

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



November 6, 2014

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 September 2014 (From April 1, 2014 to September 30, 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	%
Six months ended September 30, 2014	26,249	2.1	46	(76.5)	143	(67.8)	72	(63.8)
Six months ended September 30, 2013	25,714	7.4	196	(80.3)	444	(62.5)	200	(71.7)

(Note) Comprehensive income : Six months ended September 30, 2014 : 210 million yen [(71.1%)], Six months ended September 30, 2013 : 727 million yen [100.5%].

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2014	1.49	—
Six months ended September 30, 2013	4.12	—

### (2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at September 30, 2014	55,070	30,640	55.4
As at March 31, 2014	53,222	30,619	57.4

(Note) Owner's equity : September 30, 2014 : 30,530 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	
Year ending March 31, 2015	—	4.00				
Year ending March 31, 2015 (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 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 : 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, 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 26,249 million yen in this period, up 2.1% / 534 million yen (year-over-year).

Despite the efforts of efficient operations of selling and general administrative expenses, the operating income totaled 46 million yen, down 76.5% (year-over-year), due to the influence of reimbursement price cuts in Japan. The addition of equity in earnings of affiliates resulted in the ordinary income of 143 million yen, down 67.8% (year-over-year). The addition of gain on sales of investment securities and the deduction of tax expense resulted in the net income of 72 million yen in this period, down 63.8% (year-over-year).

##### Business performance by geographical segment.

###### (i) Japan

Strong sales of hemodialysis machine and cardiopulmonary blood tubing sets were offset by the sales drop of cardiopulmonary equipments, reducing net sales to 19,336 million yen, down 0.2% (year-over-year). Despite the efforts to reduce labor cost, the influence of reimbursement price cuts resulted in a loss of 189 million yen, down 377 million yen, for this geographical segment.

###### (ii) Southeast Asia

Continued growth in the sales of AV fistula needles for Western markets raised net sales to 8,634 million yen, up 1.0% (year-over-year). Increase of labor cost resulted in a loss of 90 million yen, down 75 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 1,897 million yen, up 10.1% (year-over-year). The influence of increased sales led to a profit of 193 million yen, up 111 million yen, for this geographical segment.

###### (iv) Germany

Strong sales of AV fistula needles for Europe raised net sales to 1,648 million yen, up 19.2% (year-over-year). Lower import cost with strong Euro led to a profit of 187 million yen, up 66.8%, for this geographical segment.

(v) The United States

Sales drop of blood bags for the South and Central America reduced net sales to 1,346 million yen, down 1.5% (year-over-year). The influence of decreased sales as well as no dividend payment from the shares owned resulted in a profit of 50 million yen, down 54.5%, for this geographical segment.

The remaining geographical segments recorded net sales of 873 million yen, up 13.4% (year-over-year), and a profit of 55 million yen, up 256.1%.

The abovementioned figures do not include consumption tax, etc.

(2) Overview of the business results

Gross assets as of the end of Q2 totaled 55,070 million yen, up 1,848 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 31,723 million yen, up 957 million yen from the end of the previous consolidated fiscal year, mainly due to the increase of cash and deposits.

Noncurrent assets grew to 23,347 million yen, up 890 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 17,676 million yen, down 665 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of short-term loans payable.

Noncurrent liabilities increased to 6,754 million yen, up 2,493 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 30,640 million yen, up 20 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 2.0 percentage points to 55.4%.

(3) Overview of consolidated business forecast

Consolidated business forecast for the fiscal year ending March 31, 2015 released on May 8, 2014 has been revised as follows;

**Revision of consolidated business forecasts for the FYE Mar. 2015**

(Unit: million yen)

	Previous Forecast (A)	New forecast (B)	Amount changed (B – A)	Results for previous FY ended Mar. 2014
Net sales	56,000	55,000	(1,000)	53,860
Operating income	1,200	700	(500)	900
Ordinary income	1,400	800	(600)	1,187
Net income	800	450	(350)	207

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>2014</u>	<u>As at September 30,</u> <u>2014</u>
Assets		
Current assets		
Cash and deposits	1,997	3,345
Notes and accounts receivable - trade	16,211	15,442
Merchandise and finished goods	5,608	6,420
Work in process	2,330	2,219
Raw materials and supplies	3,668	3,490
Other	957	813
Allowance for doubtful accounts	(7)	(7)
Total current assets	<u>30,766</u>	<u>31,723</u>
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	6,095	7,085
Other, net	12,060	11,581
Total property, plant and equipment	<u>18,156</u>	<u>18,667</u>
Intangible assets	730	698
Investments and other assets		
Investments and other assets, gross	3,573	3,985
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	<u>3,569</u>	<u>3,981</u>
Total non-current assets	<u>22,456</u>	<u>23,347</u>
Total assets	<u>53,222</u>	<u>55,070</u>

## Consolidated Balance Sheet

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2014</u>	<u>As at September 30,</u> <u>2014</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,705	7,394
Short-term loans payable	4,681	3,923
Current portion of long-term loans payable	1,363	1,594
Income taxes payable	314	168
Provision for product warranties	9	8
Provision for bonuses	1,040	1,059
Other	3,226	3,527
Total current liabilities	<u>18,342</u>	<u>17,676</u>
Non-current liabilities		
Long-term loans payable	2,632	5,039
Provision for directors' retirement benefits	71	67
Net defined benefit liability	472	519
Asset retirement obligations	246	253
Other	839	875
Total non-current liabilities	<u>4,261</u>	<u>6,754</u>
Total liabilities	<u>22,603</u>	<u>24,430</u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,504	12,382
Treasury shares	(274)	(276)
Total shareholders' equity	<u>30,003</u>	<u>29,880</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	354	361
Foreign currency translation adjustment	169	289
Remeasurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	<u>523</u>	<u>649</u>
Minority interests	92	109
Total net assets	<u>30,619</u>	<u>30,640</u>
Total liabilities and net assets	<u>53,222</u>	<u>55,070</u>

## **Consolidated Statements of Income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2013</u>	<u>Six months ended</u> <u>September 30, 2014</u>
Net sales	25,714	26,249
Cost of sales	19,147	19,804
Gross profit	6,567	6,444
Selling, general and administrative expenses	6,371	6,398
Operating income	196	46
Non-operating income		
Interest income	4	2
Dividend income	51	16
Share of profit of entities accounted for using equity method	95	111
Foreign exchange gains	140	—
Other	55	68
Total non-operating income	345	198
Non-operating expenses		
Interest expenses	33	51
Foreign exchange losses	—	27
Commission fee	46	10
Other	17	12
Total non-operating expenses	98	101
Ordinary income	444	143
Extraordinary income		
Gain on sales of non-current assets	2	11
Gain on sales of investment securities	—	156
Total extraordinary income	2	168
Extraordinary losses		
Loss on sales of non-current assets	3	3
Loss on abandonment of non-current assets	35	15
Loss on valuation of investment securities	9	—
Total extraordinary losses	48	18
Income before income taxes and minority interests	398	292
Income taxes - current	159	167
Income taxes - deferred	34	42
Total income taxes	194	209
Income before minority interests	204	83
Minority interests in income	3	10
Net income	200	72

## **Consolidated Statements of comprehensive income**

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2013</u>	<u>Six months ended</u> <u>September 30, 2014</u>
Income before minority interests	204	83
Other comprehensive income		
Valuation difference on available-for-sale securities	67	6
Foreign currency translation adjustment	455	119
Remeasurements of defined benefit plans, net of tax	—	0
Total other comprehensive income	523	126
Comprehensive income	727	210
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	718	192
Comprehensive income attributable to minority interests	9	17

## Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2013</u>	<u>Six months ended</u> <u>September 30, 2014</u>
Cash flows from operating activities		
Income before income taxes and minority interests	398	292
Depreciation	1,043	1,209
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for retirement benefits	21	—
Increase (decrease) in net defined benefit liability	—	22
Interest and dividend income	(55)	(19)
Interest expenses	33	51
Foreign exchange losses (gains)	(74)	28
Share of (profit) loss of entities accounted for using equity method	(95)	(111)
Loss (gain) on sales of non-current assets	0	(8)
Loss on abandonment of non-current assets	35	15
Loss (gain) on sales of investment securities	—	(156)
Loss (gain) on valuation of investment securities	9	—
Decrease (increase) in notes and accounts receivable - trade	787	895
Decrease (increase) in inventories	(565)	(421)
Increase (decrease) in notes and accounts payable - trade	(376)	(338)
Increase (decrease) in accrued consumption taxes	6	(82)
Decrease (increase) in other current assets	87	139
Increase (decrease) in other current liabilities	(88)	(74)
Other, net	(30)	11
Subtotal	<u>1,140</u>	<u>1,455</u>
Interest and dividend income received	109	61
Interest expenses paid	(37)	(38)
Income taxes paid	(564)	(328)
Net cash provided by (used in) operating activities	<u>647</u>	<u>1,149</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,456)	(1,156)
Proceeds from sales of property, plant and equipment	7	12
Purchase of intangible assets	(108)	(49)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	—	243
Other, net	(16)	(426)
Net cash provided by (used in) investing activities	<u>(2,575)</u>	<u>(1,377)</u>
Cash flows from financing activities		
Increase in short-term loans payable	7,365	8,302
Decrease in short-term loans payable	(6,555)	(9,066)
Proceeds from long-term loans payable	1,727	3,324
Repayments of long-term loans payable	(702)	(744)
Proceeds from sales of treasury shares	0	—
Purchase of treasury shares	(2)	(1)
Cash dividends paid	(194)	(195)
Net cash provided by (used in) financing activities	<u>1,638</u>	<u>1,619</u>
Effect of exchange rate change on cash and cash equivalents	89	(43)
Net increase (decrease) in cash and cash equivalents	<u>(200)</u>	<u>1,347</u>
Cash and cash equivalents at beginning of period	<u>4,152</u>	<u>1,995</u>
Cash and cash equivalents at end of period	<u>3,952</u>	<u>3,343</u>