

Summary of Consolidated Financial Results for the Third Quarter of
the Fiscal Year Ending March 2023 [Japanese GAAP]



January 31, 2023

Company name Japan Medical Dynamic Marketing, INC. Listing TSE
Securities Code 7600 URL <http://www.jmdm.co.jp/>
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Scheduled date of submission of the quarterly report February 14, 2023 Scheduled date of commencement of dividend payment -
Preparation of supplementary materials for the quarterly financial results : None
Holding of quarterly financial results briefing : None

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 2023
(from April 1 to December 31, 2022)

(1) Consolidated Operating Results (year to date) (Percentages indicate changes from the first half of the previous year.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 of FYE March 2023	15,624	11.8	1,510	-24.1	1,543	-21.1	1,138	-30.3
Q3 of FYE March 2022	13,978	13.6	1,991	26.9	1,954	27.1	1,634	60.6

(Note) Comprehensive income Q3 of FYE March 2023 1,972 million yen (-0.2%)
Q3 of FYE March 2022 1,975 million yen (183.6%)

	Net income per share	Diluted net income per share
	yen	yen
Q3 of FYE March 2023	43.20	-
Q3 of FYE March 2022	61.95	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
Q3 of FYE March 2023	28,577	23,054	80.2
FYE March 2022	27,342	21,491	78.2

(Reference) Shareholders' equity Q3 of FYE March 2023 22,926 million yen FYE March 2022 ¥21,386 million

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of period	Total
	yen	yen	yen	yen	yen
FYE March 2022	-	0.00	-	12.00	12.00
FYE March 2023	-	0.00	-		
FYE March 2023 (Forecast)				13.00	13.00

(Note) Revisions to the most recently announced dividend forecast : None

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 2023
(from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	21,800	13.6	2,000	-24.9	2,050	-20.9	1,450	-32.1	54.96

(Note) Revisions to the most recently announced financial forecast : None

*Notes

(1) Changes in significant subsidiaries during the quarter under review : None

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

Newly included - companies (Company name) - , Excluded - companies (Company name) -

(2) Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements : Yes

(3) Changes in accounting policies, accounting estimates, and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard : None

2) Changes in accounting policies other than 1) : None

3) Changes in accounting estimates : None

4) Retrospective restatement : None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)

Q3 of FYE March 2023	26,475,880 shares	FYE March 2022	26,475,880 shares
Q3 of FYE March 2023	175,107 shares	FYE March 2022	92,179 shares
Q3 of FYE March 2023	26,367,107 shares	Q3 of FYE March 2022	26,383,769 shares

2) Number of treasury shares at the end of the period

3) Average number of shares during the period (year to date)

* This summary of quarterly financial results is not subject to audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special notes

- These forward-looking statements such as financial forecasts contained in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve them. Actual results and other future events may differ significantly due to various factors. Please refer to “(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements” on page 2 of the attached document for the assumptions underlying the forecasts, notes on using the forecasts, etc.

○ Table of Contents of Attachment

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation on Operating Results.....	2
(2) Explanation on Financial Position	2
(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements.....	2
2. Quarterly Consolidated Financial Statements and Main Notes	3
(1) Quarterly consolidated balance sheet.....	3
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income	5
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Note on Going Concern Assumption).....	7
(Notes on Substantial Changes in the Amount of Shareholders' Equity)	7
(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)	7
(Additional Information).....	7
(Segment Information, Etc.)	7
3. Other	8
Sales.....	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the nine months of the fiscal year ending March 31, 2023 of the Group, net sales were ¥15,624 million (up ¥1,646 million, or 11.8% year on year), operating profit was ¥1,510 million (down ¥480 million, or 24.1% year on year), ordinary profit was ¥1,543 million (down ¥411 million, or 21.1% year on year), and net income attributable to owners of parent was ¥1,138 million (down ¥495 million, or 30.3% year on year).

In Japan, case unit prices declined due to the impact of the lowering of reimbursement prices in April 2022 and number of acquired cases grew compared with the same quarter a year ago. As a result, net sales were ¥8,980 million (up ¥242 million, or 2.8% year on year).

In the United States, net sales to external customers (US dollars) increased 4.3% compared with the same quarter a year ago. This was because the customer base expanded with the successive commencement of suspended product supplies to new customers as the supply chain issue that arose in the first half showed an improving trend, and the number of cases acquired increased due to the implementation of various sales expansion measures for existing customers compared with the same quarter a year ago. After translation into yen, net sales increased 26.8% to ¥6,644 million due to the impact of the yen's depreciation.

In the artificial joints category, combined total net sales in Japan and the United States increased 16.8% (1.5% in Japan and 26.7% in the United States) year on year to ¥10,059 million. This was because the number of acquired cases in Japan increased despite considerable lowering of the reimbursement prices and sales in the United States moved toward recovery, growing substantially (after translation into yen) due to the impact of the yen's sharp depreciation. (Reference: The exchange rate for U.S. sales was 111.40 yen to the U.S. dollar in the same quarter a year ago and was 135.41 yen to the U.S. dollar in the quarter under review.)

In the category of trauma, net sales in Japan increased 5.8% year on year to ¥3,096 million, mainly due to steady sales of ASULOCK and Prima Hip Screw despite a decrease in the number of acquired cases in the third quarter under review compared with the same period of the previous fiscal year in which the cases increased from the lifting of behavior restrictions.

In the category of spinal fixation devices, sales of the Pisces Spinal System continued to be steady in Japan, resulting in a 2.8% year on year increase in total net sales in Japan and the United States to ¥2,388 million, despite the sluggish growth of KMC Kyphoplasty System due to the entry of competitors in the Balloon Kyphoplasty (BKP) market.

As for cost of sales, the cost of sales ratio was 34.1% (32.1% in the same quarter a year ago) mainly due to the impact of the yen's depreciation and lowering of reimbursement prices in Japan.

Selling, general, and administrative expenses totaled ¥8,784 million (up 17.0% year on year). This was due to an increase in personnel expenses as a result of strengthening of the systems in Japan, an increase in commission expenses (commissions and royalties) in the wake of higher sales in the United States, and an increase in expenses (after translation into yen) in the United States affected by the depreciation of the yen. In addition, the ratio of selling, general, and administrative expenses to net sales grew to 56.2% (53.7% in the same quarter a year ago).

Despite an increase in net sales, operating profit was ¥1,510 million (down 24.1% year on year) due to an increase in selling, general and administrative expenses in addition to a higher cost of sales ratio owing to the impact of the yen's depreciation.

Ordinary profit was ¥1,543 million (down 21.1% year on year) as a result of recording non-operating income of ¥104 million, including foreign exchange gains of ¥61 million, tax refund of ¥15 million, and insurance claim income of ¥13 million, and recording non-operating expenses of ¥72 million, including share of loss of entities accounted for using equity method of ¥42 million.

As for extraordinary income and losses, ¥25 million in compensation income and ¥19 million in reversal of provision for loss on business were recorded under extraordinary income of ¥44 million, and ¥47 million in loss on retirement of non-current assets such as medical tools was recorded under extraordinary losses.

Net income attributable to owners of parent decreased 30.3% year on year to ¥1,138 million, due to the above results and the posting of ¥306 million in gain on forgiveness of debts as extraordinary income in the previous fiscal year.

Segment results are as follows.

1) Japan

Net sales were ¥8,980 million (up 2.8% year on year) and operating profit was ¥824 million (down 33.5% year on year).

2) United States

Net sales were ¥9,401 million (up 18.2% year on year) and operating profit was ¥581 million (down 18.6% year on year).

(2) Explanation on Financial Position

Total assets at the end of the quarter under review increased ¥1,234 million from the end of the previous fiscal year to ¥28,577 million. The main increases were in merchandise and finished goods by ¥906 million and raw materials and supplies by ¥615 million. The main decreases were in cash and deposits by ¥363 million.

Total liabilities decreased by ¥329 million from the end of the previous fiscal year to ¥5,522 million. The main decrease was in long-term borrowings by ¥352 million.

Net interest-bearing debts, which are calculated by deducting cash and deposits from interest-bearing debts (the total amount of short-term borrowings, long-term borrowings, and lease liabilities), amounted to minus ¥741 million at the end of the quarter under review.

Total net assets increased ¥1,563 million from the end of the previous fiscal year to ¥23,054 million. The main increases were in retained earnings by ¥821 million and in foreign currency translation adjustment by ¥773 million.

(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements

Please refer to the "Notice Concerning Difference between Consolidated Financial Forecasts and Financial Results for the Second Quarter of the Fiscal Year Ending March 2023 and Revision of Consolidated Financial Forecasts for the Fiscal Year Ending March 2023" announced on October 31, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly consolidated balance sheet

(In thousand yen)

	Previous fiscal year (March 31, 2022)	The quarter under review (December 31, 2022)
Assets		
Current assets		
Cash and deposits	2,590,849	2,226,871
Notes and accounts receivable - trade, and contract assets	5,212,555	5,172,675
Merchandise and finished goods	8,186,658	9,093,420
Work in process	497,823	569,991
Raw materials and supplies	1,410,927	2,026,635
Other	149,211	259,424
Allowance for doubtful accounts	-1,386	-1,299
Total current assets	18,046,638	19,347,719
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	728,450	763,852
Machinery, equipment, and vehicles (net)	350,978	321,585
Tools, furniture, and fixtures (net)	4,691,605	4,616,963
Land	1,953,479	1,956,061
Other	48,173	2,237
Total property, plant, and equipment	7,772,687	7,660,701
Intangible assets	291,960	300,420
Investments and other assets		
Investment securities	-	66,350
Investments in capital of subsidiaries and associates	174,887	173,105
Deferred tax assets	971,990	946,572
Other	84,558	82,344
Total investments and other assets	1,231,435	1,268,372
Total non-current assets	9,296,083	9,229,493
Total assets	27,342,722	28,577,213

(In thousand yen)

	Previous fiscal year (March 31, 2022)	The quarter under review (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	785,671	1,077,858
Short-term borrowings	557,046	570,452
Lease liabilities	33,163	13,959
Income taxes payable	266,440	166,051
Accrued expenses	512,569	585,166
Accounts payable - other	189,283	179,708
Provision for bonuses	194,015	57,200
Provision for bonuses for directors (and other officers)	65,200	29,811
Provision for loss on business	65,000	36,630
Other	231,291	148,769
Total current liabilities	2,899,680	2,865,606
Non-current liabilities		
Long-term borrowings	1,247,662	895,330
Lease liabilities	10,875	5,217
Retirement benefit liability	1,023,546	1,058,589
Provision for share awards for directors (and other officers)	88,322	97,889
Asset retirement obligations	29,201	29,426
Long-term deposits received	8,000	8,000
Deferred tax liabilities	544,310	562,307
Total non-current liabilities	2,951,919	2,656,760
Total liabilities	5,851,600	5,522,366
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,029	2,587,029
Retained earnings	14,550,073	15,371,494
Treasury shares	-111,940	-202,730
Total shareholders' equity	20,027,090	20,757,721
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	25,414
Foreign currency translation adjustment	1,351,922	2,125,716
Remeasurements of defined benefit plans	7,429	17,888
Total accumulated other comprehensive income	1,359,352	2,169,020
Non-controlling interests	104,678	128,104
Total net assets	21,491,121	23,054,846
Total liabilities and net assets	27,342,722	28,577,213

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly consolidated statement of income

Nine-month period

(In thousand yen)

	The same nine months a year ago (From April 1 to December 31, 2021)	The nine months under review (From April 1 to December 31, 2022)
Net sales	13,978,136	15,624,728
Cost of sales	4,480,119	5,329,281
Gross profit	9,498,017	10,295,447
Selling, general, and administrative expenses		
Freight and packing costs	267,635	310,492
Promotion expenses	76,480	102,338
Advertising expenses	49,934	59,135
Salaries and allowances	2,459,405	2,748,456
Retirement benefit expenses	76,658	74,973
Legal welfare expenses	223,814	238,829
Welfare expenses	148,642	194,683
Provision of allowance for doubtful accounts	138	-87
Travel and transportation expenses	105,313	179,100
Depreciation	910,804	1,023,894
Taxes and dues	121,700	108,599
Research and development expenses	352,713	458,538
Commission expenses	1,743,286	2,234,312
Other	969,736	1,051,400
Total selling, general, and administrative expenses	7,506,265	8,784,668
Operating profit	1,991,751	1,510,779
Non-operating income		
Interest income	97	78
Foreign exchange gains	-	61,205
Commission income	8,862	2,844
Insurance claim income	-	13,220
Other	7,367	27,117
Total non-operating income	16,326	104,466
Non-operating expenses		
Interest expenses	20,828	14,263
Foreign exchange losses	10,883	-
Share of loss of entities accounted for using equity method	10,259	42,510
Commission for syndicated loans	5,278	6,279
Other	6,058	9,135
Total non-operating expenses	53,308	72,187
Ordinary profit	1,954,769	1,543,057
Extraordinary income		
Reversal of provision for loss on business	-	19,118
Compensation income	-	25,000
Gain on forgiveness of debts	306,751	-
Total extraordinary income	306,751	44,118
Extraordinary losses		
Loss on retirement of non-current assets	62,938	47,146
Total extraordinary losses	62,938	47,146
Net income before income taxes and others	2,198,582	1,540,028
Income taxes - current	549,808	409,537
Income taxes - deferred	4,390	-18,740
Total income taxes	554,198	390,797
Net income	1,644,383	1,149,231
Net income attributable to non-controlling interests	9,957	10,283
Net income attributable to owners of parent	1,634,426	1,138,947

Quarterly Consolidated Statement of Comprehensive Income

Nine-month period

(In thousand yen)

	The same nine months a year ago (From April 1 to December 31, 2021)	The nine months under review (From April 1 to December 31, 2022)
Net income	1,644,383	1,149,231
Total accumulated other comprehensive income		
Deferred gains or losses on hedges	-2,788	25,414
Foreign currency translation adjustment	321,777	786,935
Remeasurements of defined benefit plans, net of tax	11,971	10,459
Total other comprehensive income	330,961	822,809
Comprehensive income	1,975,345	1,972,041
(Breakdown)		
Comprehensive income attributable to owners of parent	1,959,563	1,948,615
Comprehensive income attributable to non-controlling interests	15,781	23,425

(3) Notes to Quarterly Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)

Tax expenses were calculated by reasonably estimating an effective tax rate after application of tax effect accounting to net income before income taxes and others for the fiscal year including the quarter under review and multiplying net income before income taxes and others by the estimated effective tax rate.

(Additional Information)

(Impact of COVID-19)

The accounting estimates for the nine-month period under review are reasonably calculated based on the information available at the time of preparing the consolidated quarterly financial statements. However, there are uncertainties regarding the future spread of COVID-19 and the timing of its resolution. If the infection status of COVID-19 as well as economic and other environments deviate from the current assumptions, the Group's business performance and financial position may be affected. For reference, there are no significant changes from the assumptions made as of the end of the previous fiscal year.

(Segment Information, Etc.)

I Nine Months of the Fiscal Year Ended March 2022 (from April 1 to December 31, 2021)**1. Information on the amounts of sales and profits for each reportable segment and information on the breakdown of revenue**

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	8,738,342	5,239,793	13,978,136	-	13,978,136
Net sales to external customers	8,738,342	5,239,793	13,978,136	-	13,978,136
Inter-segment net sales or transfers	-	2,714,404	2,714,404	-2,714,404	-
Total	8,738,342	7,954,198	16,692,541	-2,714,404	13,978,136
Segment profit	1,240,178	714,688	1,954,867	36,883	1,991,751

Notes: 1. Adjustments for segment profit include ¥36,883,000 in elimination of inter-segment transactions.

2. Segment profit was adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

Not applicable.

II Nine Months of the Fiscal Year Ending March 2023 (from April 1 to December 31, 2022)

1. Information on the amounts of sales and profits for each reportable segment and information on the breakdown of revenue

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	8,980,664	6,644,064	15,624,728	-	15,624,728
Net sales to external customers	8,980,664	6,644,064	15,624,728	-	15,624,728
Inter-segment net sales or transfers	-	2,757,211	2,757,211	-2,757,211	-
Total	8,980,664	9,401,275	18,381,940	-2,757,211	15,624,728
Segment profit	824,611	581,461	1,406,073	104,705	1,510,779

Notes: 1. Adjustments for segment profit include ¥104,705,000 in elimination of inter-segment transactions.

2. Segment profit was adjusted with operating profit in the quarterly consolidated statement of income.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

Not applicable.

3. Other

Sales

Sales for the nine-month period under review by segment are as follows.

Name and item of each segment		Nine-month period under review (From April 1 to December 31, 2022)	Compared with the nine months a year ago
		Amount (in thousand yen)	(%)
Medical devices	Japan	9,160,877	102.4
	Joint	3,446,414	101.5
	Trauma	3,096,144	105.8
	Spine	2,357,900	102.4
	Other	260,418	80.6
	United States	6,644,064	126.8
	Joint	6,613,416	126.7
	Spine	30,647	157.2
Subtotal (A)		15,804,941	111.4
Sales deduction (B)		-180,213	-
Total (A) + (B)		15,624,728	111.8

(Note) Inter-segment transactions are offset and eliminated. As the amount of "Japan, Artificial bones," which had been separately disclosed in the same quarter a year ago, became less important, it was included in "Japan, Other," starting from the three-month period of the current fiscal year.