

Summary of Consolidated Financial Results for the Fiscal Year Ended March 2024 [Japanese GAAP]



April 30, 2024

Company name: Japan Medical Dynamic Marketing, INC.

Stock exchange listing: Tokyo

Code number: 7600

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Representative Director and President

General Manager, Investor Relations Office

Scheduled date of Annual General Meeting of Shareholders: June 21, 2024

Scheduled date of commencing dividend payments: June 24, 2024

Scheduled date of filing annual securities report: June 25, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

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

(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	%
Fiscal year ended March 31, 2024	23,177	8.8	1,746	(13.7)	1,842	(9.8)	1,271	(10.7)
March 31, 2023	21,307	11.0	2,024	(23.9)	2,043	(21.1)	1,423	(33.3)

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥ 2,692 million [21.9%]
Fiscal year ended March 31, 2023: ¥ 2,209 million [(28.0)%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	48.31	-	5.2	6.1	7.5
March 31, 2023	54.03	-	6.4	7.2	9.5

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2024: ¥ (65) million
Fiscal year ended March 31, 2023: ¥ (63) million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	31,485	25,603	81.0	968.74
March 31, 2023	29,434	23,292	78.7	880.64

(Reference) Equity: As of March 31, 2024: ¥ 25,511 million
As of March 31, 2023: ¥ 23,161 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	2,104	(1,804)	(840)	2,321
March 31, 2023	2,186	(1,481)	(514)	2,804

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2023	-	0.00	-	13.00	13.00	343	24.1	1.5
March 31, 2024	-	0.00	-	14.00	14.00	370	29.0	1.5
Fiscal year ending								
March 31, 2025 (Forecast)	-	0.00	-	15.00	15.00		30.4	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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, 2024	11,850	8.2	550	(11.0)	550	(13.1)	400	11.2	15.20
Full year	25,200	8.7	1,850	5.9	1,850	0.4	1,300	2.2	49.39

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
 Exclusion: - (Company name:)

(2) 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

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

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

March 31, 2024: 26,475,880 shares
 March 31, 2023: 26,475,880 shares

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

March 31, 2024: 141,318 shares
 March 31, 2023: 175,107 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2024: 26,322,392 shares
 Fiscal Year ended March 31, 2023: 26,351,799 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	13,004	5.2	1,093	(11.2)	1,097	(14.6)	674	(7.9)
March 31, 2023	12,356	1.9	1,231	(33.2)	1,285	(33.6)	732	(42.8)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	25.64	-
March 31, 2023	27.80	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	20,481	16,640	81.2	631.91
March 31, 2023	20,531	16,256	79.2	618.09

(Reference) Equity: As of March 31, 2024: ¥ 16,640 million
As of March 31, 2023: ¥ 16,256 million

- ※ This summary of 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 “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 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 May 14, 2024. 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.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2024 of the Group, net sales were ¥23,177 million (up ¥1,869 million, or 8.8% year on year), operating profit was ¥1,746 million (down ¥277 million, or 13.7% year on year), ordinary profit came to ¥1,842 million (down ¥200 million, or 9.8% year on year), and net income attributable to owners of parent was ¥1,267 million (down ¥152 million, or 10.7% year on year). Net sales of our own products accounted for 80.2% of consolidated net sales (80.6% in the previous fiscal year).

In Japan, net sales were ¥13,004 million (up ¥647 million, or 5.2% year on year), after partial deduction of promotional expenses in accordance with 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 and January 2024.

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 \$70.448 million (up \$4.118 million, or 6.2% year on year), and after translation into yen, net sales were ¥10,173 million (up ¥1,222 million, or 13.7% year on year) due to the impact of the yen's depreciation. (Reference: The exchange rate for U.S. sales was 134.95 yen to the U.S. dollar in the previous fiscal year and was 144.41 yen to the U.S. dollar in the fiscal year 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" and a new product "Promontory Hip Stem" increased, overall BHA sales only saw a slight increase due to the fall in the number of acquired cases of "Ovation Hip 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 ¥4,932 million (up 4.1% 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 of other companies, although sales of "Entrada Hip Stem" and "Alpine Hip Stem" in artificial hip prosthesis products saw double-digit growth. As a result, net sales in the United States for this category were \$70.224 million (up 6.4% year on year). (After translation into yen, net sales were ¥10,141 million, or up 13.8% year on year, due to the impact of the yen's depreciation.)

In the category of Trauma, net sales in Japan were ¥4,563 million (up 5.6% year on year), mainly due to the steady sales of ASULOCK and Prima Hip Screw, which both continued double-digit growth.

In the spine category, sales of Vusion Ti 3D Cage, Lince Plate (formerly Lynx Plate) and KMC Kyphoplasty System increased in Japan. In particular, sales of the KMC Kyphoplasty System increased this fiscal year 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 in this category were ¥3,354 million (up 4.0% year on year).

Cost of sales increased due to higher procurement costs resulting from inflation and a weaker yen. Moreover, the cost of sales ratio increased to 36.3% (from 34.3% in the previous fiscal year) mainly due to the impact of the 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, and personnel expenses due to wage increases. In the second half, selling, general, and administrative expenses totaled ¥13,015 million (up 8.8% year on year), reflecting the restraint on expenses despite 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 56.2% (56.2% in the previous fiscal year).

Despite an increase in net sales, operating profit was ¥1,746 million (down 13.7% 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 ¥1,842 million (down 9.8% year on year) as a result of recording non-operating income of ¥213 million, including foreign exchange gains of ¥190 million, and recording non-operating expenses of ¥116 million, including share of loss of entities accounted for using equity method of ¥65 million and interest expenses of ¥31 million.

As for extraordinary income and losses, ¥206 million was recorded under extraordinary losses, consisting of ¥72 million in loss on valuation of investment securities, ¥48 million in loss on retirement of non-current assets such as medical tools and ¥75 million in settlement-related expenses in the first quarter among others.

As a result, net income attributable to owners of parent amounted to ¥1,271 million (down 10.7% year on year).

(Reference) Consolidated Net Sales by Major Item

Name and item of each segment		Fiscal year under review (From April 1, 2023 to March 31, 2024)	Compared to the previous fiscal year
		Amount (in thousand yen)	(%)
Medical devices	Japan	13,004,313	105.2
	Joint	4,932,919	104.1
	Trauma	4,563,424	105.6
	Spine	3,322,025	104.3
	Other	390,403	110.1
	Subtotal	13,208,772	104.8
	Sales deduction	△204,459	—
	United States	10,173,434	113.7
	Joint	10,141,086	113.8
	Spine	32,347	79.8
Total		23,177,747	108.8
		Ratio (%)	Change (%)
Sales ratio of our own products		80.2	△0.4

- 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.

Segment results are as follows.

(Japan)

Net sales were strong in major categories, despite the impact of lowering of reimbursement prices. Selling, general, and administrative expenses also increased, mainly due to an increase in salaries and allowances as a result of wage increases.

As a result, net sales in this segment were ¥13,004 million (up 5.2% year on year) and operating profit was ¥1,093 million (down 11.2% year on year).

(United States)

Net sales increased for those to external customers in the artificial joint category. Selling, general, and administrative expenses also increased due to increases in commission expenses (commission royalties) as well as research and development expenses.

As a result, net sales in this segment, including internal sales, were ¥14,360 million (up 12.3% year on year) and operating profit was ¥636 million (down 1.8% year on year).

(2) Financial Position for the Fiscal Year under Review

1) Assets

Total assets at the end of the fiscal year under review increased by ¥2,051 million from the end of the previous fiscal year to ¥31,485 million. The main factors for increases were an increase in merchandise and finished goods of ¥880 million, notes and accounts receivable - trade, and contract assets of ¥644 million, tools, furniture and fixtures of ¥335 million and work in process of ¥325 million.

2) Liabilities

Total liabilities decreased ¥260 million from the end of the previous fiscal year to ¥5,882 million. The main factors for decreases were a decrease in long-term borrowings of ¥472 million, a fall in deferred tax liabilities of ¥375 million and a decrease in income taxes payable of ¥146 million, while the main factors for increases were an increase in accounts payable - trade of ¥424 million, a rise in retirement benefit liability of ¥216 million and an increase in short-term borrowings of ¥115 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 negative ¥827 million at the end of the fiscal year under review.

3) Net assets

Total net assets increased ¥2,311 million from the end of the previous fiscal year to ¥25,603 million. The main increases were in retained earnings by ¥927 million and in foreign currency translation adjustment by ¥1,451 million.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥483 million from the end of the previous fiscal year to ¥2,321 million. Cash flows for the fiscal year under review and their factors are as follows:

1) Cash flows from operating activities

Net cash provided by operating activities was ¥2,104 million, compared with ¥2,186 million in the previous fiscal year. The main components of income were net income before income taxes and others of ¥1,636 million and depreciation of ¥1,595 million. The main component of the expenditure was income taxes paid of ¥893 million.

2) Cash flows from investing activities

Net cash used in investing activities was ¥1,804 million, compared with ¥1,481 million in the previous fiscal year. The main component was an expenditure of ¥1,783 million for the purchase of property, plant, and equipment.

3) Cash flows from financing activities

Net cash used in financing activities was ¥840 million, compared with ¥514 million in the previous fiscal year. The main components of the expenditure were repayments of long-term borrowings of ¥561 million and dividends paid of ¥343 million. The main component of income was a net increase in short-term borrowings by ¥144 million.

(4) Future Outlook

1. "Our Purpose" and Management Policy

Based on our management policy of "Contributing to Medical Care Through the Development and Sale of Advanced Medical Devices" with its Purpose of "contributing to enhancing the QOL of patients," the Company Group will strive for its sustainable development and improvement of corporate value by providing truly valuable medical devices not only in Japan but also in the global medical market through development, manufacturing and sale of medical devices based on the joint development between Japan and the United States.

2. Management Environment

Japan

- Growth of the elderly population

The population of elderly aged 65 and older in Japan is expected to increase from about 36.22 million in 2023 to about 39.2 million in 2040 (about 35% of the total population). With the increase in the elderly population, the number of patients with bone diseases (bone fractures caused by coxarthrosis, knee osteoarthritis, spinal canal stenosis, osteoporosis, etc.) is expected to increase, and the number of applicable cases using our products is expected to increase in the future as well.

- Transformation of the medical care system (response to work style reforms of physicians)

In April 2024, work style reforms of physicians came into effect to ensure the health of physicians and the quality and safety of medical care. With the number of applicable cases involving orthopedic surgery expected to increase, the annual upper limit on overtime work by hospital physicians was set at 960 hours in principle. This reform is expected to bring about changes such as shifting of physicians' tasks and more efficient surgical operations, with the greater awareness of the balance between working hours and quality of medical care. In anticipation of these changes, we believe it is important to pursue the development and introduction of easy-to-use products with less time required to become proficient, not to mention the development of products with superior therapeutic effects.

- Lowering of reimbursement prices

In order to promote the establishment of an efficient, effective, and high-quality healthcare provision system in the absence of expectations for a significant increase in tax revenues, it will be inevitable for the government to curb social security-related expenses. Accordingly, we assume that the tough market environment will continue, such as lower reimbursement prices due to revisions of medical service fees. The reimbursement prices of some of our products and medical services will be reduced due to the reimbursement price revision on June 1, 2024 announced by the Ministry of Health, Labour and Welfare.

United States

- Growth of the elderly population

The population of elderly aged 65 and older in the U.S. is expected to increase from about 57.79 million in 2022 to about 80.0 million in 2040 (about 21% of the total population). In addition, since there is expected to be a continuous need to improve the quality of life (QOL) of non-elderly patients with osteoarthritic joint disease caused by obesity, etc., the number of patients requiring artificial joint replacement is expected to grow, and the number of applicable cases using our products is expected to increase in the future as well.

- Changes in medical needs

In orthopedic surgery, we are also seeing a trend toward medical treatment using digital solutions, such as preoperative surgical planning software, intraoperative surgical navigation systems, robotic-assisted surgery, and the development of postoperative rehabilitation programs using data acquired from wearable devices. In addition, we recognize that it is also important for medical facilities to introduce these new technologies in an economically rational manner to reduce treatment costs.

Moreover, in reducing treatment costs, the number of joint surgeries in Ambulatory Surgical Centers (ASCs) that perform joint surgeries on an outpatient basis rather than on an inpatient basis, is on the rise. This is likely to give rise to a greater need for medical facilities to procure implant, medical tools and simple digital solutions that contribute to improved operational efficiency at low cost. We recognize it is necessary to provide a variety of options according to the diversifying needs of medical facilities for the utilization of digital technology.

Other

- Decline in profitability due to higher manufacturing costs and exchange rate fluctuations (weaker yen)

Supply chain problems in the orthopedic medical device industry triggered by inflation in the U.S. have resulted in higher manufacturing costs for our U.S. subsidiary, and with the yen's exchange rate against the U.S. dollar continuing to weaken to the 150-yen level, a worsening cost ratio will be inevitable for imports of products from our U.S. subsidiary.

Through the Strategic Actionable Initiatives for Cost Optimization (SAICO) Project and other measures, we will implement the following measures to improve profitability.

- 1) Cost reduction through higher in-house production ratio
- 2) Improvement of supply chain resilience through purchase from multiple suppliers (contract manufacturers) in the U.S.
- 3) Cost reductions through increased outsourcing of manufacturing to suppliers in Asia and Europe
- 4) Improvement of profitability through higher sales ratio of our own products
- 5) Reduction of capital expenditure and expenses (depreciation) through lower costs of medical tools by utilizing WOMA (Changzhou Waston Ortho Medical Appliance Co., Limited), a joint venture in China

- Issue of PBR below one

For the Medium-term Management Plan, MODE2023, the final year ended March 31, 2024 saw consolidated net sales of ¥23.1 billion, operating profit margin of 7.5%, ROE of 5.2%, and ROIC of 4.5%, with the stock price also showing PBR below one reflecting the lower profitability due to the deteriorated manufacturing costs in the U.S. and a higher cost of sales ratio in Japan caused by the rapidly weakening yen.

As a measure to raise PBR above one, we aim to achieve consolidated net sales of ¥30 billion, operating profit margin of 10.0% or higher, and ROE of 8.0% or higher and ROIC of 7.0% or more by the final year of the first Stage (from FYE March 31, 2025 to FYE March 31, 2027) of the Long-term Vision RT500 (from FYE March 31, 2025 to FYE March 31, 2033). As measures to achieve the target, we will increase sales in Japan and the U.S. through the introduction of new products, and improve profitability by taking measures against cost deterioration in Japan due to the weakening of the yen and engaging in the SAICO project as a measure to reduce the cost of manufacturing in the U.S. In addition, we will periodically review our product portfolio and invest in growth, including new product development, to achieve management conscious of shareholders' equity cost. The Company's basic policy for shareholder returns is to pay stable dividends, aiming for a dividend payout ratio of 30% or more.

- Business alliance with Mitsui Chemicals, Inc.

In collaboration with Mitsui Chemicals, Inc., with which we entered into a capital and business alliance agreement in January 2022, we are promoting collaboration, including product development, while making mutually effective use of its healthcare development and manufacturing functions and know-how in operating various businesses and our pharmaceutical and development as well as sales and marketing functions in the medical device field across Japan and the U.S.

3. Long-term Vision RT500 (from FYE March 31, 2025 to FYE March 31, 2033)

We have formulated our Long-term Vision RT500, which ends in the fiscal year ending March 31, 2033, and have set a long-term management policy of "understanding the needs of medical settings and providing services that contribute to improving the value of treatment to the medical settings in a timely and stable manner with a higher level of expertise and quality."

As quantitative targets, we aim to increase corporate value by targeting consolidated net sales of ¥50 billion or more, operating profit margin of 15% or more, ROE of 10% or more, and dividend payout ratio of 30% or more.

4. First Stage (from FYE March 31, 2025 to FYE March 31, 2027)

We are working on the following key policies during the first three years of our Long-term Vision RT500 as the "First Stage."
[Key policies for the next three years]

- Strengthen sales capabilities (expand businesses in the U.S. and in Japan, and build a sales base in China)
- Strengthen product portfolio management
- Make supply chain management resilient

5. Sustainability Initiatives

Based on our management philosophy of "Contributing to Medical Care Through the Development and Sale of Advanced Medical Devices," we will identify materiality (material issues), fulfill our corporate social responsibility (CSR) through ESG activities, and contribute to the SDGs (Sustainable Development Goals).

[Materiality (material issues)]

- Improvement in the QOL of patients
- Reduction of environmental impact
- Initiatives for respecting human rights
- Promotion of active roles of diverse human resources
- High-quality response to medical needs
- Promotion of corporate governance

Based on the above, the Company forecasts net sales of ¥25,200 million, operating profit of ¥1,850 million, ordinary profit of ¥1,850 million, and net income attributable to owners of parent of ¥1,300 million for the next consolidated fiscal year. For reference, the exchange rate assumed in the consolidated financial forecast is 150 yen per US dollar.

2. Basic Approach to the Selection of Accounting Standards

The Company Group has fully considered the various impacts of applying the International Financial Reporting Standards (IFRS), including the enhancement of the international comparability of financial information in capital markets, but has decided to apply the Japanese GAAP for the time being.

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	2,804,928	2,321,552
Notes and accounts receivable - trade, and contract assets	5,270,930	5,915,467
Merchandise and finished goods	9,378,119	10,259,039
Work in process	593,162	919,068
Raw materials and supplies	1,634,044	1,914,371
Other	295,253	257,347
Allowance for doubtful accounts	(1,358)	(3,966)
Total current assets	19,975,079	21,582,880
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	837,544	876,633
Machinery, equipment and vehicles, net	306,786	354,459
Tools, furniture and fixtures, net	4,600,008	4,935,249
Land	1,956,171	1,960,584
Other	44,246	193,692
Total property, plant and equipment	7,744,756	8,320,618
Intangible assets	263,037	219,262
Investments and other assets		
Investment securities	66,770	-
Investments in capital of subsidiaries and associates	204,910	157,654
Deferred tax assets	1,104,875	1,136,171
Other	75,283	69,272
Allowance for doubtful accounts	-	(1)
Total investments and other assets	1,451,839	1,363,097
Total non-current assets	9,459,634	9,902,978
Total assets	29,434,714	31,485,859

(Thousands of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	979,185	1,403,276
Short-term borrowings	1,046,733	1,162,382
Lease liabilities	34,553	37,600
Income taxes payable	339,245	192,482
Accrued expenses	511,861	551,182
Accounts payable - other	193,732	235,050
Provision for bonuses	196,606	237,310
Provision for bonuses for directors (and other officers)	64,510	27,252
Provision for loss on business	2,546	-
Provision for litigation settlement	100,000	-
Other	158,217	183,973
Total current liabilities	3,627,191	4,030,510
Non-current liabilities		
Long-term borrowings	732,248	259,820
Lease liabilities	58,163	34,629
Retirement benefit liability	1,208,511	1,424,964
Provision for share awards for directors (and other officers)	103,514	80,571
Asset retirement obligations	29,493	31,560
Long-term deposits received	8,000	20,000
Deferred tax liabilities	375,495	-
Total non-current liabilities	2,515,427	1,851,545
Total liabilities	6,142,618	5,882,056
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	16,583,962
Treasury shares	(202,730)	(165,556)
Total shareholders' equity	21,042,494	22,007,572
Accumulated other comprehensive income		
Deferred gains or losses on hedges	30,294	47,015
Foreign currency translation adjustment	2,163,161	3,614,304
Remeasurements of defined benefit plans	(74,317)	(157,570)
Total accumulated other comprehensive income	2,119,138	3,503,749
Non-controlling interests	130,462	92,480
Total net assets	23,292,095	25,603,802
Total liabilities and net assets	29,434,714	31,485,859

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	21,307,946	23,177,747
Cost of sales	7,315,297	8,415,514
Gross profit	13,992,648	14,762,232
Selling, general and administrative expenses		
Promotion expenses	189,267	217,203
Freight and packing costs	416,216	414,869
Advertising expenses	90,901	78,725
Provision of allowance for doubtful accounts	(28)	2,609
Salaries and allowances	3,708,942	3,915,738
Retirement benefit expenses	99,965	106,191
Legal welfare expenses	321,983	352,471
Welfare expenses	269,013	315,317
Travel and transportation expenses	264,746	293,848
Depreciation	1,350,323	1,360,216
Research and development expenses	662,942	874,425
Taxes and dues	146,990	148,698
Commission expenses	3,024,608	3,421,143
Other	1,422,103	1,513,857
Total selling, general and administrative expenses	11,967,976	13,015,317
Operating profit	2,024,671	1,746,914
Non-operating income		
Interest income	99	106
Foreign exchange gains	100,294	190,683
Insurance claim income	13,220	2,121
Commission income	2,844	-
Other	29,801	20,121
Total non-operating income	146,260	213,033
Non-operating expenses		
Interest expenses	18,145	31,778
Share of loss of entities accounted for using equity method	63,857	65,126
Commission for syndicated loans	9,396	9,559
Other	35,673	10,492
Total non-operating expenses	127,072	116,957
Ordinary profit	2,043,860	1,842,991
Extraordinary income		
Compensation income	25,000	-
Total extraordinary income	25,000	-
Extraordinary losses		
Loss on retirement of non-current assets	56,129	48,512
Loss on valuation of investment securities	-	72,205
Impairment losses	100	70
Provision for litigation settlement	100,000	-
Settlement-related costs	-	75,000
Loss on discontinued product	142,833	10,416
Total extraordinary losses	299,063	206,204
Profit before income taxes	1,769,797	1,636,787

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Income taxes - current	664,869	739,109
Income taxes - deferred	(330,798)	(407,812)
Total income taxes	334,070	331,297
Profit	1,435,726	1,305,490
Profit attributable to non-controlling interests	12,006	33,807
Profit attributable to owners of parent	1,423,719	1,271,682

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	1,435,726	1,305,490
Other comprehensive income		
Deferred gains or losses on hedges	30,294	16,720
Foreign currency translation adjustment	825,016	1,453,383
Remeasurements of defined benefit plans, net of tax	(81,747)	(83,252)
Total other comprehensive income	773,563	1,386,851
Comprehensive income	2,209,289	2,692,341
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,183,505	2,656,294
Comprehensive income attributable to non-controlling interests	25,784	36,047

Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,001,929	2,587,029	14,550,073	(111,940)	20,027,090
Changes during period					
Dividends of surplus			(317,526)		(317,526)
Profit attributable to owners of parent			1,423,719		1,423,719
Purchase of treasury shares				(90,789)	(90,789)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,106,193	(90,789)	1,015,403
Balance at end of period	3,001,929	2,587,029	15,656,266	(202,730)	21,042,494

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	-	1,351,922	7,429	1,359,352	104,678	21,491,121
Changes during period						
Dividends of surplus						(317,526)
Profit attributable to owners of parent						1,423,719
Purchase of treasury shares						(90,789)
Net changes in items other than shareholders' equity	30,294	811,238	(81,747)	759,785	25,784	785,569
Total changes during period	30,294	811,238	(81,747)	759,785	25,784	1,800,973
Balance at end of period	30,294	2,163,161	(74,317)	2,119,138	130,462	23,292,095

For the fiscal year ended March 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,001,929	2,587,029	15,656,266	(202,730)	21,042,494
Changes during period					
Dividends of surplus			(343,986)		(343,986)
Profit attributable to owners of parent			1,271,682		1,271,682
Purchase of treasury shares				(152)	(152)
Disposal of treasury shares				37,326	37,326
Change in ownership interest of parent due to transactions with non-controlling interests		208			208
Net changes in items other than shareholders' equity					
Total changes during period	-	208	927,696	37,174	965,078
Balance at end of period	3,001,929	2,587,237	16,583,962	(165,556)	22,007,572

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	30,294	2,163,161	(74,317)	2,119,138	130,462	23,292,095
Changes during period						
Dividends of surplus						(343,986)
Profit attributable to owners of parent						1,271,682
Purchase of treasury shares						(152)
Disposal of treasury shares						37,326
Change in ownership interest of parent due to transactions with non-controlling interests						208
Net changes in items other than shareholders' equity	16,720	1,451,143	(83,252)	1,384,611	(37,982)	1,346,628
Total changes during period	16,720	1,451,143	(83,252)	1,384,611	(37,982)	2,311,707
Balance at end of period	47,015	3,614,304	(157,570)	3,503,749	92,480	25,603,802

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	1,769,797	1,636,787
Depreciation	1,549,812	1,595,185
Increase (decrease) in allowance for doubtful accounts	(28)	2,609
Increase (decrease) in retirement benefit liability	47,038	79,838
Remeasurements of defined benefit plans	20,100	16,619
Increase (decrease) in provision for bonuses	2,591	40,704
Increase (decrease) in provision for bonuses for directors (and other officers)	(690)	(37,258)
Increase (decrease) in provision for share awards for directors (and other officers)	15,192	14,383
Interest and dividend income	(99)	(106)
Interest expenses	18,145	31,778
Commission for syndicate loan-trade	9,396	9,559
Foreign exchange losses (gains)	74,494	(24,106)
Share of loss (profit) of entities accounted for using equity method	63,857	65,126
Loss (gain) on sale and retirement of non-current assets	59,664	48,539
Loss (gain) on valuation of investment securities	-	72,205
Impairment losses	100	70
Provision for litigation settlement	100,000	-
Settlement-related costs	-	75,000
Loss on discontinued product	142,833	10,416
Increase (decrease) in provision for loss on business	(62,453)	(2,546)
Decrease (increase) in trade receivables	10,953	(437,604)
Decrease (increase) in inventories	(1,005,629)	(457,972)
Increase (decrease) in trade payables	154,939	282,046
Decrease (increase) in prepaid expenses	(95,432)	73,223
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(76,811)	30,269
Increase (decrease) in accounts payable - other	43,650	45,395
Other, net	(49,161)	47,858
Subtotal	2,792,262	3,218,020
Interest and dividends received	99	107
Interest paid	(17,911)	(29,177)
Commission for syndicate loan-trade paid	(5,180)	(16,036)
Settlement-related costs paid	-	(175,000)
Income taxes refund (paid)	(583,044)	(893,001)
Net cash provided by (used in) operating activities	2,186,226	2,104,913
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,222,370)	(1,783,153)
Purchase of intangible assets	(93,183)	(19,309)
Purchase of investment securities	(67,475)	-
Payments for investments in capital of subsidiaries and associates	(99,188)	-
Other, net	298	(2,265)
Net cash provided by (used in) investing activities	(1,481,919)	(1,804,728)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	501,212	144,410
Repayments of long-term borrowings	(574,602)	(561,796)
Repayments of lease liabilities	(33,163)	(6,419)

(Thousands of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Purchase of treasury shares	(90,939)	(152)
Purchase of treasury shares of subsidiaries	-	(72,782)
Dividends paid	(317,287)	(343,969)
Net cash provided by (used in) financing activities	(514,780)	(840,710)
Effect of exchange rate change on cash and cash equivalents	24,552	57,148
Net increase (decrease) in cash and cash equivalents	214,079	(483,376)
Cash and cash equivalents at beginning of period	2,590,849	2,804,928
Cash and cash equivalents at end of period	2,804,928	2,321,552

(5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Segment Information, etc.)

(Segment Information)

1. Overview of Reportable Segments

The business type in the Company Group is a single segment of the Medical Devices Business. However, the reportable segments, each of which has separate financial information available, are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate business performance.

The Company Group manufactures and sells “medical devices mainly in the field of orthopedics.” Japan Medical Dynamic Marketing, INC. (hereinafter “the Company”) as the parent company based in Japan, and Ortho Development Corporation (hereinafter “ODEV”) as its overseas subsidiary based in the United States, operate as an independent management unit.

Accordingly, the Company Group consists of regional (country) segments based on manufacturing and sales, with “Japan” and the “United States” as two reportable segments.

In “Japan” the Company purchases products such as joint, trauma, and spine in the field of orthopedics mainly from ODEV, as well as from other domestic and overseas manufacturers based on sales alliance agreements, etc., and sells them in Japan. In the “United States” ODEV develops and manufactures joint, trauma, spine, and other products, and supplies them to the Company. In addition, ODEV independently sells joint, spine, and other products primarily in the U.S. market.

2. Calculation Method of the Amounts of Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Assets and liabilities of the foreign subsidiary are converted into Japanese yen at the spot exchange rates prevailing at the balance sheet date, and revenues and expenses are converted into Japanese yen at the average exchange rates prevailing during the period. Translation differences are included in the foreign currency translation adjustment in net assets.

Reportable segment profit is based on operating profit. Inter-segment revenues and transfers are based on prevailing market prices.

3. Information on the Amounts of Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment, and Information on the Breakdown of Revenues

Previous Fiscal Year (from April 1, 2022 to March 31, 2023)

	Reportable segment			Adjustment (Notes 1, 2)	Amount reported in consolidated financial statements (Note 3)
	Japan	United States	Total		
(In thousand yen)					
Net sales					
Revenue from contracts with customers	12,356,772	8,951,174	21,307,946	—	21,307,946
Net sales to external customers	12,356,772	8,951,174	21,307,946	—	21,307,946
Inter-segment net sales or transfers	—	3,830,948	3,830,948	(3,830,948)	—
Total	12,356,772	12,782,123	25,138,895	(3,830,948)	21,307,946
Segment profit	1,231,439	647,975	1,879,414	145,257	2,024,671
Segment assets	18,305,786	12,922,109	31,227,895	(1,793,181)	29,434,714
Segment liabilities	4,275,022	2,083,186	6,358,208	(215,590)	6,142,618
Other Items					
Depreciation	762,021	856,714	1,618,736	(68,923)	1,549,812
Increase in property, plant, and equipment and intangible assets	603,984	708,743	1,312,727	4,793	1,317,521
Investments in entities accounted for using equity method	—	204,910	204,910	—	204,910

Notes: 1. Adjustments for segment profit, segment assets, segment liabilities, and other items represent the elimination of inter-segment transactions.

2. The negative adjustment of ¥1,793,181 thousand to segment assets includes ¥2,225,508 thousand of corporate assets (mainly the Company's cash and deposits) and the negative adjustment of ¥1,514,275 thousand to inventories.

3. Segment profit is adjusted with operating profit in the consolidated statement of income.

Fiscal Year under Review (from April 1, 2023 to March 31, 2024)

	Reportable segment			Adjustment (Notes 1, 2)	Amount reported in consolidated financial statements (Note 3)
	Japan	United States	Total		
(In thousand yen)					
Net sales					
Revenue from contracts with customers	13,004,313	10,173,434	23,177,747	—	23,177,747
Net sales to external customers	13,004,313	10,173,434	23,177,747	—	23,177,747
Inter-segment net sales or transfers	—	4,187,190	4,187,190	(4,187,190)	—
Total	13,004,313	14,360,625	27,364,938	(4,187,190)	23,177,747
Segment profit	1,093,251	636,503	1,729,754	17,160	1,746,914
Segment assets	18,508,233	15,056,031	33,564,265	(2,078,406)	31,485,859
Segment liabilities	3,840,655	2,143,577	5,984,233	(102,176)	5,882,056
Other Items					
Depreciation	736,430	914,907	1,651,338	(56,153)	1,595,185
Increase in property, plant, and equipment and intangible assets	770,186	1,223,255	1,993,441	(76,897)	1,916,543
Investments in entities accounted for using equity method	—	157,654	157,654	—	157,654

Notes: 1. Adjustments for segment profit, segment assets, segment liabilities, and other items represent the elimination of inter-segment transactions.

2. The negative adjustment of ¥2,078,406 thousand to segment assets includes ¥1,973,414 thousand of corporate assets (mainly the Company's cash and deposits) and the negative adjustment of ¥1,560,010 thousand to inventories.

3. Segment profit is adjusted with operating profit in the consolidated statement of income.

[Related Information]

Previous Fiscal Year (from April 1, 2022 to March 31, 2023)

1. Information by Product and Service

The description is omitted, as the type of business in the Company Group is exclusively the Medical Devices Business.

2. Regional Information

(1) Net sales

The description is omitted, as the same information is disclosed in the Segment Information.

(2) Property, plant, and equipment

The description is omitted, as the same information is disclosed in the Segment Information.

3. Information by Major Customers

The description is omitted, as there are no external customers that account for 10% or more of net sales in the consolidated statement of income.

Fiscal Year under Review (from April 1, 2023 to March 31, 2024)

1. Information by Product and Service

The description is omitted, as the type of business in the Company Group is exclusively the Medical Devices Business.

2. Regional Information

(1) Net sales

The description is omitted, as the same information is disclosed in the Segment Information.

(2) Property, plant, and equipment

The description is omitted, as the same information is disclosed in the Segment Information.

3. Information by Major Customers

The description is omitted, as there are no external customers that account for 10% or more of net sales in the consolidated statement of income.

[Information on Impairment Losses on Non-current Assets by Reportable Segment]

Previous Fiscal Year (from April 1, 2022 to March 31, 2023)

(In thousand yen)

	Reportable segment			Other	Total	Adjustment	Amount reported in consolidated financial statements
	Japan	United States	Total				
Impairment losses	100	—	100	—	100	—	100

Fiscal Year under Review (from April 1, 2023 to March 31, 2024)

(In thousand yen)

	Reportable segment			Other	Total	Adjustment	Amount reported in consolidated financial statements
	Japan	United States	Total				
Impairment losses	70	—	70	—	70	—	70

[Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Previous Fiscal Year (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal Year under Review (from April 1, 2023 to March 31, 2024)

Not applicable.

[Information on Gain on Bargain Purchase by Reportable Segment]

Previous Fiscal Year (from April 1, 2022 to March 31, 2023)

Not applicable.

Fiscal Year under Review (from April 1, 2023 to March 31, 2024)

Not applicable.

(Per Share Information)

Items	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Net assets per share	¥880.64	¥968.74
Net income per share	¥54.03	¥48.31
Diluted net income per share	Not listed, because there are no dilutive shares.	Not listed, because there are no dilutive shares.

(Note) Basis for calculation of net income per share is as follows.

Items	Previous fiscal year (From April 1, 2022 to March 31, 2023)	Fiscal year under review (From April 1, 2023 to March 31, 2024)
Net income attributable to owners of parent (in thousand yen)	1,423,719	1,271,682
Amount not attributable to common shareholders (in thousand yen)	—	—
Net income attributable to owners of parent for common shares (in thousand yen)	1,423,719	1,271,682
Average number of shares of common stock during the period (shares)	26,351,799	26,322,392

(Note) Shares of the Company's stock remaining in the Trust for Granting Shares to Directors and Corporate Auditors, which are recorded as treasury stock in shareholders' equity, are included in treasury stock so that these are deducted from the calculation of the average number of shares outstanding during the period for the purpose of calculating net income per share.

The average number of such treasury stock during the period, which was deducted from the calculation of net income per share, was 124,081 shares in the previous fiscal year and 153,488 shares in the fiscal year under review, and the number of such treasury stock at the end of the period, which was deducted from the calculation of net assets per share, was 175,107 shares in the previous fiscal year and 141,318 shares in the fiscal year under review.

(Significant Subsequent Events)

Not applicable.