

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



October 31, 2022

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 November 14, 2022 Scheduled date of commencement of dividend payment -
 Preparation of supplementary materials for the quarterly financial results : Yes
 Holding of quarterly financial results briefing : Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for First Half of the Fiscal Year Ending March 2023 (from April 1 to September 30, 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 | % |
| H1 of FYE March 2023 | 9,989 | 12.8 | 927 | -12.4 | 916 | -12.1 | 721 | -28.1 |
| H1 of FYE March 2022 | 8,858 | 14.3 | 1,058 | 28.4 | 1,042 | 29.4 | 1,003 | 90.6 |

(Note) Comprehensive income H1 of FYE March 2023 2,558 million yen H1 of FYE March 2022 1,111 million yen
 (130.2%) (221.0%)

| | Net income per share | Diluted net income per share |
|----------------------|----------------------|------------------------------|
| | yen | Yen |
| H1 of FYE March 2023 | 27.35 | - |
| H1 of FYE March 2022 | 38.03 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|----------------------|--------------|-------------|------------------------|
| | Million yen | Million yen | % |
| Q2 of FYE March 2023 | 29,424 | 23,731 | 80.2 |
| FYE March 2022 | 27,342 | 21,491 | 78.2 |

(Reference) Shareholders' equity Q2 of FYE March 2023 23,591 million yen FYE March 2022 21,386 million yen

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 : Yes

*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) | Q2 of FYE March 2023 | 26,475,880shares | FYE March 2022 | 26,475,880shares |
| 2) Number of treasury shares at the end of the period | Q2 of FYE March 2023 | 92,207shares | FYE March 2022 | 92,179shares |
| 3) Average number of shares during the period (year to date) | H1 of FYE March 2023 | 26,383,693shares | H1 of FYE March 2022 | 26,383,792shares |

* 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 3 of the attached document for the assumptions underlying the forecasts, notes on using the forecasts, etc.

The Company will hold a financial results briefing for institutional investors and analysts on November 11, 2022. Financial results briefing materials to be used on the day of the briefing will be posted on the Company’s website on the day of the briefing.

○ 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 | 3 |
| 2. Quarterly Consolidated Financial Statements and Main Notes..... | 4 |
| (1) Quarterly consolidated balance sheet | 4 |
| (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income | 6 |
| (3) Notes to Quarterly Consolidated Financial Statements | 8 |
| (Note on Going Concern Assumption)..... | 8 |
| (Notes on Substantial Changes in the Amount of Shareholders' Equity) | 8 |
| (Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements) | 8 |
| (Additional Information)..... | 8 |
| (Segment Information, Etc.) | 8 |
| 3. Other..... | 9 |
| Sales..... | 9 |

1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the first half of the fiscal year ending March 31, 2023 of the Group, net sales were ¥9,989 million (up ¥1,131 million, or 12.8% year on year), operating profit was ¥927 million (down ¥131 million, or 12.4% year on year), ordinary profit was ¥916 million (down ¥126 million, or 12.1% year on year), and net income attributable to owners of parent was ¥721 million (down ¥281 million, or 28.1% year on year).

In Japan, despite a decline in the case unit prices due to the lowering of reimbursement prices, the number of acquired cases grew compared with the same quarter a year ago, and net sales were ¥5,805 million (up ¥339 million, or 6.2% year on year). In the United States, net sales to external customers (US dollars) increased 1.9% compared with the same quarter a year ago. This was because the number of cases acquired increased due to the contribution of the customer base that continued to expand from last year compared with the same quarter a year ago, and after translation into yen, net sales increased 23.3% to ¥4,184 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 15.7% (3.7% in Japan and 23.3% in the United States) year on year to ¥6,393 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 grew substantially (after translation into yen) due to the yen's sharp depreciation. (Reference: The exchange rate for U.S. sales was 110.21 yen to the U.S. dollar in the same quarter a year ago and was 133.47 yen to the U.S. dollar in the quarter under review.)

In the category of osteosynthesis materials, net sales in Japan increased 8.5% year on year to ¥1,922 million, mainly due to steady sales of ASULOCK and Prima Hip Screw.

In the category of spinal fixation devices, sales of the KMC Kyphoplasty System continued to be steady in Japan and sales of Pisces Spinal System were steady, resulting in a 9.7% increase in total net sales in Japan and the United States to ¥1,614 million.

As for cost of sales, the cost of sales ratio was 33.7% (32.2% in the same quarter a year ago) mainly due to the yen's depreciation and lowering of reimbursement prices in Japan.

Selling, general, and administrative expenses totaled ¥5,691 million (up 15.1% 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 57.0% (55.8% in the same quarter a year ago).

Despite an increase in net sales, operating profit was ¥927 million (down 12.4% 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 yen's depreciation.

Ordinary profit was ¥916 million (down 12.1% year on year) as a result of recording non-operating income of ¥39 million, including tax refund of ¥14 million and insurance claim income of ¥13 million, and recording non-operating expenses of ¥49 million, including share of loss of entities accounted for using equity method of ¥26 million.

As for extraordinary income and losses, ¥25 million in compensation income and ¥12 million in reversal of provision for loss on business were recorded under extraordinary income of ¥37 million, and ¥21 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 28.1% year on year to ¥721 million, due to the above results and the posting of ¥303 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 ¥5,805 million (up 6.2% year on year) and operating profit was ¥463 million (down 30.6% year on year).

2) United States

Net sales were ¥5,889 million (up 12.6% year on year) and operating profit was ¥389 million (down 8.6% year on year).

(2) Explanation on Financial Position

Total assets at the end of the quarter under review increased ¥2,081 million from the end of the previous fiscal year to ¥29,424 million. The main increases were in merchandise and finished goods by ¥1,258 million and raw materials and supplies by ¥774 million.

Total liabilities decreased by ¥158 million from the end of the previous fiscal year to ¥5,692 million. The main decrease was long-term borrowings by ¥231 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 ¥985 million at the end of the quarter under review.

Total net assets increased ¥2,240 million from the end of the previous fiscal year to ¥23,731 million. The main increases were in foreign currency translation adjustment by ¥1,661 million and in retained earnings by ¥403 million.

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

The consolidated financial forecasts for the fiscal year ending March 2023 announced on April 28, 2022 have been revised. For details, 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 today (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 (September 30, 2022) |
|--|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,590,849 | 2,617,844 |
| Notes and accounts receivable - trade, and contract assets | 5,212,555 | 4,638,552 |
| Merchandise and finished goods | 8,186,658 | 9,445,221 |
| Work in process | 497,823 | 661,839 |
| Raw materials and supplies | 1,410,927 | 2,185,158 |
| Other | 149,211 | 480,029 |
| Allowance for doubtful accounts | -1,386 | -1,165 |
| Total current assets | 18,046,638 | 20,027,480 |
| Non-current assets | | |
| Property, plant, and equipment | | |
| Buildings and structures (net) | 728,450 | 811,511 |
| Machinery, equipment, and vehicles (net) | 350,978 | 365,946 |
| Tools, furniture, and fixtures (net) | 4,691,605 | 4,764,748 |
| Land | 1,953,479 | 1,959,101 |
| Other | 48,173 | 10,214 |
| Total property, plant, and equipment | 7,772,687 | 7,911,522 |
| Intangible assets | 291,960 | 298,951 |
| Investments and other assets | | |
| Investment securities | - | 36,202 |
| Investments in capital of subsidiaries and associates | 174,887 | 159,767 |
| Deferred tax assets | 971,990 | 907,610 |
| Other | 84,558 | 82,815 |
| Total investments and other assets | 1,231,435 | 1,186,395 |
| Total non-current assets | 9,296,083 | 9,396,868 |
| Total assets | 27,342,722 | 29,424,349 |

(In thousand yen)

| | Previous fiscal year (March 31, 2022) | The quarter under review (September 30, 2022) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 785,671 | 1,049,758 |
| Short-term borrowings | 557,046 | 588,406 |
| Lease liabilities | 33,163 | 21,495 |
| Income taxes payable | 266,440 | 206,385 |
| Accrued expenses | 512,569 | 511,653 |
| Accounts payable - other | 189,283 | 144,553 |
| Provision for bonuses | 194,015 | 166,895 |
| Provision for bonuses for directors (and other officers) | 65,200 | 21,831 |
| Provision for loss on business | 65,000 | 42,950 |
| Other | 231,291 | 117,166 |
| Total current liabilities | 2,899,680 | 2,871,095 |
| Non-current liabilities | | |
| Long-term borrowings | 1,247,662 | 1,016,179 |
| Lease liabilities | 10,875 | 5,976 |
| Retirement benefit liability | 1,023,546 | 1,052,863 |
| Provision for share awards for directors (and other officers) | 88,322 | 95,180 |
| Asset retirement obligations | 29,201 | 29,357 |
| Long-term deposits received | 8,000 | 8,500 |
| Deferred tax liabilities | 544,310 | 613,622 |
| Total non-current liabilities | 2,951,919 | 2,821,679 |
| Total liabilities | 5,851,600 | 5,692,775 |
| 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 | 14,954,026 |
| Treasury shares | -111,940 | -111,981 |
| Total shareholders' equity | 20,027,090 | 20,431,002 |
| Accumulated other comprehensive income | | |
| Deferred gains or losses on hedges | - | 132,578 |
| Foreign currency translation adjustment | 1,351,922 | 3,013,204 |
| Remeasurements of defined benefit plans | 7,429 | 14,402 |
| Total accumulated other comprehensive income | 1,359,352 | 3,160,185 |
| Non-controlling interests | 104,678 | 140,385 |
| Total net assets | 21,491,121 | 23,731,573 |
| Total liabilities and net assets | 27,342,722 | 29,424,349 |

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

Quarterly consolidated statement of income

The first half under review

(In thousand yen)

| | The first half a year ago (From April 1 to September 30, 2021) | The first half under review (From April 1 to September 30, 2022) |
|---|--|--|
| Net sales | 8,858,500 | 9,989,631 |
| Cost of sales | 2,856,569 | 3,370,648 |
| Gross profit | 6,001,931 | 6,618,983 |
| Selling, general, and administrative expenses | | |
| Freight and packing costs | 175,179 | 208,687 |
| Promotion expenses | 54,041 | 53,800 |
| Advertising expenses | 32,284 | 35,726 |
| Salaries and allowances | 1,619,998 | 1,796,693 |
| Retirement benefit expenses | 51,105 | 49,982 |
| Legal welfare expenses | 149,501 | 161,265 |
| Welfare expenses | 102,781 | 133,433 |
| Provision of allowance for doubtful accounts | -83 | -221 |
| Travel and transportation expenses | 63,927 | 110,550 |
| Depreciation | 597,522 | 682,900 |
| Taxes and dues | 81,930 | 71,407 |
| Research and development expenses | 237,573 | 293,237 |
| Commission expenses | 1,132,091 | 1,409,215 |
| Other | 645,873 | 685,253 |
| Total selling, general, and administrative expenses | 4,943,728 | 5,691,934 |
| Operating profit | 1,058,203 | 927,049 |
| Non-operating income | | |
| Interest income | 64 | 49 |
| Foreign exchange gains | 117 | - |
| Commission income | 6,018 | 2,844 |
| Insurance claim income | - | 13,220 |
| Other | 5,635 | 23,174 |
| Total non-operating income | 11,834 | 39,289 |
| Non-operating expenses | | |
| Interest expenses | 13,905 | 10,318 |
| Foreign exchange losses | - | 980 |
| Share of loss of entities accounted for using equity method | 3,393 | 26,145 |
| Commission for syndicated loans | 3,160 | 4,161 |
| Other | 6,660 | 8,106 |
| Total non-operating expenses | 27,119 | 49,712 |
| Ordinary profit | 1,042,918 | 916,626 |
| Extraordinary income | | |
| Reversal of provision for loss on business | - | 12,797 |
| Compensation income | - | 25,000 |
| Gain on forgiveness of debts | 303,474 | - |
| Total extraordinary income | 303,474 | 37,797 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 20,111 | 21,824 |
| Total extraordinary losses | 20,111 | 21,824 |
| Net income before income taxes and others | 1,326,281 | 932,599 |
| Income taxes - current | 304,484 | 228,757 |
| Income taxes - deferred | 10,294 | -25,129 |
| Total income taxes | 314,778 | 203,627 |
| Net income | 1,011,502 | 728,971 |
| Net income attributable to non-controlling interests | 8,133 | 7,492 |
| Net income attributable to owners of parent | 1,003,369 | 721,479 |

Quarterly Consolidated Statement of Comprehensive Income

The first half under review

| | (In thousand yen) | |
|--|--|--|
| | The first half a year ago (From April 1 to September 30, 2021) | The first half under review (From April 1 to September 30, 2022) |
| Net income | 1,011,502 | 728,971 |
| Total accumulated other comprehensive income | | |
| Deferred gains or losses on hedges | -2,788 | 132,578 |
| Foreign currency translation adjustment | 94,518 | 1,689,496 |
| Remeasurements of defined benefit plans, net of tax | 7,981 | 6,972 |
| Total other comprehensive income | 99,711 | 1,829,047 |
| Comprehensive income | 1,111,214 | 2,558,019 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 1,101,370 | 2,522,312 |
| Comprehensive income attributable to non-controlling interests | 9,843 | 35,706 |

(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 first half 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. First Half of the Fiscal Year Ended March 2022 (from April 1 to September 30, 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 | 5,466,092 | 3,392,408 | 8,858,500 | - | 8,858,500 |
| Net sales to external customers | 5,466,092 | 3,392,408 | 8,858,500 | - | 8,858,500 |
| Inter-segment net sales or transfers | - | 1,838,626 | 1,838,626 | -1,838,626 | - |
| Total | 5,466,092 | 5,231,035 | 10,697,127 | -1,838,626 | 8,858,500 |
| Segment profit | 667,721 | 425,896 | 1,093,618 | -35,415 | 1,058,203 |

Notes: 1. Adjustments for segment profit include ¥35,415,000 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. First Half of the Fiscal Year Ending March 2023 (from April 1 to September 30, 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 | 5,805,241 | 4,184,390 | 9,989,631 | - | 9,989,631 |
| Net sales to external customers | 5,805,241 | 4,184,390 | 9,989,631 | - | 9,989,631 |
| Inter-segment net sales or transfers | - | 1,704,983 | 1,704,983 | -1,704,983 | - |
| Total | 5,805,241 | 5,889,373 | 11,694,614 | -1,704,983 | 9,989,631 |
| Segment profit | 463,447 | 389,418 | 852,866 | 74,183 | 927,049 |

Notes: 1. Adjustments for segment profit include ¥74,183,000 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 first half under review by segment are as follows.

| Name and item of each segment | | The first half under review (From April 1 to September 30, 2022) | Compared with the first half a year ago |
|-------------------------------|--------------------------|--|--|
| | | Amount (in thousand yen) | (%) |
| Medical devices | Japan | 5,921,942 | 105.8 |
| | Artificial joints | 2,226,200 | 103.7 |
| | Osteosynthesis materials | 1,922,399 | 108.5 |
| | Spinal fixation devices | 1,596,866 | 109.5 |
| | Other | 176,475 | 80.4 |
| | United States | 4,184,390 | 123.3 |
| | Artificial joints | 4,167,225 | 123.3 |
| | Spinal fixation devices | 17,164 | 128.7 |
| Subtotal (A) | | 10,106,332 | 112.4 |
| Sales deduction (B) | | -116,700 | - |
| Total (A) + (B) | | 9,989,631 | 112.8 |

(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 first quarter of the current fiscal year.