

Financial Results Briefing for the Fiscal Year Ending March 2023

May 12, 2023

Japan Medical Dynamic Marketing,INC.

Representative Director and President
Toshiyuki Hironaka

JMDEM



JMDEM

Notes



The forward-looking statements in this document are based on information currently available to us and certain assumptions that we consider reasonable, and are not intended as a promise by us that they will be realized. Actual results may differ materially due to various factors.

Our products



Artificial
Hip Joint



Artificial
Knee Joint



Trauma



Spine

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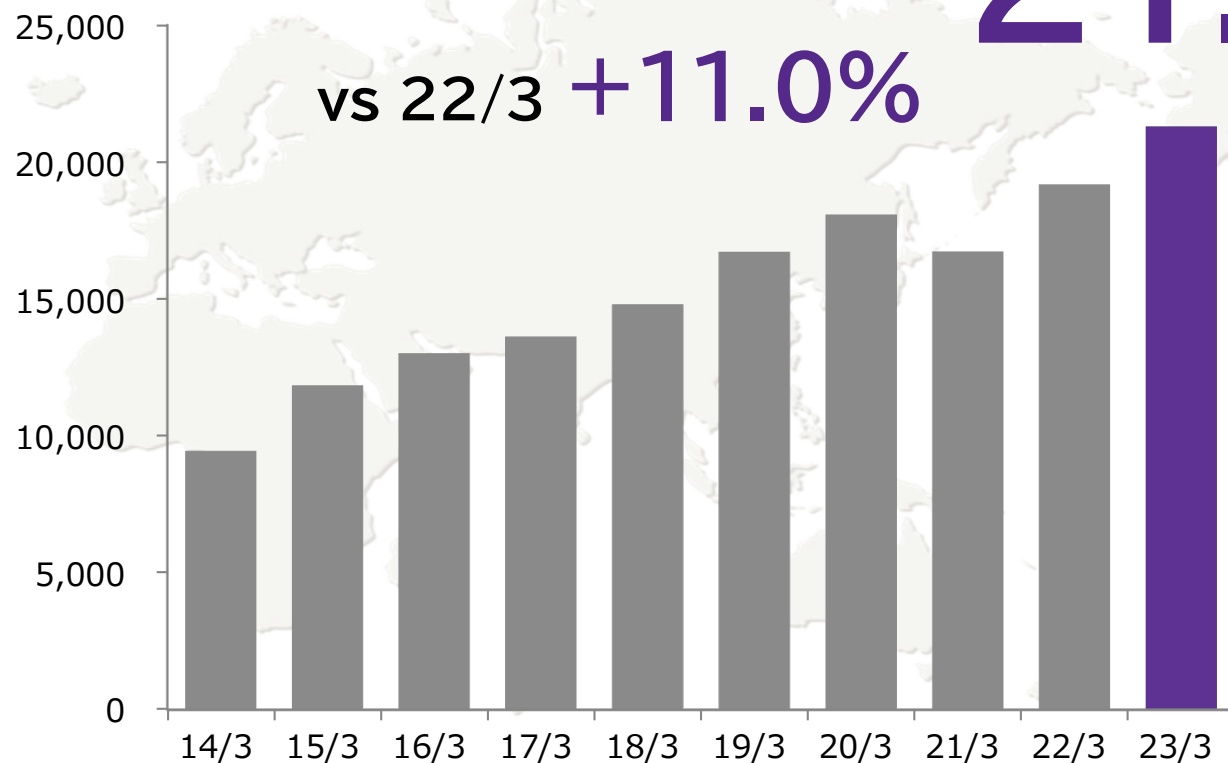
1.

**Results for the fiscal year
ended March 31, 2023**



Consolidated net sales

(Millions of yen)



21.3 Billion

vs 22/3 **+11.0%**

**Two
consecutive
Years with
Record Sales**

Consolidated Statement of Income

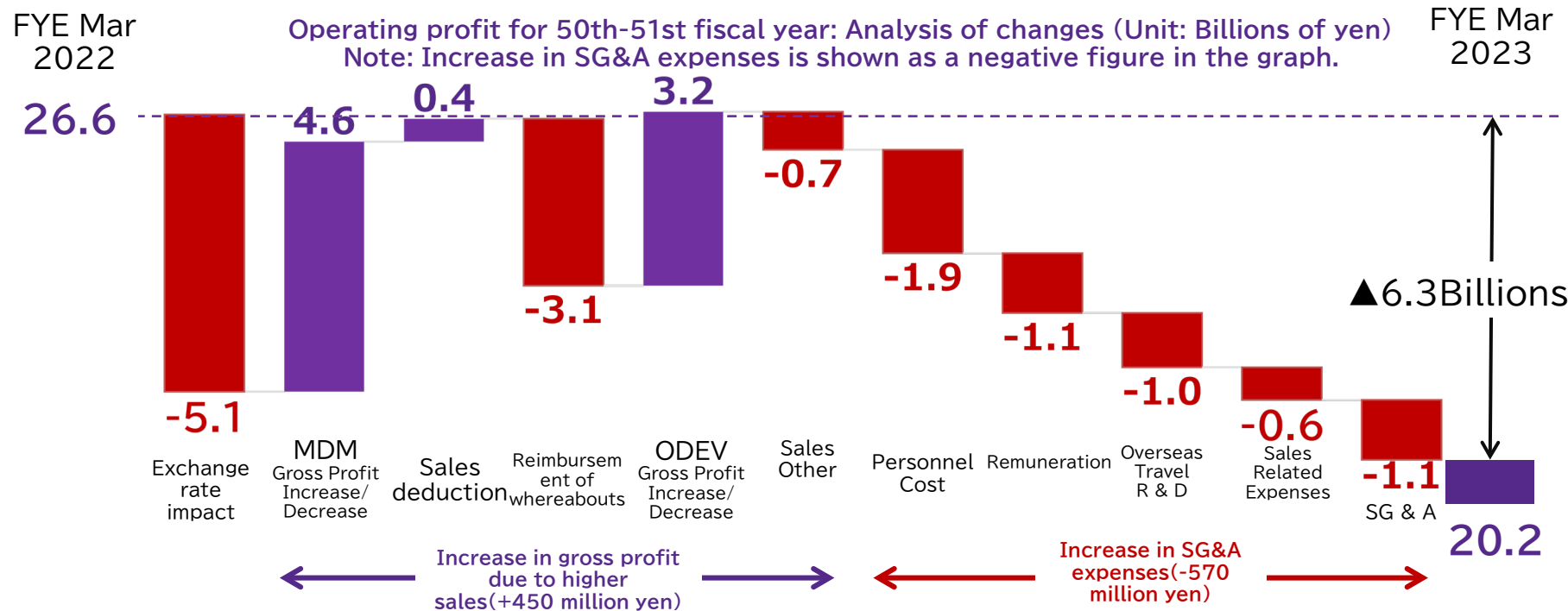
(Millions of yen , %)	FYE Mar 2023		YoY change		'FYE Mar 2022	
	Results	Ratio to sales	Amount of change	Ratio of change	Results	Ratio to sales
Net sales	21,307	100.0	+2,114	+11.0	19,193	100.0
Cost of Sales	7,315	34.3	+1,111	+17.9	6,204	32.3
SG&A	11,967	56.2	+1,640	+15.9	10,327	53.8
Operating profit	2,024	9.5	▲636	▲23.9	2,661	13.9
Ordinary profit	2,043	9.6	▲547	▲21.1	2,591	13.5
Net income※	1,423	6.7	▲711	▲33.3	2,135	11.1

※Net income attributable to owners of parent

Prior Year Operating Income Comparison Analysis

Factors contributing to a ¥630 million decrease in profit for the fiscal year ending March 31, 2023:

Impact of yen depreciation on ODEV product purchases and ODEV SG&A expenses (-0.51 bn yen) The increase in SG&A expenses (-570 million yen) due to increased sales and marketing activities was not offset by the increase in gross profit (+450 million yen) due to the sales increase.



Consolidated Sales by Major Products

(Millions of yen , %)	FYE Mar 2023		YoY change		FYE Mar 2022	
	Results	Ratio to sales	Amount of change	Ratio of change	Results	Ratio to sales
Japan	12,601	59.1	+192	+1.6	12,409	64.7
Joint	4,738	22.2	+18	+0.4	4,719	24.6
Trauma	4,322	20.3	+206	+5.0	4,115	21.4
Spine	3,185	15.0	+60	+1.9	3,125	16.3
Other	354	1.7	▲93	▲20.9	448	2.3
United States※1	8,951	42.0	+1,880	+26.6	7,070	36.8
Joint	8,910	41.8	+1,865	+26.5	7,044	36.7
Spine	40	0.2	+14	+54.8	26	0.1
Subtotal	21,552	101.1	+2,072	+10.6	19,479	101.5
Sales deduction※3	△ 244	△ 1.1	▲42	-	△ 286	△ 1.5
Total	21,307	100.0	+2,114	+11.0	19,193	100.0
Sales ratio of our own products	17,377	80.6	+1,936	+12.5	15,441	79.3
US\$※2	66,330		+3,690	+5.9	62,640	

※1 Conversion rate (yen)

134.95

+22.07

112.88

※2 Thousands of dollars

※3 Sales deductions: Deductions associated with the application of the revenue recognition standard.

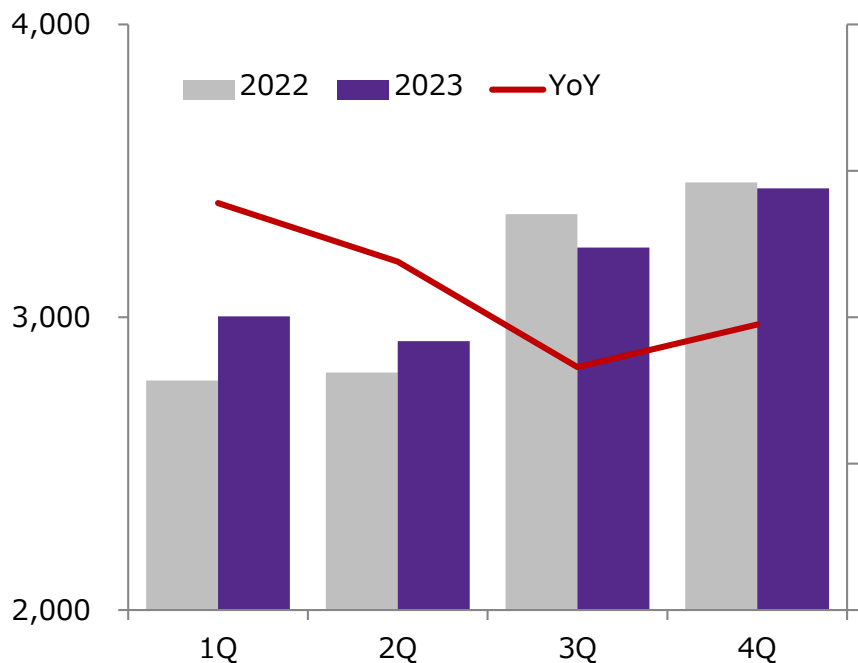
Japanese market



Sales in Japan [YoY Comparison]



(Millions of yen)



accounting period	1Q	2Q	3Q	4Q	Full-year
Ratio of increase/decrease from the previous period(%)	+7.8	+3.8	▲3.4	▲0.5	+1.6

20.0%

【First Half】

- Increase in the number of cases acquired due to focus on treatment of femoral neck transplant fractures

10.0%

【Second Half】

- The number of cases acquired decreased in the third quarter (compared to the previous fiscal year) due to a shortage of medical personnel at some hospital facilities.
- Warm Winter Reduces Fracture Cases

0.0%

-10.0% 【Full Fiscal Year】

- Full-year sales growth was positive (+1.6%) due to an increase in the number of cases acquired, despite the impact of reimbursement price reductions implemented in April 2022 and January 2023 (-2.4%).

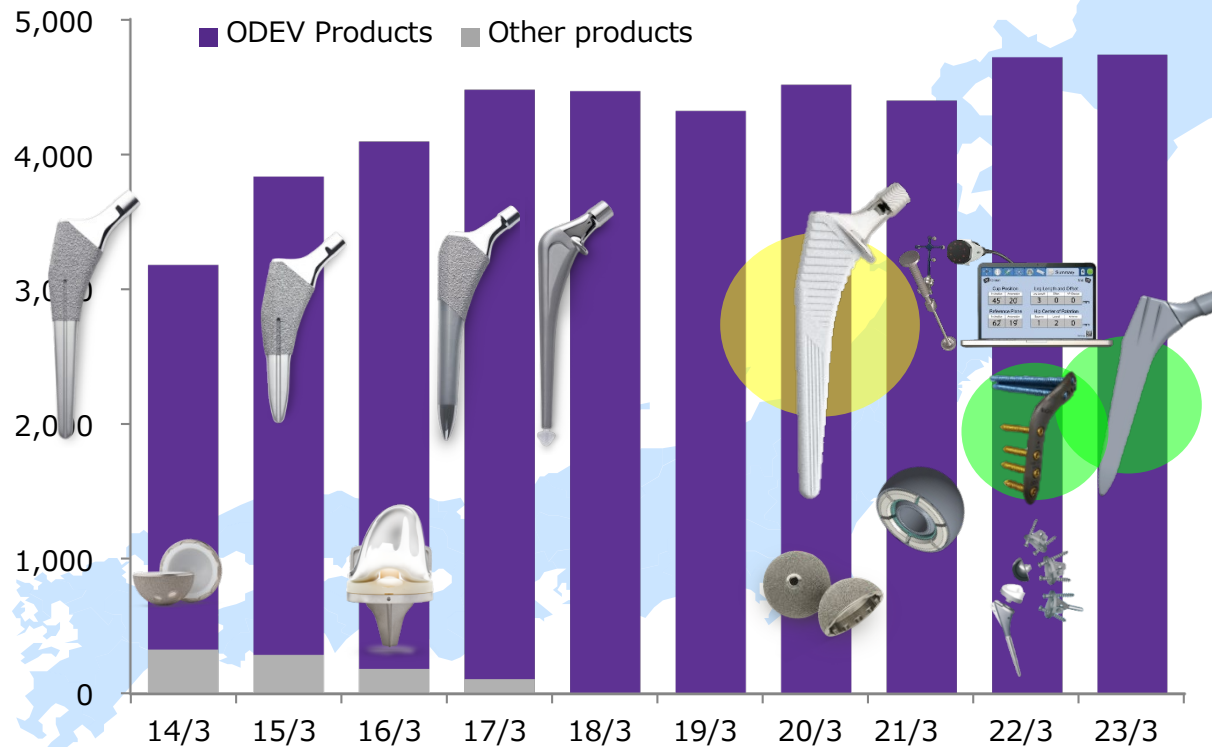
-20.0%

Sales in Japan [Joints]



(Millions of yen)

vs 22/3 +0.4%



Flat growth

BHA※1 Steady growth

THA※2 Steady growth

Entrada Growth

Intellijoint HIP®
navigation system
Effects of introduction

※1 Bipolar Hip Arthroplasty

※2 Total Hip Arthroplasty

Major impact of
reimbursement price
reductions, etc.

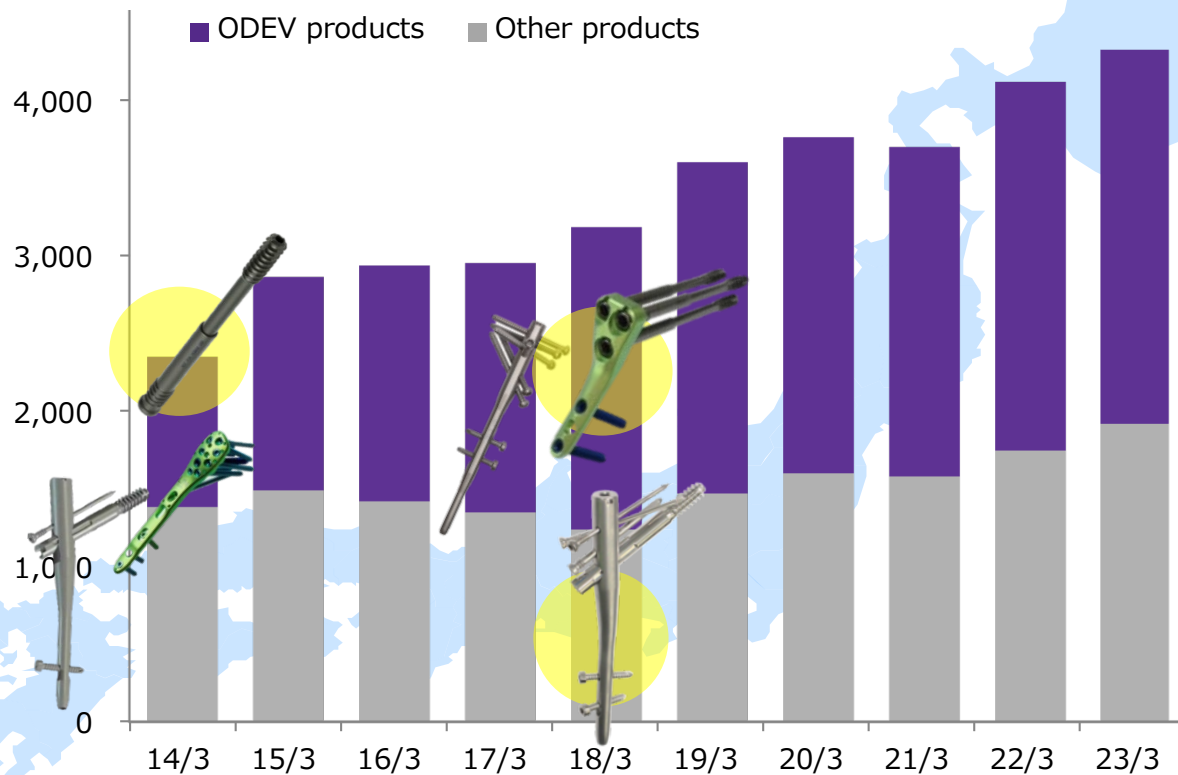
Sales in Japan 【Trauma】



(Millions of yen)

vs 22/3 +5.0%

■ ODEV products ■ Other products



Steady growth

Femoral Neck Dislocation

Fracture Treatment Products

PHS

(ODEV Products)

ASULOCK

(other Products)

Double-digit
Growth

Sales in Japan [Spine]



(Millions of yen)

■ ODEV products ■ Other products

3,000

2,000

1,000

0

14/3

15/3

16/3

17/3

18/3

19/3

20/3

21/3

22/3

23/3

vs 22/3 +1.9%

Steady growth
Pisces

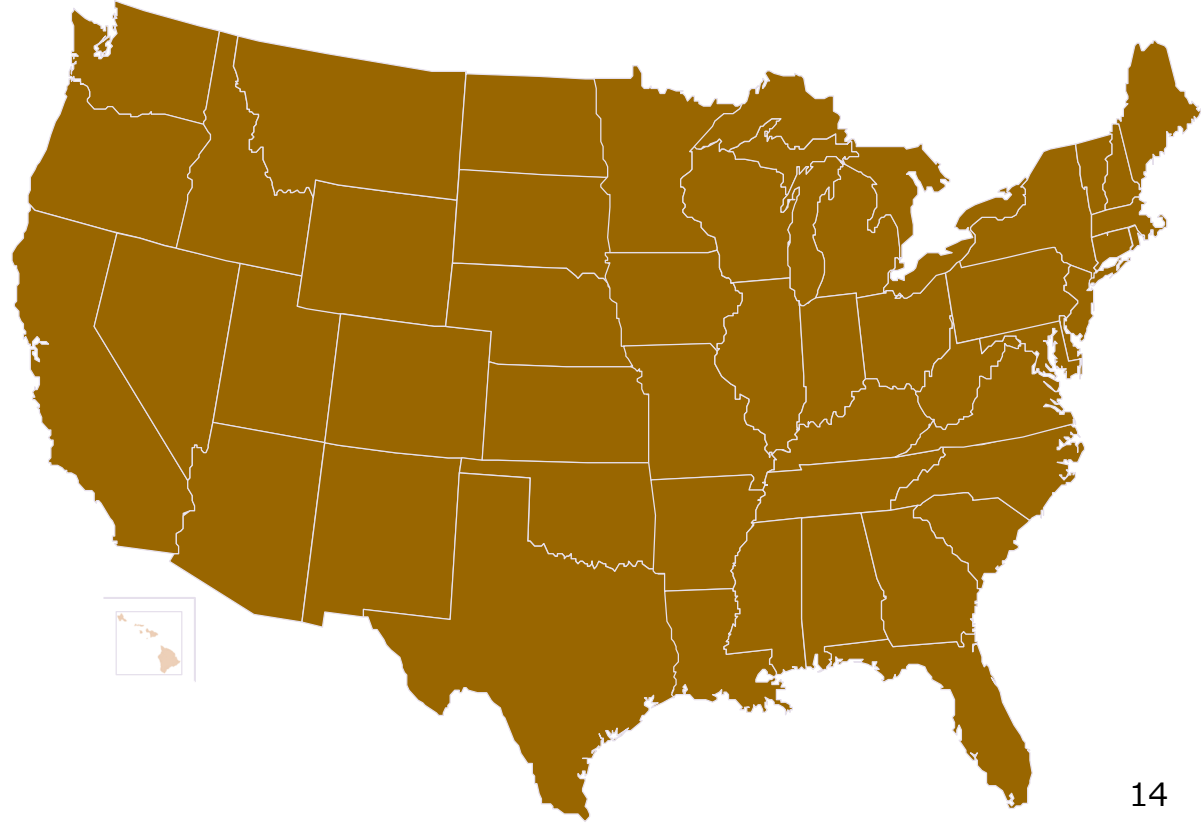
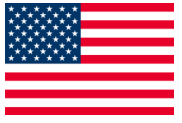
(New ODEV products)

Lynx Plate

(Other product)

KMC BKP Growth
Slowdown

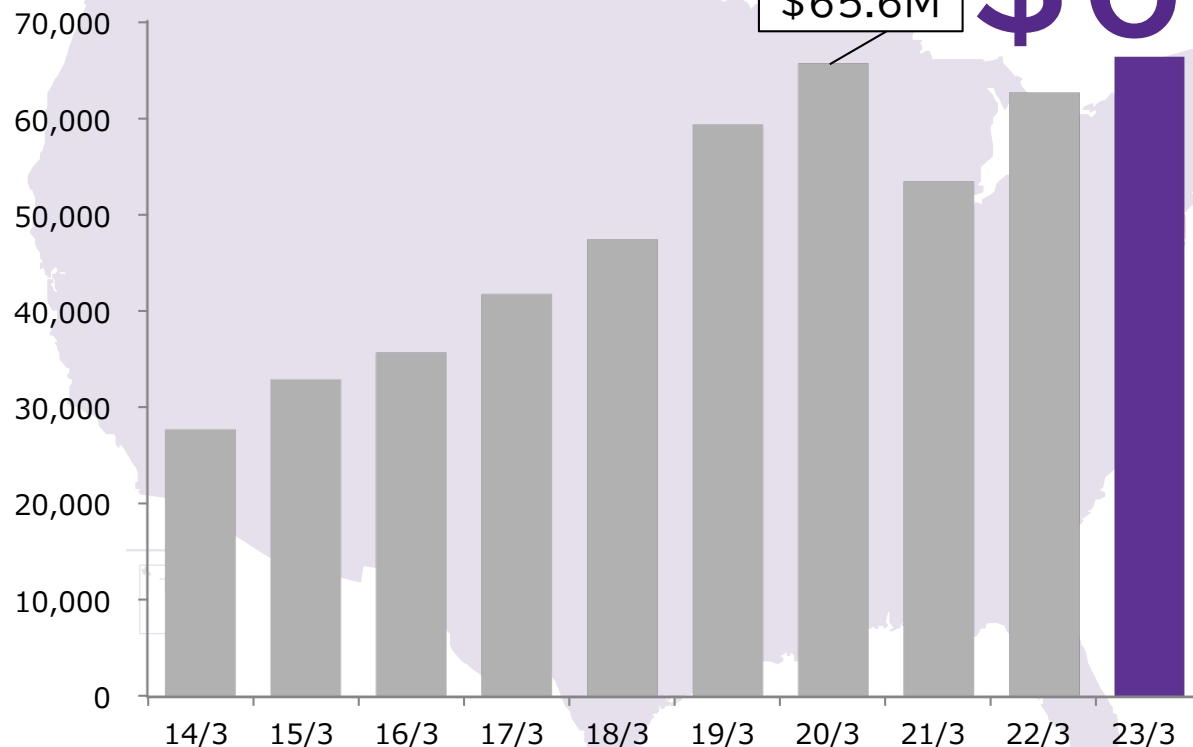
U.S. markets



U.S. Sales



(Thousands of dollars)



\$66.3M

vs 22/3 + 5.9%

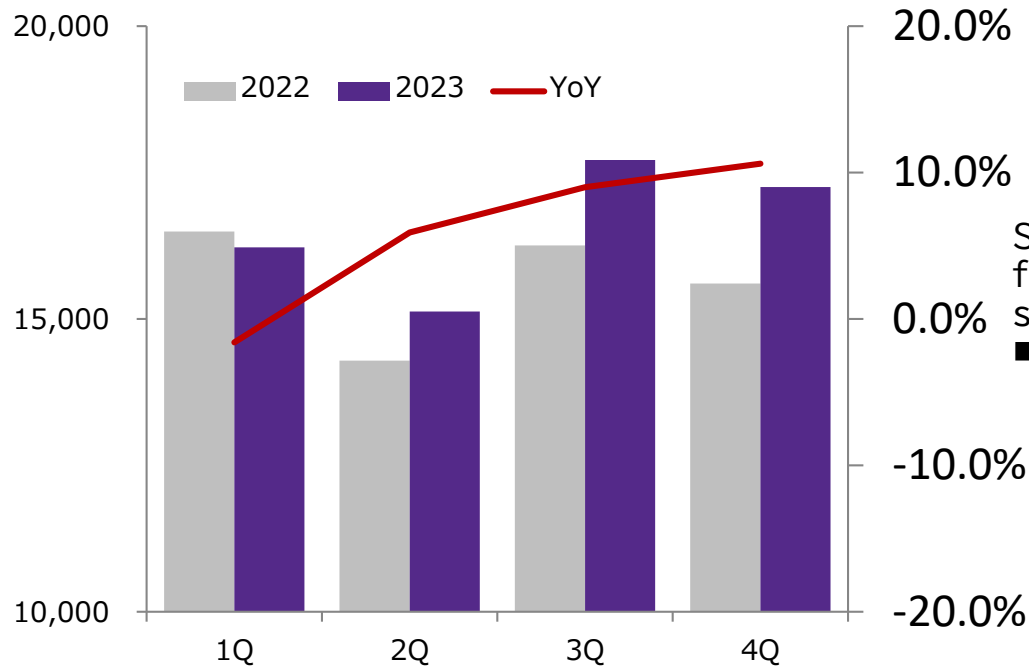
Past Updates
on the Highest
Level

U.S. Sales [Comparison with the same period of the previous year]



(Thousands of dollars)

accounting period	1Q	2Q	3Q	4Q	通期
YoY change(%)	▲1.6	+5.9	+9.0	+10.6	+5.9



4Q Double-digit Growth Recovery

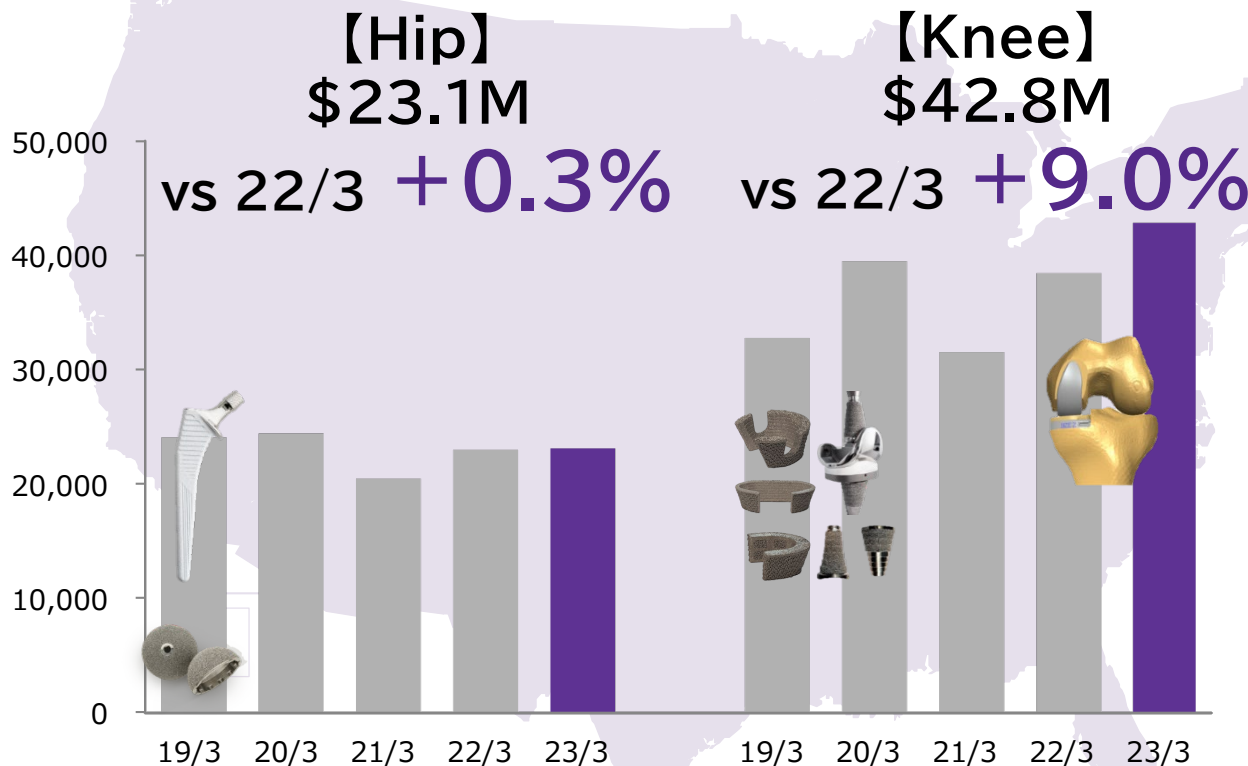
Supply chain problems (industry-wide) in the first half of the year are improving in the second half of the year

- The resumption of new customer acquisition activities in the second half of the year, which had to be postponed in the first half of the year, accelerated the acquisition of new customers and ultimately led to a recovery to double-digit growth in the fourth quarter.

U.S. Sales [Joint]



(Thousands of dollars)



Knee Joint
BKS Revision Knee
maintaining
above market
growth

Hip Joint
Impact of new product
launches by other
competitors



2.

**Forecast for the Fiscal Year
Ending March 31, 2024**



Strategy for the fiscal year ending March 31, 2024 (52nd period)

Aim to increase operating profit based on sales growth

Japanese market

- Nationwide sales of new products for artificial joints and Spinal Fixation Devices
- Focused on acquiring cases in the field of femoral neck transverse fracture treatment
- Strengthening the customer base by reinforcing the sales structure
- Strengthening Sales of Artificial Hip Joints: Surgical Support Systems (Intellijoint HIP®navigation system) continued operation
- Promote joint development with Mitsui Chemicals, Inc.

U.S. market

- Strengthening the customer base through UHKAS (sponsored by ODEV)
- Reinforcement of sales structure in West region
- Strengthen sales through nationwide rollout of new products
- Strengthen sales of artificial joints through operation of surgical support system (Naviswiss)
- Manufacturing Cost Reduction

【Forecasts】 Consolidated Statements of Income

(Millions of yen , %)	FYE Mar 2024		YoY change		FYE Mar 2023	
	Forecast	Ratio to sales	Amount of change	Ratio of change	Results	Ratio to sales
Net sales	23,300	100.0	+1,992	+9.3	21,307	100.0
Cost of sales	7,800	33.5	+485	+6.6	7,315	34.3
SG & A	13,000	55.8	+1,033	+8.6	11,967	56.2
Operating profit	2,500	10.7	+475	+23.5	2,024	9.5
Ordinary profit	2,400	10.3	+356	+17.4	2,043	9.6
Net income※	1,500	6.4	+76	+5.4	1,423	6.7

※Net income attributable to owners of parent

【Forecasts】 Consolidated Sales by Major Products

(Millions of yen , %)	FYE Mar 2024		YoY change		FYE Mar 2023	
	Forecast	Ratio to sales	Amount of change	Ratio of change	Results	Ratio to sales
Japan	13,580	58.2	+978	+7.8	12,601	59.1
joint	5,260	22.6	+521	+11.0	4,738	22.2
Trauma	4,500	19.3	+177	+4.1	4,322	20.3
Spine	3,460	14.8	+274	+8.6	3,185	15.0
Other	360	1.5	+5	+1.5	354	1.7
United States※1	10,000	42.9	+1,048	+11.7	8,951	42.0
joint	10,000	42.9	+1,090	+12.2	8,910	41.8
Spine	-	-	△40	△100.0	40	0.2
Subtotal	23,580	101.2	+2,028	+9.4	21,552	101.1
Sales deduction	△ 280	△ 1.2	△ 35	+14.4	△ 244	△ 1.1
Total	23,300	100.0	+1,992	+9.3	21,307	100.0
Sales ratio of our own products	19,060	80.8	+1,683	+9.7	17,377	80.6
US\$※2	74,074		+7,745	+11.6	66,330	

※1 Conversion rate (yen)

135.00

+0.05

134.95

※2 Thousands of dollars

【Forecasts】 Changes in Capital Expenditures, etc.

(Millions of yen)	FYE Mar 2019 Results	FYE Mar 2020 Results	FYE Mar 2021 Results	FYE Mar 2022 Results	FYE Mar 2023 Results	FYE Mar 2024 Forecast
Investment in plant and equipment	2,075	1,812	1,586	1,665	1,317	2,160
Depreciation and amortization expense※	1,159	1,385	1,386	1,420	1,549	1,600
R&D expenses	484	470	459	485	662	767

※Depreciation and amortization" in the statement of income is not equal to "Depreciation and amortization" in the statement of income because it includes depreciation and amortization that are included in manufacturing costs.



3.

Sustainability



Sustainability Initiatives (FYE Mar 2023)

Category	Action
Sustainability	<ul style="list-style-type: none"> ■ Identification of materiality issues
Environment	<ul style="list-style-type: none"> ■ Participation in TCFD Consortium ■ Formulation of Environmental Policy ■ TCFD (Consolidated) Disclosure of GHG emission reduction targets ■ CDP Score Level "B-" Rating
Social	<ul style="list-style-type: none"> ■ Human Rights Policy Development and Disclosure ■ Disclosure of promotion of diverse human resources (career management system) <ul style="list-style-type: none"> · Develop human resource development policy, including ensuring diversity, and internal environment development policy · Diversity & Inclusion, Human Resource Development Initiatives
Governance	<ul style="list-style-type: none"> ■ Sustainability Committee meetings (reported to the Board of Directors) ■ Convening of Risk Management Committee ■ Convening of Compliance Committee ■ Adherence to Corporate Governance Code

Website 【Top > Sustainability】
[\(https://www.jmdm.co.jp/en/sustainability-action/\)](https://www.jmdm.co.jp/en/sustainability-action/)

Contributing to Medical Care Through the Development and
Sale of Advanced Medical Devices.



Japan Medical Dynamic Marketing,INC.
Investor Relations Office

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WEB SITE
<https://www.jmdm.co.jp/en/>



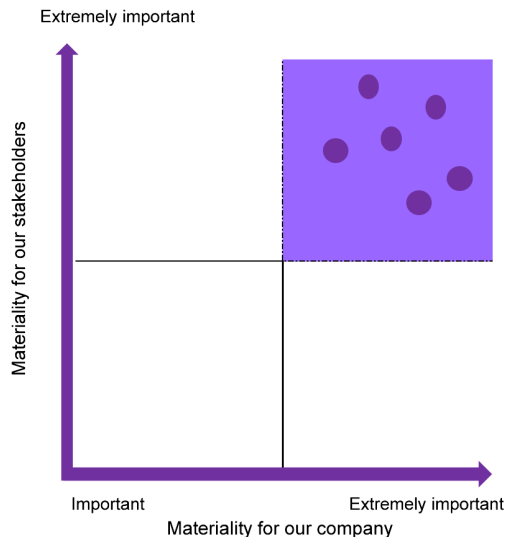
Appendix



① Identification of materiality (Key issues)

Based on our management philosophy of “contributing to healthcare through the development and sale of leading-edge, superior medical devices,” we have identified six materialities, classified into “materiality in business activities” and “materiality in business infrastructure,” as environmental and social issues that need to be addressed as a priority.

【Materiality for our company】

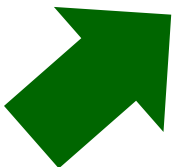


Type	Attribute	Materiality
Business activities	S	Contribution to medical care
Business infrastructure	E	Reduction of environmental impact
	S	Initiatives to respect human rights
		Promotion of diverse human resources (CMS: Career Management System)
	G	Quality response to medical needs
		Promotion of corporate governance

Website 【Top > Sustainability > Materiality】
(<https://www.jmdm.co.jp/en/sustainability-action/materiality/>)

② Environmental Policy Development and Disclosure

Environment



JMDM Group positions environmental initiatives as an important management issue and, as a responsible member of society, aims to be a company that is trusted by society through contributing to the preservation of the global environment and the formation of a circular society.

Environmental Policy of JMDM Group(Summary)

1. Compliance with applicable Laws and Regulations	We will comply with international declarations, conventions, and treaties related to environmental conservation, as well as the laws and regulations of the countries and regions in which we operate.
2. Climate Change Response	We take climate change seriously, reducing greenhouse gas emissions and promoting the efficient use of energy.
3. Prevention of Environmental Pollution	We strive to prevent environmental pollution and properly manage chemical substances, etc. to prevent any impact on the environment.
4. Promotion of Resource Recycling	We will contribute to the formation of a recycling-oriented society by promoting sustainable use of resources, reduction of resource consumption, and reduction and recycling of waste.
5. Effective Use of Water Resources	We will strive to conserve water resources through efficient use of water.
6. Disclosure of Information	We will strive to proactively disclose information related to the environment.

Website 【Top > Sustainability > Environment】
(<https://www.jmdm.co.jp/sustainability-action/environment/>)

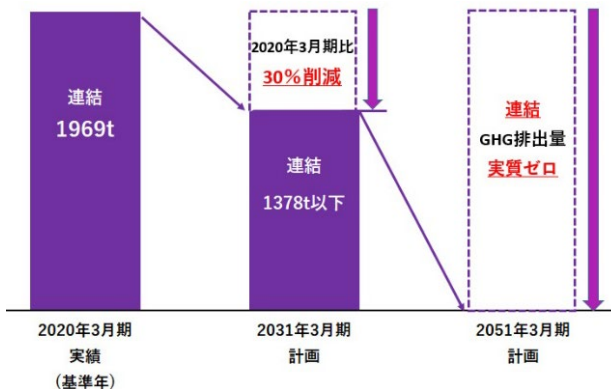
③ Disclosure based on TCFD (GHG emissions reduction)

Environment

We have disclosed our consolidated GHG emissions Scope 1, 2, and 3 for the fiscal years ending March 31, 2020 through March 31, 2022.

【Indicators and Targets】

【Consolidated GHG emissions Scope 1, 2, 3 :t-CO₂】



(t-CO ₂)	Scope1	Scope2	Scope3	Total
2020 (Base year)	1,200	769	28,167	30,136
2021	1,150	792	22,030	23,972
2022	1,256	896	26,002	28,154


CDP Assessment(2022)
「B-」(Management Level)



Website 【Top > Sustainability > Environment】
(<https://www.jmdm.co.jp/sustainability-action/environment/>)

④ Human Rights Policy Development and Disclosure

Social



We have formulated and disclosed the "Japan MDM Group Human Rights Policy" in order to promote group-wide efforts to respect human rights and endeavor to fulfill its responsibilities.


Human Rights Policy of JMMD Group(Summary)

Basic Philosophy

Based on its management philosophy of "Contributing to Medical Care through the Development and Sale of Advanced Medical Devices," JMMD Group recognizes that all of its business activities must be based on the premise of respect for human rights. The entire company is committed to promoting respect for human rights and making every effort to fulfill its responsibilities.

⑤ Promotion of diverse human resources (Career Management System)

Social



We have introduced CMS (Career Management System) that allows each employee to consider his or her own career and to develop his or her career through interaction with the company and superiors. In addition, we are promoting the creation of a system for human resource development that takes diversity into consideration through selective training and a personnel rotation system.

To promote these systems, we are also working to improve the internal environment, including IT systems such as My Career for thinking about one's career and My Voice for communicating requests to the company and superiors, a career consulting system for career support, and a self-career docking system for all employees.

Human Resource Development Policy

1. We will promote the reinforcement and operation of a system (CMS (Career Management System)) that allows each employee to think about his/her career, and to develop career through interaction with the company and his/her supervisor.(CMS (Career Management System)), a system that allows each employee to think about his or her career and develop his or her career through interaction with the company and supervisors
2. We will foster a “sense of contribution” for the benefit of society, healthcare, patients, and colleagues.
3. We will promote the “exercise of individuality” of all employees so that they can play an active role regardless of their attributes, valuing their “individuality.
4. We will promote the use of training programs based on our original job classification and list of job requirements, with an awareness of career paths.
5. We will promote the development of expertise in each position.

Internal Environmental Improvement Policy

1. We believe it is important to ensure diversity at all job levels and in management, and we will promote hiring and promotion according to ability and experience regardless of age, gender, or nationality.
2. We will enhance internal systems that help employees balance their professional and family lives (e.g., time off in units of hours, flexible working hours, etc.).
3. Enhance training programs to improve expertise in each position.
4. We will promote the use of IT systems such as My Career for thinking about one's career, My Voice for communicating awareness and requests to the company and superiors, etc.
5. We will promote a career consulting system that respects the wishes of individuals and a self-career dock system for all employees.