

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2017



August 5, 2016

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 June 2016 (From April 1, 2016 to June 30, 2016)

(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, 2016	13,336	(3.7)	121	109.4	209	—	84	466.7
Three months ended June 30, 2015	13,841	13.1	57	—	(11)	—	14	—

(Note) Comprehensive income : Three months ended June 30, 2016 : (982) million yen [—%], Three months ended June 30, 2015 : 239 million yen [—%].

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2016	1.72	—
Three months ended June 30, 2015	0.30	—

(2) Consolidated Financial Positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at June 30, 2016	62,980	29,621	46.9
As at March 31, 2016	65,174	30,907	47.2

(Note) Owner's equity : June 30, 2016 : 29,510 million yen, March 31, 2016 : 30,790 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, 2016	—	4.00	—	6.00	10.00	
Year ending March 31, 2017	—					
Year ending March 31, 2017 (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 2017 (From April 1, 2016 to March 31, 2017)

(%: 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, 2016	28,500	1.3	500	(4.5)	500	16.1	300	4.1	6.15
Year ending March 31, 2017	58,000	0.6	1,100	(22.7)	1,100	(12.2)	600	(20.5)	12.31

(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 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'. 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 the strong yen in foreign currency translation, JMS recorded consolidated net sales of 13,336 million yen in this period, down 3.7% / 505 million yen (year-over-year).

Despite the increase of depreciation burden by the large-scale investment, the operating income totaled 121 million yen in this period, up 109.4% (year-over-year), due to the influence of increased sales of high value-added products. The addition of equity in earnings of affiliates resulted in an ordinary income of 209 million yen (ordinary loss of 11 million yen in the same period of the previous year). The deduction of tax expense resulted in the net income attributable to equity holders of the parent company of 84 million yen, up 466.7% (year-over-year).

Business performance by geographical segment.

(i) Japan

Increased sales of Enteral nutrition system products were offset by the declined sales of hemodialysis machines, reducing net sales to 9,921 million yen, down 0.3% (year-over-year). Despite the increase of sales of high value-added products, the increase of depreciation burden resulted in a loss of 10 million yen (loss of 200 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 for North America was offset by decrease in yen translation with strong yen, reducing net sales to 4,675 million yen, down 7.8% (year-over-year). The influence of sales increase on a local currency basis led to a profit of 214 million yen, up 259 million yen (year-over-year), for this geographical segment.

(iii) China

Strong sales of Infusion Set for Japan market raised net sales to 952 million yen, up 2.2% (year-over-year). The sales increase led to a profit of 62 million yen, up 92 million yen (year-over-year), for this geographical segment.

(iv) Germany

Strong sales of AV fistula needles for the domestic market raised net sales to 800 million yen, up 0.1% (year-over-year). Higher import cost with weak Euro resulted in a profit of 59 million yen, down 2.0% (year-over-year), for this geographical segment.

(v) The United States

Weak sales of AV fistula needles for North America market reduced net sales to 587 million yen, down 20.9% (year-over-year). The decrease of selling, general and administrative expenses raised a profit to 18 million yen, up 45.1% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 426 million yen, down 18.1% (year-over-year), and a loss of 148 million yen, down 179 million yen (year-over-year).

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 62,980 million yen, down 2,193 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 34,118 million yen, down 1,087 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes and accounts receivable - trade.

Noncurrent assets decreased to 28,862 million yen, down 1,106 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of tangible noncurrent assets.

(Liabilities)

Current liabilities decreased to 20,125 million yen, down 1,619 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes payable-equipment.

Noncurrent liabilities increased to 13,234 million yen, up 711 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 decreased to 29,621 million yen, down 1,285 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 0.3 percentage points to 46.9%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2017 released on May 13, 2016 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>2016</u>	<u>As at June 30,</u> <u>2016</u>
Assets		
Current assets		
Cash and deposits	5,927	5,668
Notes and accounts receivable - trade	15,714	15,003
Securities	57	52
Merchandise and finished goods	6,928	6,986
Work in process	2,149	2,202
Raw materials and supplies	3,371	3,129
Other	1,135	1,148
Allowance for doubtful accounts	(78)	(72)
Total current assets	35,205	34,118
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,601	9,207
Machinery, equipment and vehicles, net	8,238	8,530
Other, net	7,319	6,540
Total property, plant and equipment	25,159	24,278
Intangible assets	508	502
Investments and other assets		
Investments and other assets, gross	4,303	4,085
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,299	4,081
Total non-current assets	29,968	28,862
Total assets	65,174	62,980

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

(Millions of yen)

	<u>As at March 31,</u> <u>2016</u>	<u>As at June 30,</u> <u>2016</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,564	8,610
Short-term loans payable	3,990	3,850
Current portion of long-term loans payable	2,140	2,068
Income taxes payable	157	119
Provision for product warranties	9	10
Provision for bonuses	1,091	567
Other	5,790	4,898
Total current liabilities	21,744	20,125
Non-current liabilities		
Long-term loans payable	10,457	11,295
Provision for directors' retirement benefits	91	88
Net defined benefit liability	661	619
Asset retirement obligations	235	227
Other	1,076	1,003
Total non-current liabilities	12,522	13,234
Total liabilities	34,266	33,359
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,618	12,409
Treasury shares	(280)	(281)
Total shareholders' equity	30,111	29,902
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	370	220
Foreign currency translation adjustment	308	(612)
Total accumulated other comprehensive income	678	(391)
Non-controlling interests	117	111
Total net assets	30,907	29,621
Total liabilities and net assets	65,174	62,980

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2015</u>	<u>Three months ended</u> <u>June 30, 2016</u>
Net sales	13,841	13,336
Cost of sales	10,475	9,906
Gross profit	3,366	3,430
Selling, general and administrative expenses	3,308	3,308
Operating income	57	121
Non-operating income		
Interest income	4	3
Dividend income	15	26
Share of profit of entities accounted for using equity method	93	76
Other	33	62
Total non-operating income	147	169
Non-operating expenses		
Interest expenses	32	32
Foreign exchange losses	37	32
Loss on abandonment of inventories	139	—
Other	9	16
Total non-operating expenses	217	81
Ordinary income (loss)	(11)	209
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	—
Loss on abandonment of non-current assets	7	10
Loss on sales of investment securities	—	0
Total extraordinary losses	8	10
Profit (loss) before income taxes	(19)	198
Income taxes - current	43	88
Income taxes - deferred	(81)	21
Total income taxes	(37)	109
Profit	18	88
Profit attributable to non-controlling interests	3	4
Profit attributable to owners of parent	14	84

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2015</u>	<u>Three months ended</u> <u>June 30, 2016</u>
Profit	18	88
Other comprehensive income		
Valuation difference on available-for-sale securities	175	(149)
Foreign currency translation adjustment	45	(921)
Total other comprehensive income	220	(1,070)
Comprehensive income	239	(982)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	235	(975)
Comprehensive income attributable to non-controlling interests	3	(6)