

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



November 10, 2016

Stock Exchange Listings : Tokyo 1st Section

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 Quarterly statement filing date (as planned) : November 14, 2016 Dividend payable date (as planned) : December 8, 2016  
 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 2016 (From April 1, 2016 to September 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	%
Six months ended September 30, 2016	27,526	(2.2)	592	13.2	699	62.5	409	42.2
Six months ended September 30, 2015	28,147	7.2	523	—	430	200.9	288	296.1

(Note) Comprehensive income : Six months ended September 30, 2016 : (1,270) million yen [—%], Six months ended September 30, 2015 : (129) million yen [—%].

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2016	8.41	—
Six months ended September 30, 2015	5.91	—

## (2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at September 30, 2016	62,404	29,335	46.8
As at March 31, 2016	65,174	30,907	47.2

(Note) Owner's equity : September 30, 2016 : 29,219 million yen, March 31, 2016 : 30,790 million yen.

## 2. Dividends

	Dividend per share					Total
	1st quarter	2nd quarter	3rd quarter	Fiscal year end		
	Yen	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2016	—	4.00	—	6.00	10.00	
Year ending March 31, 2017	—	4.00				
Year ending March 31, 2017 (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 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
Year ending March 31, 2017	56,000	(2.8)	1,100	(22.7)	1,200	(4.2)	900	19.3	18.47

(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, 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 27,526 million yen in this period, down 2.2% / 621 million yen (year-over-year).

Despite the increase of depreciation burden by the large-scale investment, the operating income totaled 592 million yen in this period, up 13.2% (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 699 million yen in this period, up 62.5% (year-over-year). The deduction of tax expense resulted in the net income attributable to equity holders of the parent company of 409 million yen, up 42.2% (year-over-year).

##### Business performance by geographical segment

###### (i) Japan

Increased sales of Enteral nutrition system products raised net sales to 20,776 million yen, up 2.6% (year-over-year). The increase of depreciation burden was offset by sales increase, leading to a profit of 312 million yen, up 519 million yen (year-over-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 9,126 million yen, down 10.5% (year-over-year). The influence of decline in market price resulted in a profit of 300 million yen, down 29.3% (year-over-year), for this geographical segment.

###### (iii) China

Increased sales of Infusion Set for Japan market was offset by decrease in yen translation with strong yen, raising net sales to 1,991 million yen, up 0.01% (year-over-year). The influence of sales increase on a local currency basis led to a profit of 194 million yen, up 231 million yen (year-over-year), for this geographical segment.

###### (iv) Germany

Increased sales of AV fistula needles for the domestic market was offset by decrease in yen translation with strong yen, reducing net sales to 1,557 million yen, down 2.9% (year-over-year). Higher import cost with weak Euro resulted in a profit of 94million yen, down 30.3% (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 1,170 million yen, down 26.6% (year-over-year). The influence of decreased sales resulted in a profit to 45 million yen, down 20.4% (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 825 million yen, down 13.8% (year-over-year), and a loss of 327 million yen, down 211 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 62,404 million yen, down 2,769 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 33,924 million yen, down 1,281 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits.

Noncurrent assets decreased to 28,480 million yen, down 1,487 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 19,004 million yen, down 2,739 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes payable-equipment.

Noncurrent liabilities increased to 14,063 million yen, up 1,541 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 29,335 million yen, down 1,571 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 0.4 percentage points to 46.8%.

## (3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2017 released on May 13, 2016 has been revised as follows.

### **Revision of consolidated business forecasts for the FYE Mar. 2017** (Unit: million yen)

	Previous Forecast (A)	New forecast (B)	Amount changed (B – A)	Results for previous FY ended Mar. 2016
Net sales	58,000	56,000	(2,000)	57,636
Operating income	1,100	1,100	—	1,422
Ordinary income	1,100	1,200	100	1,252
Profit attributable to owners of parent	600	900	300	754

Consolidated net sales is expected to be lower than the previous forecast, due to the adverse influence of strong yen in foreign currency translation. Profit is expected to exceed the previous forecast, due to the decrease of import cost as well as the reduction of fixed cost etc.

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>2016</u>	<u>As at September 30,</u> <u>2016</u>
Assets		
Current assets		
Cash and deposits	5,927	5,217
Notes and accounts receivable - trade	15,714	15,352
Securities	57	53
Merchandise and finished goods	6,928	6,572
Work in process	2,149	2,302
Raw materials and supplies	3,371	3,160
Other	1,135	1,334
Allowance for doubtful accounts	(78)	(70)
Total current assets	35,205	33,924
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,601	8,926
Machinery, equipment and vehicles, net	8,238	8,689
Other, net	7,319	6,151
Total property, plant and equipment	25,159	23,767
Intangible assets	508	510
Investments and other assets		
Investments and other assets, gross	4,303	4,206
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,299	4,202
Total non-current assets	29,968	28,480
Total assets	65,174	62,404

## Consolidated Balance Sheet

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2016</u>	<u>As at September 30,</u> <u>2016</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,564	8,359
Short-term loans payable	3,990	4,367
Current portion of long-term loans payable	2,140	1,684
Income taxes payable	157	218
Provision for product warranties	9	8
Provision for bonuses	1,091	1,090
Other	5,790	3,275
Total current liabilities	<u>21,744</u>	<u>19,004</u>
Non-current liabilities		
Long-term loans payable	10,457	12,048
Provision for directors' retirement benefits	91	79
Net defined benefit liability	661	632
Asset retirement obligations	235	226
Other	1,076	1,077
Total non-current liabilities	<u>12,522</u>	<u>14,063</u>
Total liabilities	<u>34,266</u>	<u>33,068</u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,618	12,735
Treasury shares	(280)	(281)
Total shareholders' equity	<u>30,111</u>	<u>30,227</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	370	289
Foreign currency translation adjustment	308	(1,297)
Total accumulated other comprehensive income	<u>678</u>	<u>(1,008)</u>
Non-controlling interests	117	116
Total net assets	<u>30,907</u>	<u>29,335</u>
Total liabilities and net assets	<u>65,174</u>	<u>62,404</u>

## **Consolidated Statements of Income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2015</u>	<u>Six months ended</u> <u>September 30, 2016</u>
Net sales	28,147	27,526
Cost of sales	20,998	20,363
Gross profit	7,149	7,162
Selling, general and administrative expenses	6,625	6,569
Operating income	523	592
Non-operating income		
Interest income	8	5
Dividend income	15	26
Share of profit of entities accounted for using equity method	186	124
Other	82	93
Total non-operating income	293	250
Non-operating expenses		
Interest expenses	66	64
Foreign exchange losses	166	60
Loss on abandonment of inventories	140	—
Other	14	19
Total non-operating expenses	386	143
Ordinary income	430	699
Extraordinary income		
Gain on sales of non-current assets	74	1
Gain on sales of investment securities	—	0
Subsidy income	—	100
Total extraordinary income	74	101
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on abandonment of non-current assets	27	17
Loss on reduction of non-current assets	—	96
Loss on sales of investment securities	—	0
Total extraordinary losses	27	113
Profit before income taxes	477	687
Income taxes - current	95	210
Income taxes - deferred	90	60
Total income taxes	185	270
Profit	291	416
Profit attributable to non-controlling interests	3	7
Profit attributable to owners of parent	288	409

## **Consolidated Statements of comprehensive income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2015</u>	<u>Six months ended</u> <u>September 30, 2016</u>
Profit	291	416
Other comprehensive income		
Valuation difference on available-for-sale securities	81	(81)
Foreign currency translation adjustment	(502)	(1,605)
Total other comprehensive income	(421)	(1,687)
Comprehensive income	(129)	(1,270)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(124)	(1,269)
Comprehensive income attributable to non-controlling interests	(4)	(1)

## Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2015</u>	<u>Six months ended</u> <u>September 30, 2016</u>
Cash flows from operating activities		
Profit before income taxes	477	687
Depreciation	1,311	1,463
Increase (decrease) in allowance for doubtful accounts	(1)	0
Increase (decrease) in net defined benefit liability	43	20
Interest and dividend income	(24)	(32)
Interest expenses	66	64
Foreign exchange losses (gains)	179	370
Share of (profit) loss of entities accounted for using equity method	(186)	(124)
Loss (gain) on sales of non-current assets	(74)	(1)
Loss on abandonment of non-current assets	27	17
Loss on reduction of non-current assets	—	96
Loss (gain) on sales of investment securities	—	0
Subsidy income	—	(100)
Decrease (increase) in notes and accounts receivable - trade	793	(189)
Decrease (increase) in inventories	(126)	(144)
Increase (decrease) in notes and accounts payable - trade	(572)	(88)
Increase (decrease) in accrued consumption taxes	(55)	424
Decrease (increase) in other current assets	(67)	45
Increase (decrease) in other current liabilities	(164)	(70)
Other, net	(13)	49
Subtotal	1,613	2,487
Interest and dividend income received	24	32
Interest expenses paid	(63)	(65)
Proceeds from subsidy income	—	100
Income taxes paid	(52)	(154)
Net cash provided by (used in) operating activities	1,522	2,399
Cash flows from investing activities		
Payments into time deposits	—	(5)
Purchase of property, plant and equipment	(3,247)	(3,689)
Proceeds from sales of property, plant and equipment	147	1
Purchase of intangible assets	(36)	(82)
Purchase of investment securities	(1)	—
Proceeds from sales of investment securities	—	0
Other, net	(42)	3
Net cash provided by (used in) investing activities	(3,180)	(3,772)
Cash flows from financing activities		
Increase in short-term loans payable	9,393	10,469
Decrease in short-term loans payable	(10,273)	(10,090)
Proceeds from long-term loans payable	3,100	2,573
Repayments of long-term loans payable	(805)	(1,516)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(195)	(290)
Other, net	—	(4)
Net cash provided by (used in) financing activities	1,217	1,141
Effect of exchange rate change on cash and cash equivalents	(158)	(485)
Net increase (decrease) in cash and cash equivalents	(598)	(717)
Cash and cash equivalents at beginning of period	4,709	5,982
Cash and cash equivalents at end of period	4,111	5,264