

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2024 [Japanese GAAP]



July 28, 2023

Company name: Japan Medical Dynamic Marketing, INC.

Stock exchange listing: Tokyo

Code number: 7600

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Scheduled date of filing quarterly securities report: August 14, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2023	5,402	7.5	346	(30.5)	337	(30.2)	177	(47.3)
June 30, 2022	5,027	10.8	498	(10.1)	483	(10.7)	336	(7.4)

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 1,209 million [(20.7) %]
Three months ended June 30, 2022: ¥ 1,524 million [321.1 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	6.74	-
June 30, 2022	12.75	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	29,920	24,157	80.2
March 31, 2023	29,434	23,292	78.7

(Reference) Equity: As of June 30, 2023: ¥ 24,009 million
As of March 31, 2023: ¥ 23,161 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	0.00	-	13.00	13.00
Fiscal year ending March 31, 2024	-				
Fiscal year ending March 31, 2024 (Forecast)		0.00	-	14.00	14.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending March 31, 2024 :

Commemorative dividend - yen
Special dividend - yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	10,800	8.1	800	(13.7)	750	(18.2)	450	(37.6)	17.11
Full year	23,300	9.3	2,500	23.5	2,400	17.4	1,500	5.4	57.03

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2023
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2023: 26,475,880 shares

March 31, 2023: 26,475,880 shares

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

June 30, 2023: 175,165 shares

March 31, 2023: 175,107 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 26,300,759 shares

Three months ended June 30, 2022: 26,383,701 shares

○ Table of Contents of Attachment

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation on Operating Results	2
(2) Explanation on Financial Position	3
(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
(Segment Information, Etc.)	8
3. Other	10
Sales	10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the first quarter of the fiscal year ending March 31, 2024, of the Group, net sales were ¥5,402 million (up ¥375 million, or 7.5% year on year), operating profit came to ¥346 million (down ¥152 million, or 30.5% year on year), ordinary profit was ¥337 million (down ¥146 million, or 30.2% year on year), and net income attributable to owners of parent amounted to ¥177 million (down ¥159 million, or 47.3% year on year). Net sales of our own products accounted for 80.1% of consolidated net sales (80.1% in the same quarter a year ago).

In Japan, net sales were ¥3,055 million (up ¥121 million or up 4.1% year on year) (after partial deduction of promotional expenses due to the application of Accounting Standard for Revenue Recognition) as a result of an increase in the number of acquired cases, despite the impact of the lowering of reimbursement prices implemented in April 2023. In the United States, the new customer base that we developed last year contributed to growth, and there was an increase in the number of cases of artificial knee joints products acquired. As a result, net sales to external customers in the United States increased to \$16 million (up \$700,000, or 4.8% year on year), and after translation into yen, net sales were ¥2,347 million (up ¥253 million, or 12.1% year on year) due to the impact of the yen's depreciation. (Reference: The exchange rate for U.S. sales was 129.05 yen to the U.S. dollar in the same quarter a year ago and was 138.11 yen to the U.S. dollar in the quarter under review.)

For the artificial joints category in Japan, the number of cases had been gradually increasing due to the change of COVID-19 to a Category 5 disease. Sales of Entrada were strong with double-digit growth, and the number of acquired cases of hip replacement arthroplasty (THA, BHA) increased, resulting in net sales of ¥1,170 million in Japan (up 3.2% year on year).

For the artificial joints category in the United States, U.S. net sales increased to \$16 million (up 4.7% year on year), as the number of acquired cases of artificial knee joints BKS TriMax and BKS Revision Knee increased. After translation into yen, U.S. sales were ¥2,338 million (up 12.1% year on year) due to the impact of the yen's depreciation.

In the category of trauma, net sales in Japan were ¥1,038 million (up 8.1% year on year), mainly due to steady sales of ASULOCK and Prima Hip Screw with double-digit growth exceeding the market growth.

In the spinal fixation devices category, sales of Vusion Ti 3D Cage and Pisces Spinal System increased in Japan. On the other hand, the number of acquired cases of the KMC Kyphoplasty System decreased due to competitors entering the Balloon Kyphoplasty (BKP) market. As a result of these factors, total net sales in Japan and the United States were ¥821 million (down 0.7% year on year).

As for cost of sales, the cost of sales ratio was 35.4% (33.4% 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 ¥3,142 million (up 10.3% year on year). This was due to an increase in commission expenses (commissions and royalties) in the wake of higher sales in the United States, an increase in personnel expenses as a result of strengthening of the systems, an increase in research and development expenses for new products, higher promotion expenses of holding seminars for customers hosted by our U.S. subsidiary every other year, and an increase in expenses in the United States after translation into yen due to the depreciation of the yen. In addition, the ratio of selling, general, and administrative expenses to net sales grew to 58.2% (56.7% in the same quarter a year ago).

Despite an increase in net sales, operating profit was ¥346 million (down 30.5% 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 ¥337 million (down 30.2% year on year) as a result of recording non-operating income of ¥17 million, including foreign exchange gains of ¥10 million, and recording non-operating expenses of ¥26 million, including share of loss of entities accounted for using equity method of ¥16 million.

As for extraordinary income and losses, ¥84 million was recorded under extraordinary losses, consisting of ¥9 million in loss on retirement of non-current assets such as medical tools and ¥75 million in settlement-related expenses.

As a result, net income attributable to owners of parent amounted to ¥177 million (down 47.3% year on year).

Segment results are as follows.

1) Japan

Net sales were ¥3,055 million (up 4.1% year on year) and operating profit was ¥236 million (down 7.5% year on year).

2) United States

Net sales were ¥3,182 million (up 7.9% year on year) and operating profit was ¥54 million (down 73.5% year on year).

(2) Explanation on Financial Position

Total assets at the end of the quarter under review increased ¥486 million from the end of the previous fiscal year to ¥29,920 million. The main factors for increases were an increase in merchandise and finished goods of ¥747 million and raw materials and supplies of ¥135 million. The main factor for decreases was a decrease of cash and deposits of ¥361 million.

Total liabilities decreased ¥379 million from the end of the previous fiscal year to ¥5,763 million. The main decreases consisted of a decrease in income taxes payable of ¥218 million, a decrease in provision for bonuses of ¥144 million, a decrease in short-term borrowings of ¥100 million, and a decrease in provision for litigation settlement of ¥100 million, while the main increase was an increase in accrued expenses of ¥278 million.

Total net assets increased ¥865 million from the end of the previous fiscal year to ¥24,157 million. The main factor for increases was an increase in foreign currency translation adjustment of ¥907 million.

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

There is no change to the consolidated financial forecast for the current fiscal year announced on April 28, 2023.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	2,804,928	2,443,252
Notes and accounts receivable - trade, and contract assets	5,270,930	5,119,970
Merchandise and finished goods	9,378,119	10,125,645
Work in process	593,162	455,306
Raw materials and supplies	1,634,044	1,769,377
Other	295,253	464,748
Allowance for doubtful accounts	(1,358)	(1,276)
Total current assets	19,975,079	20,377,025
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	837,544	889,353
Machinery, equipment and vehicles, net	306,786	353,731
Tools, furniture and fixtures, net	4,600,008	4,641,233
Land	1,956,171	1,959,045
Other	44,246	44,660
Total property, plant and equipment	7,744,756	7,888,025
Intangible assets	263,037	254,529
Investments and other assets		
Investment securities	66,770	72,495
Investments in capital of subsidiaries and associates	204,910	205,814
Deferred tax assets	1,104,875	1,050,257
Other	75,283	72,843
Total investments and other assets	1,451,839	1,401,409
Total non-current assets	9,459,634	9,543,964
Total assets	29,434,714	29,920,990

(Thousands of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	979,185	911,302
Short-term borrowings	1,046,733	946,300
Lease liabilities	34,553	32,855
Income taxes payable	339,245	121,030
Accrued expenses	511,861	790,332
Accounts payable - other	193,732	136,088
Provision for bonuses	196,606	52,391
Provision for bonuses for directors (and other officers)	64,510	7,980
Provision for loss on business	2,546	2,419
Provision for litigation settlement	100,000	-
Other	158,217	230,550
Total current liabilities	3,627,191	3,231,250
Non-current liabilities		
Long-term borrowings	732,248	676,910
Lease liabilities	58,163	54,402
Retirement benefit liability	1,208,511	1,229,564
Provision for share awards for directors (and other officers)	103,514	106,223
Asset retirement obligations	29,493	29,562
Long-term deposits received	8,000	29,000
Deferred tax liabilities	375,495	406,694
Total non-current liabilities	2,515,427	2,532,358
Total liabilities	6,142,618	5,763,609
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,029	2,587,029
Retained earnings	15,656,266	15,489,551
Treasury shares	(202,730)	(202,792)
Total shareholders' equity	21,042,494	20,875,717
Accumulated other comprehensive income		
Deferred gains or losses on hedges	30,294	133,810
Foreign currency translation adjustment	2,163,161	3,070,980
Remeasurements of defined benefit plans	(74,317)	(71,435)
Total accumulated other comprehensive income	2,119,138	3,133,355
Non-controlling interests	130,462	148,308
Total net assets	23,292,095	24,157,381
Total liabilities and net assets	29,434,714	29,920,990

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	5,027,421	5,402,640
Cost of sales	1,678,888	1,913,737
Gross profit	3,348,532	3,488,902
Selling, general and administrative expenses		
Freight and packing costs	108,413	112,639
Promotion expenses	43,816	77,318
Advertising expenses	22,991	20,562
Salaries and allowances	899,198	963,882
Retirement benefit expenses	24,991	26,547
Legal welfare expenses	77,815	80,655
Welfare expenses	74,979	71,780
Provision of allowance for doubtful accounts	(157)	(81)
Travel and transportation expenses	55,831	78,757
Depreciation	339,062	330,961
Taxes and dues	36,117	33,512
Research and development expenses	135,954	182,945
Commission expenses	696,827	799,377
Other	334,035	363,653
Total selling, general and administrative expenses	2,849,877	3,142,513
Operating profit	498,655	346,388
Non-operating income		
Interest income	28	25
Foreign exchange gains	-	10,946
Commission income	2,844	-
Insurance claim income	13,220	-
Other	18,926	6,911
Total non-operating income	35,020	17,883
Non-operating expenses		
Interest expenses	5,751	5,121
Foreign exchange losses	30,969	-
Share of loss of entities accounted for using equity method	7,642	16,310
Commission for syndicated loans	2,056	2,086
Other	3,452	3,149
Total non-operating expenses	49,871	26,668
Ordinary profit	483,803	337,603
Extraordinary income		
Reversal of provision for loss on business	6,967	-
Total extraordinary income	6,967	-
Extraordinary losses		
Loss on retirement of non-current assets	12,121	9,410
Settlement-related costs	-	75,000
Total extraordinary losses	12,121	84,410
Profit before income taxes	478,649	253,193
Income taxes - current	136,306	66,751
Income taxes - deferred	2,485	6,743
Total income taxes	138,792	73,494
Profit	339,857	179,698
Profit attributable to non-controlling interests	3,347	2,427
Profit attributable to owners of parent	336,510	177,271

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Thousands of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	339,857	179,698
Other comprehensive income		
Deferred gains or losses on hedges	96,486	103,515
Foreign currency translation adjustment	1,084,814	923,237
Remeasurements of defined benefit plans, net of tax	3,486	2,882
Total other comprehensive income	1,184,788	1,029,635
Comprehensive income	1,524,645	1,209,333
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,503,182	1,191,488
Comprehensive income attributable to non-controlling interests	21,463	17,845

(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.

(Segment Information, Etc.)

I. First Quarter of the Fiscal Year Ended March 2023 (from April 1 to June 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	2,933,867	2,093,553	5,027,421	-	5,027,421
Net sales to external customers	2,933,867	2,093,553	5,027,421	-	5,027,421
Inter-segment net sales or transfers	-	855,861	855,861	(855,861)	-
Total	2,933,867	2,949,415	5,883,282	(855,861)	5,027,421
Segment profit	255,153	206,652	461,806	36,849	498,655

Notes: 1. Adjustments for segment profit include ¥36,849,000 in elimination of inter-segment transactions.

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

3. For revenue from contracts with customers in "Japan," part of the promotion expenses is deducted by applying the Accounting Standard for Revenue Recognition.

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

Not applicable.

II. First Quarter of the Fiscal Year Ending March 2024 (from April 1 to June 30, 2023)

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	3,055,337	2,347,303	5,402,640	-	5,402,640
Net sales to external customers	3,055,337	2,347,303	5,402,640	-	5,402,640
Inter-segment net sales or transfers	-	835,458	835,458	(835,458)	-
Total	3,055,337	3,182,762	6,238,099	(835,458)	5,402,640
Segment profit	236,134	54,818	290,953	55,434	346,388

Notes: 1. Adjustments for segment profit include ¥55,434,000 in elimination of inter-segment transactions.

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

3. For revenue from contracts with customers in “Japan,” part of the promotion expenses is deducted by applying the Accounting Standard for Revenue Recognition.

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

Not applicable.

3. Other

Sales

Sales for the first quarter under review by segment are as follows.

Name and item of each segment		The first quarter under review (From April 1 to June 30, 2023)	Compared with the same quarter a year ago
		Amount (in thousand yen)	(%)
Medical devices	Japan	3,055,337	104.1
	Joint	1,170,924	103.2
	Trauma	1,038,381	108.1
	Spine	812,879	99.0
	Other	91,917	105.5
	Sales deduction	(58,765)	-
	United States	2,347,303	112.1
	Joint	2,338,768	112.1
	Spine	8,534	131.3
	Total	5,402,640	107.5
		Ratio (%)	Change (%)
Sales ratio of our own products		80.1	0.0

- (Notes) 1. Inter-segment transactions are offset and eliminated.
2. For “Sales deduction,” part of the promotion expenses is deducted from net sales by applying the Accounting Standard for Revenue Recognition in Japan. However, the above table shows the amount of such deduction as a lump sum because reasonable proration by item is not possible.