent assets	<u>20,241</u>	<u>22,195</u>
Total assets	<u><u>51,286</u></u>	<u><u>54,169</u></u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,474	7,685
Short-term loans payable	3,237	4,445
Current portion of long-term loans payable	1,386	1,548
Income taxes payable	503	110
Provision for product warranties	6	7
Provision for bonuses	1,002	571
Asset retirement obligations	21	21
Other	4,254	4,249
Total current liabilities	<u>17,886</u>	<u>18,638</u>
Noncurrent liabilities		
Long-term loans payable	2,393	3,132
Provision for retirement benefits	447	525
Provision for directors' retirement benefits	51	59
Asset retirement obligations	146	148
Other	897	907
Total noncurrent liabilities	<u>3,936</u>	<u>4,773</u>
Total liabilities	<u>21,823</u>	<u>23,411</u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,687	12,877
Treasury stock	(271)	(274)
Total shareholders' equity	<u>30,189</u>	<u>30,376</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	286	412
Foreign currency translation adjustment	(1,084)	(124)
Total accumulated other comprehensive income	<u>(798)</u>	<u>288</u>
Minority interests	71	93
Total net assets	<u>29,462</u>	<u>30,758</u>
Total liabilities and net assets	<u><u>51,286</u></u>	<u><u>54,169</u></u>

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2012</u>	<u>Nine months ended</u> <u>December 31, 2013</u>
Net sales	36,733	39,840
Cost of sales	26,231	29,711
Gross profit	10,501	10,129
Selling, general and administrative expenses	8,852	9,528
Operating income	1,649	600
Non-operating income		
Interest income	5	5
Dividends income	22	63
Equity in earnings of affiliates	156	153
Foreign exchange gains	112	158
Other	99	84
Total non-operating income	396	465
Non-operating expenses		
Interest expenses	57	52
Commission fee	32	75
Other	17	21
Total non-operating expenses	107	150
Ordinary income	1,937	916
Extraordinary income		
Gain on sales of noncurrent assets	2	5
Gain on sales of investment securities	2	—
Total extraordinary income	4	5
Extraordinary loss		
Loss on sales of noncurrent assets	1	3
Loss on abandonment of noncurrent assets	29	58
Loss on valuation of investment securities	50	—
Total extraordinary losses	81	61
Income before income taxes and minority interests	1,861	860
Income taxes-current	459	233
Income taxes-deferred	(3)	38
Total income taxes	456	272
Income before minority interests	1,405	588
Minority interests in income	10	8
Net income	1,394	580

Consolidated Statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2012</u>	<u>Nine months ended</u> <u>December 31, 2013</u>
Income before minority interests	1,405	588
Other comprehensive income		
Valuation difference on available-for-sale securities	59	126
Foreign currency translation adjustment	439	960
Total other comprehensive income	499	1,086
Comprehensive income	1,904	1,674
Attributable to:		
Owners of the parent	1,884	1,652
Minority interests	19	22