

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



November 6, 2015

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 September 2015 (From April 1, 2015 to September 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	%
Six months ended September 30, 2015	28,147	7.2	523	—	430	200.9	288	296.1
Six months ended September 30, 2014	26,249	2.1	46	(76.5)	143	(67.8)	72	(63.8)

(Note) Comprehensive income : Six months ended September 30, 2015 : (129) million yen [—%], Six months ended September 30, 2014 : 210 million yen [(71.1%)].

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2015	5.91	—
Six months ended September 30, 2014	1.49	—

(2) Consolidated financial positions

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As at September 30, 2015	60,216	31,195	51.6
As at March 31, 2015	60,452	31,530	52.0

(Note) Owner's equity : September 30, 2015 : 31,088 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	Yen	Yen	Yen	
Year ended March 31, 2015	—	4.00	—	4.00	—	4.00	—	—	—	8.00
Year ending March 31, 2016	—	4.00	—	—	—	—	—	—	—	—
Year ending March 31, 2016 (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 2016 (From April 1, 2015 to March 31, 2016)

	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, 2016	58,000	4.7	700	84.7	800	114.3	500	259.5

(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 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 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 28,147 million yen in this period, up 7.2% / 1,898 million yen (year-over-year).

Despite the increase of selling expenses, the operating income totaled 523 million yen in this period, up 477 million yen (year-over-year), due to the increased sales. The addition of equity in earnings of affiliates was offset by the exchange loss, resulting in an ordinary income of 430 million yen, up 200.9% (year-over-year). The addition of gain on sales of non-current assets and the deduction of tax expense resulted in the net income attributable to equity holders of the parent company of 288 million yen, up 296.1% (year-over-year).

Business performance by geographical segment

(i) Japan

Increased sales of cardiopulmonary equipment as well as launch of blood bags with leukocyte reduction filter raised net sales to 20,258 million yen, up 4.8% (year-over-year). Despite the influence of sales increase, the loss of abandonment of inventories resulted in a loss of 206 million yen, down 16 million yen, for this geographical segment.

(ii) Southeast Asia

Continued growth in the sales of apheresis kits for North America raised net sales to 10,194 million yen, up 18.1% (year-over-year). The sales increase led to a profit of 424 million yen, up 514 million yen, 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 1,991 million yen, up 5.0% (year-over-year). Decrease of profit from the sales on a yen basis transaction resulted in a loss of 36 million yen, down 147 million yen, 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 strong yen, reducing net sales to 1,604 million yen, down 2.7% (year-over-year). Higher import cost with weak Euro resulted in a profit of 135 million yen, down 27.9%, for this geographical segment.

(v) The United States

Strong sales of AV fistula needles for Latin American market raised net sales to 1,593 million yen, up 18.4% (year-over-year). Despite the increase of selling expenses, the sales increase raised net profit of 56 million yen, up 11.9%, for this geographical segment.

The remaining geographical segments recorded net sales of 957 million yen, up 9.6% (year-over-year), and a loss of 115 million yen, down 171 million yen.

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 60,216 million yen, down 235 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 32,670 million yen, down 1,760 million yen from the end of the previous consolidated fiscal year, mainly due to the decrease of notes and accounts receivable - trade.

Noncurrent assets grew to 27,546 million yen, up 1,524 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 18,786 million yen, down 1,823 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 10,234 million yen, up 1,921 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 31,195 million yen, down 334 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 51.6%.

(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 September 30,</u> <u>2015</u>
Assets		
Current assets		
Cash and deposits	4,711	4,113
Notes and accounts receivable - trade	16,233	15,310
Merchandise and finished goods	6,863	6,975
Work in process	2,342	2,237
Raw materials and supplies	3,254	3,203
Other	1,120	922
Allowance for doubtful accounts	(94)	(92)
Total current assets	34,431	32,670
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	7,464	7,475
Other, net	13,590	14,879
Total property, plant and equipment	21,055	22,354
Intangible assets	627	560
Investments and other assets		
Investments and other assets, gross	4,341	4,634
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	4,337	4,630
Total non-current assets	26,021	27,546
Total assets	60,452	60,216

Consolidated Balance Sheet

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>As at March 31,</u> <u>2015</u>	<u>As at September 30,</u> <u>2015</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,264	7,650
Short-term loans payable	4,770	3,900
Current portion of long-term loans payable	1,627	1,997
Income taxes payable	54	75
Provision for product warranties	9	9
Provision for bonuses	1,094	1,105
Asset retirement obligations	21	21
Other	4,767	4,027
Total current liabilities	<u>20,609</u>	<u>18,786</u>
Non-current liabilities		
Long-term loans payable	6,374	8,301
Provision for directors' retirement benefits	85	80
Net defined benefit liability	675	658
Asset retirement obligations	236	234
Other	940	959
Total non-current liabilities	<u>8,312</u>	<u>10,234</u>
Total liabilities	<u>28,922</u>	<u>29,021</u>
Net assets		
Shareholders' equity		
Capital stock	7,411	7,411
Capital surplus	10,362	10,362
Retained earnings	12,253	12,347
Treasury shares	(277)	(279)
Total shareholders' equity	<u>29,749</u>	<u>29,841</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	528	609
Foreign currency translation adjustment	1,140	637
Total accumulated other comprehensive income	<u>1,668</u>	<u>1,247</u>
Non-controlling interests	112	107
Total net assets	<u>31,530</u>	<u>31,195</u>
Total liabilities and net assets	<u>60,452</u>	<u>60,216</u>

Consolidated Statements of Income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2014</u>	<u>Six months ended</u> <u>September 30, 2015</u>
Net sales	26,249	28,147
Cost of sales	19,804	20,998
Gross profit	6,444	7,149
Selling, general and administrative expenses	6,398	6,625
Operating income	46	523
Non-operating income		
Interest income	2	8
Dividend income	16	15
Share of profit of entities accounted for using equity method	111	186
Other	68	82
Total non-operating income	198	293
Non-operating expenses		
Interest expenses	51	66
Foreign exchange losses	27	166
Loss on abandonment of inventories	—	140
Commission fee	10	1
Other	12	12
Total non-operating expenses	101	386
Ordinary income	143	430
Extraordinary income		
Gain on sales of non-current assets	11	74
Gain on sales of investment securities	156	—
Total extraordinary income	168	74
Extraordinary losses		
Loss on sales of non-current assets	3	0
Loss on abandonment of non-current assets	15	27
Total extraordinary losses	18	27
Income before income taxes and minority interests	292	477
Income taxes - current	167	95
Income taxes - deferred	42	90
Total income taxes	209	185
Profit	83	291
Profit attributable to non-controlling interests	10	3
Profit attributable to owners of parent	72	288

Consolidated Statements of comprehensive income

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2014</u>	<u>Six months ended</u> <u>September 30, 2015</u>
Profit	83	291
Other comprehensive income		
Valuation difference on available-for-sale securities	6	81
Foreign currency translation adjustment	119	(502)
Remeasurements of defined benefit plans, net of tax	0	—
Total other comprehensive income	126	(421)
Comprehensive income	210	(129)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	192	(124)
Comprehensive income attributable to non-controlling interests	17	(4)

Consolidated statements of cash flows

JMS CO., LTD. and Consolidated Subsidiaries

(Millions of yen)

	<u>Six months ended</u> <u>September 30, 2014</u>	<u>Six months ended</u> <u>September 30, 2015</u>
Cash flows from operating activities		
Income before income taxes and minority interests	292	477
Depreciation	1,209	1,311
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in net defined benefit liability	22	43
Interest and dividend income	(19)	(24)
Interest expenses	51	66
Foreign exchange losses (gains)	28	179
Share of (profit) loss of entities accounted for using equity method	(111)	(186)
Loss (gain) on sales of non-current assets	(8)	(74)
Loss on abandonment of non-current assets	15	27
Loss (gain) on sales of investment securities	(156)	—
Decrease (increase) in notes and accounts receivable - trade	895	793
Decrease (increase) in inventories	(421)	(126)
Increase (decrease) in notes and accounts payable - trade	(338)	(572)
Increase (decrease) in accrued consumption taxes	(82)	(55)
Decrease (increase) in other current assets	139	(67)
Increase (decrease) in other current liabilities	(74)	(164)
Other, net	11	(13)
Subtotal	1,455	1,613
Interest and dividend income received	61	24
Interest expenses paid	(38)	(63)
Income taxes paid	(328)	(52)
Net cash provided by (used in) operating activities	1,149	1,522
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,156)	(3,247)
Proceeds from sales of property, plant and equipment	12	147
Purchase of intangible assets	(49)	(36)
Purchase of investment securities	(1)	(1)
Proceeds from sales of investment securities	243	—
Other, net	(426)	(42)
Net cash provided by (used in) investing activities	(1,377)	(3,180)
Cash flows from financing activities		
Increase in short-term loans payable	8,302	9,393
Decrease in short-term loans payable	(9,066)	(10,273)
Proceeds from long-term loans payable	3,324	3,100
Repayments of long-term loans payable	(744)	(805)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(195)	(195)
Net cash provided by (used in) financing activities	1,619	1,217
Effect of exchange rate change on cash and cash equivalents	(43)	(158)
Net increase (decrease) in cash and cash equivalents	1,347	(598)
Cash and cash equivalents at beginning of period	1,995	4,709
Cash and cash equivalents at end of period	3,343	4,111