

Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2015



February 5, 2015

Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
 Securities code : 7702
 Representative : Hiroaki Okukubo, President and Representative Director
 Inquiries : Masaki Endo, Executive Officer, Head of Business Administrative Office
 TEL : +81-82-243-5844
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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 2014 (From April 1, 2014 to December 31, 2014)

(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, 2014	41,046	3.0	401	(33.2)	493	(46.2)	294	(49.1)
Nine months ended December 31, 2013	39,840	8.5	600	(63.6)	916	(52.7)	580	(58.4)

(Note) Comprehensive income : Nine months ended December 31, 2014 : 1,304 million yen [(22.1)%], Nine months ended December 31, 2013 : 1,674 million yen [(12.0)%].

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2014	6.05	—
Nine months ended December 31, 2013	11.89	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at December 31, 2014	59,027	31,545	53.2
As at March 31, 2014	53,222	30,619	57.4

(Note) Owner's equity : December 31, 2014 : 31,428 million yen, March 31, 2014 : 30,526 million yen.

2. Dividends

	Dividend per share					
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total	
	Yen	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	4.00	—	4.00	8.00	8.00
Year ending March 31, 2015	—	4.00	—	—	—	—
Year ending March 31, 2015 (forecast)	—	—	—	4.00	8.00	8.00

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

3. Consolidated Forecast for the Year Ending March 2015 (From April 1, 2014 to March 31, 2015)

(%: 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, 2015	55,000	2.1	700	(22.3)	800	(32.7)	450	116.9	9.23

(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, the medical market keeps growing mainly in emerging countries, and the competition among domestic and foreign manufacturers is intensifying in overseas markets. In Japan, the government policy accelerates the new market access to the healthcare field. In the meantime 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 is striving to deliver goods and services for 'medical safety', 'medical efficiency', 'regenerative medicine' and 'improving the quality of life (QOL) for people requiring medical services' 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 41,046 million yen in this period, up 3.0% / 1,206 million yen (year-over-year).

Despite the efforts of efficient operations of selling and general administrative expenses, the operating income totaled 401 million yen, down 33.2% (year-over-year), due to the influence of decreasing reimbursement price in Japan. The addition of equity in earnings of affiliates resulted in the ordinary income of 493 million yen, down 46.2% (year-over-year). The addition of gain on sales of investment securities and the deduction of tax expense resulted in the net income of 294 million yen in this period, down 49.1% (year-over-year).

Business performance by geographical segment.

(i) Japan

Strong sales of single patient hemodialysis machines for overseas markets was offset by the influence of reaction of the last-minutes demand before the consumption tax increase and decreasing reimbursement price in Japan, reducing net sales to 30,102 million yen, down 1.2% (year-over-year). The influence of sales drop as well as the increase of import prices by the weak yen resulted in a profit of 36 million yen, down 93.3%, for this geographical segment.

(ii) Southeast Asia

Continued growth in the sales of AV fistula needles for Western markets raised net sales to 13,703 million yen, up 7.3% (year-over-year). Despite the increase of labor cost, the influence of increased sales resulted in a loss of 74 million yen, up 27 million yen, 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 2,865 million yen, up 8.3% (year-over-year). The influence of increased sales led to a profit of 81 million yen, up 134 million yen, for this geographical segment.

(iv) Germany

Strong sales of AV fistula needles for Europe raised net sales to 2,468 million yen, up 12.5% (year-over-year). Lower import cost with strong Euro led to a profit of 276 million yen, up 35.5%, for this geographical segment.

(v) The United States

Strong sales of AV fistula needles for North America raised net sales to 2,125 million yen, up 3.4% (year-over-year). The influence of no dividend payment from the shares owned resulted in a profit of 81 million yen, down 46.9%, for this geographical segment.

The remaining geographical segments recorded net sales of 1,321 million yen, up 11.9% (year-over-year), and a profit of 61 million yen, up 92.2%.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of the business results

Gross assets as of the end of Q3 totaled 59,027 million yen, up 5,805 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 34,525 million yen, up 3,759 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Noncurrent assets grew to 24,502 million yen, up 2,046 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 19,384 million yen, up 1,042 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of accounts payable-other.

Noncurrent liabilities increased to 8,097 million yen, up 3,836 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 increased to 31,545 million yen, up 926 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 4.2 percentage points to 53.2%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2015, which was revised and released on November 6, 2014 has not been changed.

5. Consolidated Financial Statements

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

	(Millions of yen)	
	<u>As at March 31,</u> <u>2014</u>	<u>As at December 31,</u> <u>2014</u>
Assets		
Current assets		
Cash and deposits	1,997	4,222
Notes and accounts receivable - trade	16,211	17,156
Merchandise and finished goods	5,608	6,491
Work in process	2,330	2,398
Raw materials and supplies	3,668	3,466
Other	957	799
Allowance for doubtful accounts	(7)	(8)
Total current assets	30,766	34,525
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	6,095	7,425
Other, net	12,060	12,165
Total property, plant and equipment	18,156	19,591
Intangible assets	730	661
Investments and other assets		
Investments and other assets, gross	3,573	4,253
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	3,569	4,250
Total non-current assets	22,456	24,502
Total assets	53,222	59,027

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

(Millions of yen)

	<u>As at March 31,</u> <u>2014</u>	<u>As at December 31,</u> <u>2014</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,705	7,862
Short-term loans payable	4,681	4,600
Current portion of long-term loans payable	1,363	1,721
Income taxes payable	314	113
Provision for product warranties	9	8
Provision for bonuses	1,040	589
Other	3,226	4,489
Total current liabilities	18,342	19,384
Non-current liabilities		
Long-term loans payable	2,632	6,284
Provision for directors' retirement benefits	71	68
Net defined benefit liability	472	571
Asset retirement obligations	246	259
Other	839	914
Total non-current liabilities	4,261	8,097
Total liabilities	22,603	27,482
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,504	12,409
Treasury shares	(274)	(276)
Total shareholders' equity	30,003	29,906
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	407
Foreign currency translation adjustment	169	1,114
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	523	1,521
Minority interests	92	117
Total net assets	30,619	31,545
Total liabilities and net assets	53,222	59,027

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2013</u>	<u>Nine months ended</u> <u>December 31, 2014</u>
Net sales	39,840	41,046
Cost of sales	29,711	30,918
Gross profit	10,129	10,127
Selling, general and administrative expenses	9,528	9,726
Operating income	600	401
Non-operating income		
Interest income	5	3
Dividend income	63	28
Share of profit of entities accounted for using equity method	153	175
Foreign exchange gains	158	—
Other	84	110
Total non-operating income	465	318
Non-operating expenses		
Interest expenses	52	80
Foreign exchange losses	—	108
Commission fee	75	22
Other	21	15
Total non-operating expenses	150	226
Ordinary income	916	493
Extraordinary income		
Gain on sales of non-current assets	5	13
Gain on sales of investment securities	—	156
Total extraordinary income	5	170
Extraordinary losses		
Loss on sales of non-current assets	3	3
Loss on abandonment of non-current assets	58	30
Compensation for damage	—	75
Total extraordinary losses	61	109
Income before income taxes and minority interests	860	554
Income taxes - current	233	210
Income taxes - deferred	38	37
Total income taxes	272	247
Income before minority interests	588	306
Minority interests in income	8	11
Net income	580	294

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Nine months ended</u> <u>December 31, 2013</u>	<u>Nine months ended</u> <u>December 31, 2014</u>
Income before minority interests	588	306
Other comprehensive income		
Valuation difference on available-for-sale securities	126	53
Foreign currency translation adjustment	960	945
Remeasurements of defined benefit plans, net of tax	—	0
Total other comprehensive income	1,086	998
Comprehensive income	1,674	1,304
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,652	1,279
Comprehensive income attributable to minority interests	22	25