

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2016



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Stock Exchange Listings : Tokyo 1st Section

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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 June 2015 (From April 1, 2015 to June 30, 2015)

(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	%
Three months ended June 30, 2015	13,841	13.1	57	—	(11)	—	14	—
Three months ended June 30, 2014	12,236	(2.0)	(182)	—	(128)	—	(253)	—

(Note) Comprehensive income : Three months ended June 30, 2015 : 239 million yen [—%], Three months ended June 30, 2014 : (454) million yen [—%].

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2015	0.30	—
Three months ended June 30, 2014	(5.21)	—

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at June 30, 2015	61,992	31,574	50.7
As at March 31, 2015	60,452	31,530	52.0

(Note) Owner's equity : June 30, 2015 : 31,458 million yen, March 31, 2015 : 31,418 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, 2015	—	4.00	—	4.00	8.00	
Year ending March 31, 2016	—					
Year ending March 31, 2016 (forecast)		4.00	—	4.00	8.00	

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

3. Consolidated Forecast for the Year Ending March 2016 (From April 1, 2015 to March 31, 2016)

(%: change from the same previous period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year ending September 30, 2015	28,000	6.7	250	442.6	300	109.7	150	106.2	3.08
Year ending March 31, 2016	58,000	4.7	700	84.7	800	114.3	500	259.5	10.26

(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 first 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, newly legislated “the Pharmaceuticals, Medical devices and Other Therapeutic Products Act” accelerates the new market access from outside industry and the growth of demand to safety and quality for medical devices. 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 strives for 'medical safety', 'medical efficiency', 'regenerative medicine' and 'improving the quality of life (QOL) for people requiring medical services' under our Founding Spirit of 'For People's Precious Life'. 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, JMS recorded consolidated net sales of 13,841 million yen in this period, up 13.1% / 1,605 million yen (year-over-year).

Despite the increase of purchasing cost with weak yen, the operating income totaled 57 million yen (operating loss of 182 million yen in the same period of the previous year), due to the influence of increased sales. The addition of equity in earnings of affiliates was offset by the loss of abandonment of inventories, resulting in an ordinary loss of 11 million yen (ordinary loss of 128 million yen in the same period of the previous year). The addition of deferred tax assets resulted in the net income attributable to equity holders of the parent company of 14 million yen (net loss of 253 million yen in the same period of the previous year).

Business performance by geographical segment.

(i) Japan

Increased sales of hemodialysis machines as well as launch of blood bags with leukocyte reduction filter raised net sales to 9,954 million yen, up 12.3% (year-over-year). Despite the influence of sales increase, the loss of abandonment of inventories resulted in a loss of 200 million yen (loss of 271 million yen in the same period of the previous year), for this geographical segment.

(ii) Southeast Asia

Continued growth in the sales of apheresis kits raised net sales to 5,070 million yen, up 20.6% (year-over-year). Increase of labor cost resulted in a loss of 44 million yen (loss of 51 million yen in the same period of the previous year), for this geographical segment.

(iii) China

Despite the sales drop of AV fistula needles for the domestic market, increase of yen equivalent by weak yen raised net sales to 932 million yen, up 8.4% (year-over-year). Decrease of profit from the sales on a yen basis transaction resulted in a loss of 29 million yen, down 78 million yen (year-over-year), for this geographical segment.

(iv) Germany

Increased sales of dialysis therapy chairs for Australian market was offset by decrease of sales in yen equivalent by weak yen, reducing net sales to 799 million yen, down 2.4% (year-over-year). Higher import cost with weak Euro resulted in a profit of 61 million yen, down 34.2%, for this geographical segment.

(v) The United States

Strong sales of AV fistula needles for North America market raised net sales to 742 million yen, up 30.3% (year-over-year). Despite the increase of selling costs, influence of sales increase raised net profit of 12 million yen, up 126.4%, for this geographical segment.

The remaining geographical segments recorded net sales of 520 million yen, up 18.3% (year-over-year), and a profit of 30 million yen, down 14.9%.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of the business results

Gross assets as of the end of this period totaled 61,992 million yen, up 1,539 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 35,220 million yen, up 788 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Noncurrent assets grew to 26,772 million yen, up 750 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 19,310 million yen, down 1,299 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes payable-equipment.

Noncurrent liabilities increased to 11,107 million yen, up 2,795 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 31,574 million yen, up 43 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of valuation difference on available-for-sales securities.

Note that the equity ratio declined by 1.3 percentage points to 50.7%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2016 released on May 8, 2015 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>2015</u>	<u>As at June 30,</u> <u>2015</u>
Assets		
Current assets		
Cash and deposits	4,711	5,769
Notes and accounts receivable - trade	16,233	15,730
Merchandise and finished goods	6,863	7,091
Work in process	2,342	2,347
Raw materials and supplies	3,254	3,353
Other	1,120	1,023
Allowance for doubtful accounts	(94)	(95)
Total current assets	34,431	35,220
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	7,464	7,588
Other, net	13,590	13,899
Total property, plant and equipment	21,055	21,488
Intangible assets	627	601
Investments and other assets		
Investments and other assets, gross	4,341	4,686
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,337	4,682
Total non-current assets	26,021	26,772
Total assets	60,452	61,992

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

(Millions of yen)

	<u>As at March 31,</u> <u>2015</u>	<u>As at June 30,</u> <u>2015</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,264	7,946
Short-term loans payable	4,770	4,268
Current portion of long-term loans payable	1,627	1,720
Income taxes payable	54	47
Provision for product warranties	9	9
Provision for bonuses	1,094	657
Asset retirement obligations	21	21
Other	4,767	4,640
Total current liabilities	<u>20,609</u>	<u>19,310</u>
Non-current liabilities		
Long-term loans payable	6,374	9,101
Provision for directors' retirement benefits	85	75
Net defined benefit liability	675	699
Asset retirement obligations	236	240
Other	940	990
Total non-current liabilities	<u>8,312</u>	<u>11,107</u>
Total liabilities	<u>28,922</u>	<u>30,418</u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,253	12,073
Treasury shares	(277)	(278)
Total shareholders' equity	<u>29,749</u>	<u>29,568</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	528	704
Foreign currency translation adjustment	1,140	1,185
Total accumulated other comprehensive income	<u>1,668</u>	<u>1,889</u>
Non-controlling interests	<u>112</u>	<u>115</u>
Total net assets	<u>31,530</u>	<u>31,574</u>
Total liabilities and net assets	<u>60,452</u>	<u>61,992</u>

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2014</u>	<u>Three months ended</u> <u>June 30, 2015</u>
Net sales	12,236	13,841
Cost of sales	9,199	10,475
Gross profit	3,037	3,366
Selling, general and administrative expenses	3,220	3,308
Operating income (loss)	(182)	57
Non-operating income		
Interest income	0	4
Dividend income	16	15
Share of profit of entities accounted for using equity method	42	93
Other	36	33
Total non-operating income	96	147
Non-operating expenses		
Interest expenses	23	32
Foreign exchange losses	9	37
Loss on abandonment of inventories	—	139
Commission fee	3	1
Other	6	7
Total non-operating expenses	42	217
Ordinary loss	(128)	(11)
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on abandonment of non-current assets	2	7
Total extraordinary losses	2	8
Loss before income taxes and minority interests	(131)	(19)
Income taxes - current	87	43
Income taxes - deferred	28	(81)
Total income taxes	115	(37)
Profit (loss)	(246)	18
Profit attributable to non-controlling interests	6	3
Profit (loss) attributable to owners of parent	(253)	14

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2014</u>	<u>Three months ended</u> <u>June 30, 2015</u>
Profit (loss)	(246)	18
Other comprehensive income		
Valuation difference on available-for-sale securities	75	175
Foreign currency translation adjustment	(283)	45
Remeasurements of defined benefit plans, net of tax	0	—
Total other comprehensive income	(207)	220
Comprehensive income	(454)	239
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(465)	235
Comprehensive income attributable to non-controlling interests	10	3