

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



January 31, 2024

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: February 14, 2024

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 Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	16,993	8.8	1,183	(21.7)	1,225	(20.6)	732	(35.6)
December 31, 2022	15,624	11.8	1,510	(24.1)	1,543	(21.1)	1,138	(30.3)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 1,439 million [(27.0)%]
 Nine months ended December 31, 2022: ¥ 1,972 million [(0.2)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended December 31, 2023	Yen 27.85	Yen -
December 31, 2022	43.20	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of December 31, 2023	Millions of yen 30,177	Millions of yen 24,353	% 80.5
March 31, 2023	29,434	23,292	78.7

(Reference) Equity: As of December 31, 2023: ¥ 24,280 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
Fiscal year ended March 31, 2023	Yen -	Yen 0.00	Yen -	Yen 13.00	Yen 13.00
Fiscal year ending March 31, 2024	-	0.00	-		
Fiscal year ending March 31, 2024 (Forecast)				14.00	14.00

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

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
Full year	23,600	10.8	1,800	(11.1)	1,850	(9.5)	1,150	(19.2)	43.71

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

* Notes:

- (1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2023:	26,475,880 shares
March 31, 2023:	26,475,880 shares

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

December 31, 2023:	141,198 shares
March 31, 2023:	175,107 shares

- 3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023:	26,318,736 shares
Nine months ended December 31, 2022:	26,367,107 shares

* 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months of the fiscal year ending March 31, 2024, of the Group, net sales were ¥16,993 million (up ¥1,369 million, or 8.8% year on year), operating profit came to ¥1,183 million (down ¥327 million, or 21.7% year on year), ordinary profit was ¥1,225 million (down ¥317 million, or 20.6% year on year), and net income attributable to owners of parent amounted to ¥732 million (down ¥405 million, or 35.6% year on year). Net sales of our own products accounted for 80.3% of consolidated net sales (80.8% in the same nine months a year ago).

In Japan, net sales were ¥9,541 million (up ¥560 million, or up 6.2% 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 joint products acquired. As a result, net sales to external customers in the United States increased to \$52.205 million (up \$3.138 million or 6.4% year on year), and after translation into yen, net sales were ¥7,452 million (up ¥808 million, or 12.2% year on year) due to the impact of the yen's depreciation. (Reference: The exchange rate for U.S. sales was 135.41 yen to the U.S. dollar in the same quarter a year ago and was 142.76 yen to the U.S. dollar in the quarter under review.)

For the artificial joint category in Japan, the number of acquired cases of artificial hip prosthesis product "Entrada Hip Stem" with hydroxyapatite (HA) coating increased, and overall sales of hip replacement arthroplasty (THA) were strong. On the other hand, in artificial head bone replacement operations (BHA), while the number of acquired cases of "Entrada Hip Stem" increased, overall BHA sales only saw a slight increase due to the fall in the number of acquired cases of "Ovation Stem." In addition, the number of acquired cases of artificial knee joint replacement for the artificial knee joint product BKS TriMax increased, resulting in strong sales with double-digit growth. As a result, net sales in Japan for this category were ¥3,629 million (up 5.3% year on year).

For the artificial joint category in the United States, the number of acquired cases of artificial knee joint replacement for artificial knee joint products such as BKS TriMax and BKS Revision Knee increased as the customer base expanded, resulting in strong sales with double-digit growth. On the other hand, sales of hip replacement arthroplasty (THA) as a whole declined due to the shift of some customers from the Taper Wedge type Stem, such as the "Ovation Tribute Stem" to the Triple Taper type Stem, although sales of "Entrada Hip Stem" in artificial hip prosthesis products saw double-digit growth due to the expansion of the hydroxyapatite (HA) coating market. As a result, net sales in the United States for this category were \$51.991 million (up 6.5% year on year). (After translation into yen, net sales were ¥7,427 million (up 12.3% year on year) due to the impact of the yen's depreciation.)

In the category of Trauma, net sales in Japan were ¥3,315 million (up 7.1% year on year), mainly due to the continued steady sales of ASULOCK and Prima Hip Screw with double-digit growth.

In the spinal fixation devices category, sales of Vusion Ti 3D Cage, Lynx Plate and KMC Kyphoplasty System increased in Japan. In particular, sales of the KMC Kyphoplasty System increased this quarter as a result of the measures taken to capture growth opportunities arising from the expansion of the Balloon Kyphoplasty (BKP) market. As a result of these factors, total net sales in Japan and the United States were ¥2,497 million (up 4.6% year on year).

As for cost of sales, the cost of sales ratio was 36.0% (34.1% in the same quarter a year ago), mainly due to the use of external vendors to avoid supply chain problems, rising procurement costs due to inflation, and the impact of the depreciation of the yen and lowering of reimbursement prices in Japan. For selling, general and administrative expenses, there were increases in commission expenses (commissions and royalties) due to increased U.S. sales, research and development expenses, personnel expenses due to wage increases, and promotion expenses of holding seminars hosted by our U.S. subsidiary every other year. In addition, selling, general and administrative expenses totaled ¥9,694 million (up 10.4% year on year), reflecting an increase in expenses in the United States after translation into yen as a result of the yen's depreciation. The ratio of selling, general and administrative expenses to net sales was 57.0% (56.2% in the same quarter a year ago).

Despite an increase in net sales, operating profit was ¥1,183 million (down 21.7% year on year) as a result of an increase in selling, general and administrative expenses in addition to a higher cost of sales ratio.

Ordinary profit was ¥1,225 million (down 20.6% year on year) as a result of recording non-operating income of ¥122 million, including foreign exchange gains of ¥102 million, and recording non-operating expenses of ¥80 million, including a share of loss of entities accounted for using equity method of ¥44 million and interest expenses of ¥22 million.

As for extraordinary income and losses, ¥104 million was recorded under extraordinary losses, consisting of ¥29 million in loss on retirement of non-current assets such as medical tools and ¥75 million in settlement-related expenses in the first quarter.

As a result, net income attributable to owners of parent amounted to ¥732 million (down 35.6% year on year).

Segment results are as follows.

1) Japan

Net sales were ¥9,541 million (up 6.2% year on year) and operating profit was ¥833 million (up 1.1% year on year).

2) United States

Net sales were ¥10,510 million (up 11.8% year on year) and operating profit was ¥328 million (down 43.5% year on year).

(2) Explanation of Financial Position

Total assets at the end of the quarter under review increased ¥742 million from the end of the previous fiscal year to ¥30,177 million. The main factors for increases were an increase in merchandise and finished goods of ¥775 million, notes and accounts receivable - trade, and contract assets of ¥390 million, and work in process of ¥211 million. The main factor for decreases was a decrease of cash and deposits of ¥780 million.

Total liabilities decreased ¥319 million from the end of the previous fiscal year to ¥5,823 million. The main decreases consisted of a decrease in long-term borrowings of ¥301 million, a decrease in income taxes payable of ¥291 million, a drop in provision for bonuses of ¥137 million, and a fall in deferred tax liabilities of ¥132 million, while the main increases were an increase in short-term borrowings of ¥385 million and a rise in notes and accounts payable - trade of ¥161 million.

Total net assets increased ¥1,061 million from the end of the previous fiscal year to ¥24,353 million. The main factors for increases were an increase in foreign currency translation adjustment of ¥688 million and an increase in retained earnings of ¥388 million.

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

There is no change to the full-year consolidated financial forecast for the current fiscal year announced on October 30, 2023.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	2,804,928	2,024,362
Notes and accounts receivable - trade, and contract assets	5,270,930	5,661,760
Merchandise and finished goods	9,378,119	10,153,168
Work in process	593,162	804,503
Raw materials and supplies	1,634,044	1,711,762
Other	295,253	216,523
Allowance for doubtful accounts	(1,358)	(1,394)
Total current assets	19,975,079	20,570,686
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	837,544	855,038
Machinery, equipment and vehicles, net	306,786	314,651
Tools, furniture and fixtures, net	4,600,008	4,659,210
Land	1,956,171	1,958,250
Other	44,246	178,325
Total property, plant and equipment	7,744,756	7,965,475
Intangible assets	263,037	228,906
Investments and other assets		
Investment securities	66,770	70,910
Investments in capital of subsidiaries and associates	204,910	162,360
Deferred tax assets	1,104,875	1,108,433
Other	75,283	70,321
Total investments and other assets	1,451,839	1,412,025
Total non-current assets	9,459,634	9,606,406
Total assets	29,434,714	30,177,092

(Thousands of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	979,185	1,140,404
Short-term borrowings	1,046,733	1,432,205
Lease liabilities	34,553	35,290
Income taxes payable	339,245	47,712
Accrued expenses	511,861	620,863
Accounts payable - other	193,732	199,071
Provision for bonuses	196,606	59,515
Provision for bonuses for directors (and other officers)	64,510	23,124
Provision for loss on business	2,546	1,993
Provision for litigation settlement	100,000	-
Other	158,217	155,265
Total current liabilities	3,627,191	3,715,446
Non-current liabilities		
Long-term borrowings	732,248	430,462
Lease liabilities	58,163	41,480
Retirement benefit liability	1,208,511	1,267,854
Provision for share awards for directors (and other officers)	103,514	73,786
Asset retirement obligations	29,493	31,485
Long-term deposits received	8,000	20,000
Deferred tax liabilities	375,495	242,905
Total non-current liabilities	2,515,427	2,107,974
Total liabilities	6,142,618	5,823,421
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,029	2,587,237
Retained earnings	15,656,266	16,045,233
Treasury shares	(202,730)	(163,121)
Total shareholders' equity	21,042,494	21,471,278
Accumulated other comprehensive income		
Deferred gains or losses on hedges	30,294	23,080
Foreign currency translation adjustment	2,163,161	2,851,863
Remeasurements of defined benefit plans	(74,317)	(65,669)
Total accumulated other comprehensive income	2,119,138	2,809,274
Non-controlling interests	130,462	73,118
Total net assets	23,292,095	24,353,671
Total liabilities and net assets	29,434,714	30,177,092

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

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	15,624,728	16,993,966
Cost of sales	5,329,281	6,116,021
Gross profit	10,295,447	10,877,945
Selling, general and administrative expenses		
Freight and packing costs	310,492	318,131
Promotion expenses	102,338	172,272
Advertising expenses	59,135	48,981
Salaries and allowances	2,748,456	2,916,414
Retirement benefit expenses	74,973	79,643
Legal welfare expenses	238,829	258,080
Welfare expenses	194,683	223,080
Provision of allowance for doubtful accounts	(87)	36
Travel and transportation expenses	179,100	217,395
Depreciation	1,023,894	1,012,227
Taxes and dues	108,599	109,378
Research and development expenses	458,538	694,654
Commission expenses	2,234,312	2,513,106
Other	1,051,400	1,130,888
Total selling, general and administrative expenses	8,784,668	9,694,292
Operating profit	1,510,779	1,183,652
Non-operating income		
Interest income	78	67
Foreign exchange gains	61,205	102,696
Commission income	2,844	-
Insurance claim income	13,220	2,121
Other	27,117	17,903
Total non-operating income	104,466	122,788
Non-operating expenses		
Interest expenses	14,263	22,476
Share of loss of entities accounted for using equity method	42,510	44,838
Commission for syndicated loans	6,279	6,238
Other	9,135	7,015
Total non-operating expenses	72,187	80,569
Ordinary profit	1,543,057	1,225,871
Extraordinary income		
Reversal of provision for loss on business	19,118	-
Compensation income	25,000	-
Total extraordinary income	44,118	-
Extraordinary losses		
Loss on retirement of non-current assets	47,146	29,652
Settlement-related costs	-	75,000
Total extraordinary losses	47,146	104,652
Profit before income taxes	1,540,028	1,121,219
Income taxes - current	409,537	526,484
Income taxes - deferred	(18,740)	(161,031)
Total income taxes	390,797	365,453
Profit	1,149,231	755,765
Profit attributable to non-controlling interests	10,283	22,812
Profit attributable to owners of parent	1,138,947	732,953

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

(Thousands of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	1,149,231	755,765
Other comprehensive income		
Deferred gains or losses on hedges	25,414	(7,214)
Foreign currency translation adjustment	786,935	682,575
Remeasurements of defined benefit plans, net of tax	10,459	8,647
Total other comprehensive income	822,809	684,009
Comprehensive income	1,972,041	1,439,775
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,948,615	1,423,089
Comprehensive income attributable to non-controlling interests	23,425	16,685

(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 profit before income taxes for the fiscal year including the quarter under review and multiplying profit before income taxes by the estimated effective tax rate.

(Segment Information, Etc.)

I. Nine Months of the Fiscal Year Ended 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 thousand 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. Nine Months of the Fiscal Year Ending March 2024 (from April 1 to December 31, 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	9,541,156	7,452,809	16,993,966	-	16,993,966
Net sales to external customers	9,541,156	7,452,809	16,993,966	-	16,993,966
Inter-segment net sales or transfers	-	3,057,840	3,057,840	(3,057,840)	-
Total	9,541,156	10,510,650	20,051,807	(3,057,840)	16,993,966
Segment profit	833,862	328,260	1,162,123	21,529	1,183,652

- Notes: 1. Adjustments for segment profit include ¥21,529 thousand 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 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, 2023)	Compared with the nine months a year ago
		Amount (in thousand yen)	(%)
Medical devices	Japan	9,541,156	106.2
	Joint	3,629,073	105.3
	Trauma	3,315,998	107.1
	Spine	2,472,587	104.9
	Other	280,979	107.9
	Subtotal	9,698,639	105.9
	Sales deduction	(157,482)	-
	United States	7,452,809	112.2
	Joint	7,427,684	112.3
	Spine	25,125	82.0
Total		16,993,966	108.8
		Ratio (%)	Change (%)
Sales ratio of our own products		80.3	(0.5)

- Notes: 1. Inter-segment transactions are offset and eliminated.
2. In Japan, a portion of sales promotion expenses are deducted from net sales due to the application of the “Accounting Standard for Revenue Recognition.”
3. Sales results by item in Japan are shown as a lump-sum amount of such sales deductions, as a reasonable proration of such sales deductions is not possible.