

Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019



August 8, 2018
Stock Exchange Listings : Tokyo 1st Section

Company name : JMS Co., Ltd. (URL <http://www.jms.cc/>)
Securities code : 7702
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Quarterly statement filing date (as planned) : August 10, 2018 Dividend payable date (as planned) : —
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 2018 (From April 1, 2018 to June 30, 2018)

(1) Consolidated operating results (%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	13,936	5.3	28	(38.6)	80	(45.7)	22	(90.4)
Three months ended June 30, 2017	13,240	(0.7)	46	(62.0)	148	(29.0)	238	183.3

(Note) Comprehensive income : Three months ended June 30, 2018 : (135) million yen [—%], Three months ended June 30, 2017 : 273 million yen [—%].

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	0.94	—
Three months ended June 30, 2017	9.77	—

(Note) We have conducted a share consolidation of common stock of JMS Co., Ltd. (“the Company”) pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Accordingly, the “Basic earnings per share” has been calculated assuming that such share consolidation has been conducted at the beginning of the previous fiscal year.

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at June 30, 2018	65,753	31,217	47.3
As at March 31, 2018	67,304	31,549	46.7

(Note) Owner's equity : June 30, 2018 : 31,089 million yen, March 31, 2018 : 31,422 million yen.

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Corporate Accounting Standard No. 28, February 16, 2018), etc. from the beginning of the first quarter of consolidated financial statements. The figure as of the previous fiscal year is based on retroactive application.

2. Dividends

	Dividend per share				
	1st quarter	2nd quarter	3rd quarter	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	4.00	—	8.00	—
Year ending March 31, 2019	—	—	—	—	—
Year ending March 31, 2019 (forecast)	—	8.00	—	8.00	16.00

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

We have conducted a share consolidation of common stock of the Company pursuant to which two (2) shares were consolidated into one (1) share effective as of October 1, 2017. Please note that such share consolidation is taken into consideration in determining the amount of the year-end cash dividend per share for the fiscal year ended March 31, 2018 mentioned above and the total annual dividend amount is indicated as “—”.

3. Consolidated Forecast for the Year Ending March 2019 (From April 1, 2018 to March 31, 2019)

(%: change from the same previous period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year ending September 30, 2018	28,700	4.7	350	123.2	450	34.6	300	42.4	12.31
Year ending March 31, 2019	58,000	2.6	1,000	74.3	1,200	46.3	800	26.7	32.83

(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 business results for the first quarter

(1) Overview of consolidated business results

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'. JMS has set up Business Unit (BU) type organization, and set three Business Units, 'Hospital Products BU' mainly handles infusion and enteral nutrition, 'Surgical & Therapy BU' mainly handles Dialysis and Cardiovascular, and 'Blood Management & Cell Therapy BU' mainly handles Blood Transfusion.

JMS recorded consolidated net sales for the first quarter of 13,936 million yen, up 5.3% / 695 million yen (year-over-year).

The influence of increased sales was offset by the increase in labor cost and R&D cost, resulting in operating profit of 28million yen, down by 38.6% (year-over-year). The addition of share of profit of entities accounted for using equity method was offset by the foreign exchange losses, resulting in ordinary profit of 80million yen, down by 45.7% (year-over-year). A change in decreased income taxes - deferred resulted in profit attributable to owners of parent of 22million yen, down by 90.4% (year-over-year).

Business performance by geographical segment.

(i) Japan

Increased sales of New Hemodialysis Machine "GC-X01" raised net sales to 10,210 million yen, up by 7.8% (year-over-year). Despite the influence of sales increase, the increase in R&D cost by clinical trial costs for new product resulted in profit of 44 million yen, down by 56.0% (year-over-year), for this geographical segment.

(ii) Singapore

Increased sales of Safety Scalp Vein Needles for North America market raised net sales to 4,653 million yen, up by 0.9% (year-over-year). The influence of increased labor cost resulted in profit of 140 million yen, down by 26.5% (year-over-year), for this geographical segment.

(iii) China

Decreased sales of Infusion Sets for Japan market by production transfer to Philippines reduced net sales to 759 million yen, down 12.0% (year-over-year). The influence of decreased sales and the increase of foreign exchange losses resulted in loss of 0.8 million yen, down by 14 million yen (year-over-year), for this geographical segment.

(iv) Philippines

Increased sales of Infusion Sets for Japan market raised net sales to 324 million yen, up by 181.3% (year-over-year). The influence of increased sales reduced loss to 129 million yen, improved by 37 million yen (year-over-year), for this geographical segment.

The remaining geographical segments recorded net sales of 1,968 million yen, up by 3.7% (year-over-year), and profit of 105 million yen, up by 59.1% (year-over-year).

The above-mentioned figures do not include consumption tax, etc.

(2) Overview of the financial condition

Total assets as of the end of this first quarter totaled 65,753 million yen, down 1,550 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 36,191 million yen, down 1,405 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of cash and deposits by the repayment of loans payable.

Non-current assets decreased to 29,561 million yen, down 145 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of investments and other assets by the receipt of an Accounts receivable - other about the subsidy.

(Liabilities)

Current liabilities decreased to 21,366 million yen, down 115 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of Short-term loans payable by the repayment of loans payable.

Non-current liabilities decreased to 13,169 million yen, down 1,103 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of long-term loans payable by the transfer to current liabilities.

(Net assets)

Net assets decreased to 31,217 million yen, down 332 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of retained earnings by the payment of year-end dividend.

Note that the Capital adequacy ratio increased by 0.6 percentage points to 47.3%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2019 released on May 11, 2018 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>2018</u>	<u>As at June 30,</u> <u>2018</u>
Assets		
Current assets		
Cash and deposits	7,162	5,160
Notes and accounts receivable - trade	16,452	16,636
Securities	71	71
Merchandise and finished goods	7,438	7,745
Work in process	2,331	2,386
Raw materials and supplies	3,409	3,466
Other	761	755
Allowance for doubtful accounts	(29)	(30)
Total current assets	37,597	36,191
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,652	8,622
Machinery, equipment and vehicles, net	7,738	7,642
Other, net	6,933	7,013
Total property, plant and equipment	23,324	23,277
Intangible assets	438	478
Investments and other assets		
Investments and other assets, gross	5,956	5,817
Allowance for doubtful accounts	(12)	(11)
Total investments and other assets	5,943	5,805
Total non-current assets	29,707	29,561
Total assets	67,304	65,753

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

(Millions of yen)

	<u>As at March 31,</u> <u>2018</u>	<u>As at June 30,</u> <u>2018</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,609	8,804
Short-term loans payable	4,110	3,350
Current portion of long-term loans payable	2,926	3,189
Income taxes payable	198	151
Provision for product warranties	8	8
Provision for bonuses	1,041	560
Asset retirement obligations	135	—
Other	4,452	5,301
Total current liabilities	21,481	21,366
Non-current liabilities		
Long-term loans payable	11,959	10,937
Provision for directors' retirement benefits	103	100
Net defined benefit liability	751	759
Asset retirement obligations	106	106
Other	1,351	1,266
Total non-current liabilities	14,272	13,169
Total liabilities	35,754	34,536
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	13,554	13,382
Treasury shares	(283)	(284)
Total shareholders' equity	31,044	30,872
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	551	511
Foreign currency translation adjustment	(173)	(294)
Total accumulated other comprehensive income	378	217
Non-controlling interests	127	127
Total net assets	31,549	31,217
Total liabilities and net assets	67,304	65,753

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2017</u>	<u>Three months ended</u> <u>June 30, 2018</u>
Net sales	13,240	13,936
Cost of sales	9,833	10,482
Gross profit	3,407	3,454
Selling, general and administrative expenses	3,361	3,425
Operating profit	46	28
Non-operating income		
Interest income	7	3
Dividend income	18	21
Share of profit of entities accounted for using equity method	68	105
Subsidy income	49	8
Other	31	22
Total non-operating income	176	160
Non-operating expenses		
Interest expenses	29	47
Foreign exchange losses	37	55
Other	6	5
Total non-operating expenses	73	108
Ordinary profit	148	80
Extraordinary income		
Gain on sales of non-current assets	0	3
Total extraordinary income	0	3
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on abandonment of non-current assets	5	20
Total extraordinary losses	5	20
Profit before income taxes	143	63
Income taxes - current	125	89
Income taxes - deferred	(218)	(51)
Total income taxes	(92)	38
Profit	236	24
Profit (loss) attributable to non-controlling interests	(1)	2
Profit attributable to owners of parent	238	22

Consolidated Statements of Comprehensive Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Three months ended</u> <u>June 30, 2017</u>	<u>Three months ended</u> <u>June 30, 2018</u>
Profit	236	24
Other comprehensive income		
Valuation difference on available-for-sale securities	117	(39)
Foreign currency translation adjustment	(79)	(121)
Total other comprehensive income	37	(160)
Comprehensive income	273	(135)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	278	(136)
Comprehensive income attributable to non-controlling interests	(4)	0