Summary of Consolidated Financial Results for the Fiscal Year Ended March 2022 [Japanese GAAP]

April 28, 2022

Company name:	Japan Medical Dynamic Marketing, INC.	Listing	TSE
Securities code:	7600	URL http://www.jmdm.co.jp/	
Representative:	(Title) Representative Director and President	(Name) Masao Okawa	
Contact person in charge:	(Title) General Manager, Investor Relations Office	(Name) Shinji Munechika	(TEL) +81-3-3341-6705
Scheduled date of the ordinary general meeting of shareholders:	June 24, 2022	Scheduled date of commencement of dividend payment:	June 27, 2022
Scheduled date of submission of the annual securities report:	June 28, 2022		
Preparation of supplementary materials for financial results:	Yes		
Holding of financial results briefing:	Yes (for institutional investors and analysts)		

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

1. Consolidated Financial Results for the Fiscal Year Ended March 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE March 2022	19,193	14.7	2,661	22.7	2,591	21.9	2,135	28.3
FYE March 2021	16,738	(7.4)	2,168	(18.0)	2,125	(17.7)	1,664	(23.1)

(Note) Comprehensive income FYE March 2022 ¥3,069 million (54.6%)
FYE March 2021 ¥1,984 million (-2.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit to total assets	Operating profit margin
	Yen	Yen	%	%	%
FYE March 2022	80.95	—	10.7	9.9	13.9
FYE March 2021	63.09	—	9.4	8.5	13.0

(Reference) Equity in earnings (losses) of affiliates FYE March 2022 (-¥12 million)
FYE March 2021 ¥- million

(Note) From the beginning of the fiscal year ended March 31, 2022, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., and net sales for the fiscal year under review are the figures after the application of the accounting standard, etc.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FYE March 2022	27,342	21,491	78.2	810.59
FYE March 2021	25,193	18,713	73.9	706.07

(Reference) Shareholders' equity FYE March 2022 ¥21,386 million
FYE March 2021 ¥18,628 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 the period
	Million yen	Million yen	Million yen	Million yen
FYE March 2022	3,111	(1,750)	(1,287)	2,590
FYE March 2021	2,599	(1,345)	(1,313)	2,466

2. Dividends

	Annual dividends					Total dividends	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of period	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FYE March 2021	—	0.00	—	11.00	11.00	291	17.4	1.6
FYE March 2022	—	0.00	—	12.00	12.00	317	14.8	1.6
FY ending March 2023 (Forecast)	—	0.00	—	13.00	13.00		18.5	

3. Consolidated Financial Forecasts for the Fiscal Year Ending March 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate changes from the previous year for the full year, and from the same quarter of the previous year for the quarter.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (Cumulative)	10,200	15.1	1,100	3.9	1,050	0.7	700	(30.2)	26.53
Full year	22,000	14.6	2,800	5.2	2,700	4.2	1,850	(13.4)	70.12

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation) : None

Newly included - companies (company name)
Excluded - companies (company name)

(2) Changes in accounting policies, accounting estimates, and retrospective restatement

1) Changes in accounting policies based on revisions of accounting standard : Yes
2) Changes in accounting policies other than 1) : None
3) Changes in accounting estimates : None
4) Retrospective restatement : None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)	FYE March 2022	26,475,880 shares	FYE March 2021	26,475,880 shares
2) Number of treasury shares at the end of the period	FYE March 2022	92,179 shares	FYE March 2021	91,997 shares
3) Average number of shares outstanding during the period	FYE March 2022	26,383,754 shares	FYE March 2021	26,383,942 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated Operating Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FYE March 2022	12,122	9.6	1,844	32.6	1,936	30.9	1,281	2.0
FYE March 2021	11,063	1.3	1,390	18.2	1,479	16.0	1,255	29.5

	Net income per share	Diluted net income per share
	Yen	Yen
FYE March 2022	48.58	—
FYE March 2021	47.60	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
FYE March 2022	20,343	15,901	78.2	602.71
FYE March 2021	19,443	14,914	76.7	565.28

(Reference) Shareholders' equity FYE March 2022 ¥15,901 million
FYE March 2021 ¥14,914 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 13, 2022. Financial results briefing materials to be used on the day of the briefing will be posted on the Company's website as soon as possible.

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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, 2022, the business environment surrounding the Company Group improved, despite the continued impact from COVID-19, with net sales of ¥19,193 million (up ¥2,454 million, or 14.7% year on year), operating profit of ¥2,661 million (up ¥492 million, or 22.7% year on year), ordinary profit of ¥2,591 million (up ¥465 million, or 21.9% year on year), and net income attributable to owners of parent of ¥2,135 million (up ¥471 million, or 28.3% year on year).

In Japan, although operating activities were limited by the impact of COVID-19, the number of cases increased due to the gradual recovery of the functions of the medical system and the maintenance of good relationships with existing customers. As a result, net sales were ¥12,409 million (up ¥1,345 million, or 12.2% year on year). In the United States, planned surgeries were postponed again due to the re-spread of COVID-19. from the second quarter onward. However, as a result of efforts such as those to acquire new customers, net sales (in US dollars) to external customers in the United States increased by 17.2% from the previous fiscal year, and after conversion to yen increased by 24.6% to ¥7,070 million.

In the artificial joints category, sales of artificial knee joints and other products in the United States recovered, and total net sales in Japan and the United States increased by 17.0% (7.3% in Japan, and 24.5% in the United States) from the previous fiscal year to ¥11,764 million.

In the category of osteosynthesis materials, sales in Japan increased by 11.3% year on year to ¥4,115 million, mainly due to steady sales of ASULOCK and Prima Hip Screw.

In the category of spinal fixation devices, sales of the KMC Kyphoplasty System continued to be steady in Japan, resulting in a 21.4% increase in total net sales in Japan and the United States to ¥3,151 million.

As for cost of sales, the cost of sales ratio was 32.3% (31.8% in the previous fiscal year) mainly due to the effect of exchange rate fluctuations.

Selling, general, and administrative expenses totaled ¥10,327 million (up 11.7% from the previous fiscal year) due to an increase in commission expenses (commissions and royalties) in the wake of increased sales in the United States and an increase in personnel and other expenses as a result of strengthening of the system. However, the ratio of SG&A expenses to net sales declined to 53.8% (from 55.3% in the previous fiscal year).

Operating profit was ¥2,661 million (up 22.7% from the previous fiscal year), primarily because of the increase in net sales.

Ordinary profit was ¥2,591 million (up 21.9% from the previous fiscal year) as a result of recording non-operating income of ¥23 million, including commission income of ¥11 million, and recording non-operating expenses of ¥93 million, including foreign exchange losses of ¥35 million and interest expenses of ¥29 million.

As for extraordinary income and losses, extraordinary income included a ¥310 million gain on forgiveness of debts in the United States, while extraordinary losses of ¥152 million included a ¥87 million loss on retirement of non-current assets such as medical tools.

As a result, net income attributable to owners of parent amounted to ¥2,135 million (up 28.3% from the previous fiscal year).

From the beginning of the fiscal year under review, the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. However, the amounts of net sales stated in the above-mentioned product categories (artificial joints, osteosynthesis materials, and spinal fixation devices) are the figures before the application of the accounting standard, etc.

(Reference) Consolidated Net Sales by Major Item

Name and item of each segment			Fiscal year under review (From April 1, 2021 to March 31, 2022)	Compared to the previous fiscal year
			Amount (in thousand yen)	(%)
Medical devices	Japan		12,409,054	112.2%
		Artificial joints	4,719,849	107.3%
		Osteosynthesis materials	4,115,991	111.3%
		Spinal fixation devices	3,125,154	121.2%
		Artificial bones	216,168	101.1%
		Other	231,891	133.0%
	United States		7,070,875	124.6%
		Artificial joints	7,044,691	124.5%
		Spinal fixation devices	26,184	151.9%
Subtotal (A)			19,479,930	116.4%
Sales deduction (B)			(286,832)	—
Total (A) + (B)			19,193,098	114.7%

(Notes) 1 Inter-segment transactions are offset and eliminated.

2 As a result of the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year under review, rebates, which were previously included as part of promotion expenses in Japan, have been deducted from net sales. As the amount of such deduction cannot be reasonably prorated by item, it is shown in a lump sum as "Sales deduction" in the table above.

Segment results are as follows.

(Japan)

Net sales increased in all categories, particularly in osteosynthesis materials and spinal fixation devices. Selling, general, and administrative expenses also increased due to the increased payroll and allowances as well as increases in advertising and other expenses as operating activities recovered.

As a result, net sales in this segment were ¥12,122 million (up 9.6% year on year) and operating profit was ¥1,844 million (up 32.6% year on year).

(United States)

Despite the impact of COVID-19, net sales to external customers in artificial joints started to increase. Selling, general, and administrative expenses also increased due to increases in commission expenses (mainly commissions) as well as payroll and allowances.

As a result, net sales in this segment, including internal sales, were ¥10,868 million (up 17.4% year on year) and operating profit was ¥839 million (up 1.4% year on year).

(2) Financial Position for the Period under Review

1) Assets

Total assets at the end of the fiscal year under review increased by ¥2,149 million from the end of the previous fiscal year to ¥27,342 million. The main increases were in notes and accounts receivable -trade, and contract assets (notes and accounts receivable -trade in the previous fiscal year) by ¥734 million, in merchandise and finished goods by ¥619 million, and in tools, furniture, and fixtures by ¥265 million. The main decrease was in deferred tax assets by ¥115 million.

2) Liabilities

Total liabilities decreased by ¥628 million from the end of the previous fiscal year to ¥5,851 million. The main increase was in accounts payable-trade by ¥201 million, and the main decreases were in short-term borrowings by ¥441 million and in long-term borrowings by ¥773 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 ¥742 million at the end of the fiscal year under review.

3) Net assets

Total net assets increased by ¥2,777 million from the end of the previous fiscal year to ¥21,491 million. The main increases were in retained earnings by ¥1,844 million and in foreign currency translation adjustment by ¥876 million.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents at the end of the fiscal year under review increased by ¥124 million from the end of the previous fiscal year to ¥2,590 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 ¥3,111 million, compared with ¥2,599 million in the previous fiscal year. Main components of income were net income before income taxes and others of ¥2,749 million and depreciation of ¥1,420 million. Main components of the expenditure were an increase in notes and accounts receivable - trade by ¥662 million, gain on forgiveness of debts of ¥310 million, and income taxes paid of ¥474 million.

2) Cash flows from investing activities

Net cash used in investing activities was ¥1,750 million, compared with ¥1,345 million in the previous fiscal year. The main component was an expenditure of ¥1,538 million for the purchase of property, plant, and equipment.

3) Cash flows from financing activities

Net cash used in financing activities was ¥1,287 million, compared with ¥1,313 million in the previous fiscal year. The main components of the expenditure were repayments of long-term borrowings of ¥595 million and a net decrease in short-term borrowings by ¥369 million.

(4) Future Outlook

On December 15, 2020, the Japanese Cabinet approved the “Policy for Social Security Reform for All Generations.” Under this policy, in the area of healthcare, the government aims to construct a social security system where all generations can feel secure while suppressing the increase in the burden on the working generations, in response to the rapidly aging society with a declining birthrate. To this end, they will promote initiatives to “reform the healthcare provision system,” “review and consider an appropriate ratio of out-of-pocket expenses for the elderly aged 75 or older,” and “expand the flat-sum payment system to prevent concentration of patients in large hospitals and to strengthen the functions of primary care doctors.” According to the “Basic Policy for FY 2022 Medical Fee Revision” announced by the Ministry of Health, Labour and Welfare, while the world's highest level of average life expectancy has been achieved thanks to Japan’s universal health insurance coverage as well as excellent health and medical systems, and the 100-year life is about to get fully underway, changes in the population composition indicate that the so-called baby-boom generation will all become elderly aged 75 or older in 2025, and the so-called baby-boom junior generation will become elderly aged 65 or older by around 2040 when the elderly population will peak. Meanwhile, the population of the working generations (working-age population), which has already started to decline, is expected to further accelerate its decline after 2025, and thus the basic policy says that in order to maintain and improve the vitality of society, it is an urgent task to build an “all-generation social security system” while also realizing a society in which the elderly and other people with high motivation can have a role and flourish by extending healthy life expectancy. In the area of orthopedic treatment, the number of patients is expected to increase due to the rapidly aging population and the increasing need for quality of life (QOL) improvement. On the other hand, since a significant increase in tax revenues cannot be expected, the government will promote an initiative to construct an efficient, effective, and high-quality healthcare provision system, making the curving of social security-related expenses inevitable. Accordingly, we assume that the tough market environment will continue, such as lower reimbursement prices due to revisions of medical service fees.

The United States is the largest artificial joint market in the world, and the number of people aged 65 or older who require artificial joint replacement is expected to reach 70 million in 2030. In addition, the number of patients with obesity-related osteoarthritis is expected to continue to increase, leading to continued growth in the artificial joint market. With regard to medical needs, the need for intraoperative digital solutions, such as surgical navigation systems and those related to robotic surgery, is increasing, and new business opportunities are emerging. On the other hand, in line with the growing need for reducing treatment costs on the part of patients, the number of joint prosthesis surgeries performed in an Ambulatory Surgical Center (ASC), in which such surgeries are performed in an outpatient setting rather than in a hospital setting, is on the increase. In addition to the need for procurement of low-cost, efficient implants and medical tools, the need for IT solutions such as using smartphones and smart watches for postoperative patient care is also on the increase. Therefore, we believe that the role expected of the Company Group will also change.

With regard to the impact of COVID-19 on each market, although there is a certain degree of impact on the number of cases due to behavioral restrictions and increases and decreases in the number of hospitalized patients in Japan, the impact on the number of cases is considered to be limited due to the growing knowledge about coronavirus countermeasures in medical settings, which medical professionals used to grope for. In the United States, although the number of patients hospitalized with COVID-19 at existing client facilities will continue to have an impact on the number of patients undergoing joint prosthesis surgeries, we believe that such impact on the number of joint prosthesis surgeries will become minor because the number of patients hospitalized is expected to decrease as the rate of severe COVID-19 infections decreases in line with the progress of vaccination.

Moreover, the trend of yen depreciation against the U.S. dollar has been continuing since the tightening of monetary policy in the United States, and the situation in Ukraine exerts an additional influence on the weaker yen trend. The actual exchange rate deviates significantly from the assumed exchange rate (108 yen/US dollar) in our medium-term management plan due to the weaker yen, and we believe that product imports from our U.S. subsidiary will be affected by exchange rate fluctuations (yen depreciation).

The Company has formulated a medium-term management plan, MODE 2023, which shall be implemented over the three years from the fiscal year ended March 2022 (the 50th term) to the fiscal year ending March 2024 (the 52nd term). The medium-term management policy states that “in addition to responding to various needs in medical settings, such as improvement of treatment outcomes, we will provide services (implants, medical tools, surgical support systems, etc.) that contribute to improving the value of treatment (safety and efficacy, improvement of treatment revenue by shortening hospitalization, etc.) to medical settings in a timely manner with greater expertise, and will thereby contribute to enhancing the QOL of patients.” We are also implementing four priority measures: “expanding overseas business,” “strengthening development and procurement capabilities,” “strengthening human resources and organizational expertise,” and “promoting digitalization.”

In order to minimize the impact of the reduction of reimbursement prices in Japan and the impact of the decline in profitability due to currency fluctuations (yen depreciation), we will increase the sales ratio of our own products mainly by expanding our U.S. business through the introduction of new products developed in-house. We will also strive to reduce the costs of medical tools by utilizing a joint venture company established in China in May 2021. In addition, we will also aim to reduce the cost of sales by reviewing our manufacturing processes to further reduce the cost of sales (manufacturing cost) and expanding procurement from cost-competitive vendors. Furthermore, we will work on streamlining the selling, general, and administrative expenses by using IT to visualize the status of inventory operations and improving business processes, and will strive to maintain and improve profitability.

Based on the above, the Company forecasts net sales of ¥22,000 million, operating profit of ¥2,800 million, ordinary profit of ¥2,700 million, and net income attributable to owners of parent of ¥1,850 million for the next fiscal year. For reference, the exchange rate assumed in the consolidated financial forecast is 128 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.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheet

(In thousand yen)

	Previous fiscal year (March 31, 2021)	Fiscal year under review (March 31, 2022)
Assets		
Current assets		
Cash and deposits	2,466,331	2,590,849
Notes and accounts receivable - trade	4,477,763	—
Notes and accounts receivable - trade, and contract assets	—	5,212,555
Merchandise and finished goods	7,566,961	8,186,658
Work in process	373,212	497,823
Raw materials and supplies	1,303,175	1,410,927
Other	126,443	149,211
Allowance for doubtful accounts	(1,188)	(1,386)
Total current assets	16,312,699	18,046,638
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	717,258	728,450
Machinery, equipment, and vehicles (net)	350,784	350,978
Tools, furniture, and fixtures (net)	4,426,331	4,691,605
Land	1,950,707	1,953,479
Other	4,919	48,173
Total property, plant, and equipment	7,450,002	7,772,687
Intangible assets	254,447	291,960
Investments and other assets		
Investments in capital of subsidiaries and associates	—	174,887
Deferred tax assets	1,087,377	971,990
Other	88,692	84,558
Total investments and other assets	1,176,069	1,231,435
Total non-current assets	8,880,518	9,296,083
Total assets	25,193,218	27,342,722

(In thousand yen)

	Previous fiscal year (March 31, 2021)	Fiscal year under review (March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	584,621	785,671
Short-term borrowings	998,061	557,046
Lease liabilities	32,233	33,163
Income taxes payable	230,897	266,440
Accrued expenses	380,971	512,569
Accounts payable - other	270,246	189,283
Provision for bonuses	173,272	194,015
Provision for bonuses for directors (and other officers)	54,220	65,200
Provision for loss on business	—	65,000
Other	109,768	231,291
Total current liabilities	2,834,293	2,899,680
Non-current liabilities		
Long-term borrowings	2,020,713	1,247,662
Lease liabilities	38,388	10,875
Retirement benefit liability	998,831	1,023,546
Provision for share awards for directors (and other officers)	71,322	88,322
Asset retirement obligations	28,815	29,201
Long-term deposits received	7,000	8,000
Deferred tax liabilities	480,621	544,310
Total non-current liabilities	3,645,692	2,951,919
Total liabilities	6,479,985	5,851,600
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,029	2,587,029
Retained earnings	12,705,447	14,550,073
Treasury shares	(111,539)	(111,940)
Total shareholders' equity	18,182,866	20,027,090
Accumulated other comprehensive income		
Deferred gains or losses on hedges	2,788	—
Foreign currency translation adjustment	475,850	1,351,922
Remeasurements of defined benefit plans	(32,737)	7,429
Total accumulated other comprehensive income	445,901	1,359,352
Non-controlling interests	84,464	104,678
Total net assets	18,713,232	21,491,121
Total liabilities and net assets	25,193,218	27,342,722

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

Consolidated Statement of Income

(In thousand yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net sales	16,738,174	19,193,098
Cost of sales	5,319,690	6,204,233
Gross profit	11,418,484	12,988,865
Selling, general, and administrative expenses		
Promotion expenses	281,245	145,725
Freight and packing costs	277,679	366,122
Advertising expenses	39,092	75,549
Provision of allowance for doubtful accounts	(11,209)	(704)
Salaries and allowances	2,995,487	3,367,594
Retirement benefit expenses	129,006	102,210
Legal welfare expenses	289,108	303,485
Welfare expenses	186,705	214,373
Travel and transportation expenses	91,864	142,873
Depreciation	1,213,166	1,241,117
Research and development expenses	466,685	485,557
Taxes and dues	138,135	158,617
Commission expenses	1,900,168	2,407,474
Other	1,252,395	1,317,337
Total selling, general, and administrative expenses	9,249,533	10,327,335
Operating profit	2,168,951	2,661,529
Non-operating income		
Interest income	150	121
Commission income	11,376	11,706
Other	5,967	11,403
Total non-operating income	17,493	23,230
Non-operating expenses		
Interest expenses	40,813	29,700
Foreign exchange losses	606	35,530
Share of loss of entities accounted for using equity method	—	12,704
Commission for syndicated loans	8,836	7,393
Other	10,562	8,140
Total non-operating expenses	60,818	93,469
Ordinary profit	2,125,625	2,591,291
Extraordinary income		
Gain on forgiveness of debts	—	310,826
Total extraordinary income	—	310,826
Extraordinary losses		
Loss on retirement of non-current assets	37,239	87,151
Impairment losses	54,013	162
Transfer to provision for loss on business	—	65,000
Total extraordinary losses	91,252	152,313
Net income before income taxes and others	2,034,373	2,749,804
Income taxes - current	379,183	497,268
Income taxes-deferred	(25,554)	110,827
Total income taxes	353,628	608,096
Net income	1,680,744	2,141,708
Net income attributable to non-controlling interests	16,226	6,014
Net income attributable to owners of parent	1,664,517	2,135,693

Consolidated Statement of Comprehensive Income

(In thousand yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net income	1,680,744	2,141,708
Other comprehensive income		
Deferred gains or losses on hedges	(18,753)	(2,788)
Foreign currency translation adjustment	153,264	890,271
Remeasurements of defined benefit plans, net of tax	169,555	40,167
Total other comprehensive income	304,066	927,650
Comprehensive income	1,984,811	3,069,358
(Breakdown)		
Comprehensive income attributable to owners of parent	1,965,357	3,049,144
Comprehensive income attributable to non-controlling interests	19,453	20,214

(3) Consolidated Statement of Changes in Equity

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

(In thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	3,001,929	2,587,029	11,305,538	(111,259)	16,783,237
Changes during period					
Dividends of surplus			(264,608)		(264,608)
Net income attributable to owners of parent			1,664,517		1,664,517
Purchase of treasury shares				(279)	(279)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,399,908	(279)	1,399,629
Balance at the end of the period	3,001,929	2,587,029	12,705,447	(111,539)	18,182,866

	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 the beginning of the period	21,542	325,813	(202,293)	145,062	65,010	16,993,309
Changes during period						
Dividends of surplus						(264,608)
Net income attributable to owners of parent						1,664,517
Purchase of treasury shares						(279)
Net changes in items other than shareholders' equity	(18,753)	150,037	169,555	300,839	19,453	320,293
Total changes during period	(18,753)	150,037	169,555	300,839	19,453	1,719,922
Balance at the end of the period	2,788	475,850	(32,737)	445,901	84,464	18,713,232

Fiscal Year under Review (from April 1, 2021 to March 31, 2022)

(In thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	3,001,929	2,587,029	12,705,447	(111,539)	18,182,866
Changes during period					
Dividends of surplus			(291,067)		(291,067)
Net income attributable to owners of parent			2,135,693		2,135,693
Purchase of treasury shares				(401)	(401)
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,844,626	(401)	1,844,224
Balance at the end of the period	3,001,929	2,587,029	14,550,073	(111,940)	20,027,090

	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 the beginning of the period	2,788	475,850	(32,737)	445,901	84,464	18,713,232
Changes during period						
Dividends of surplus						(291,067)
Net income attributable to owners of parent						2,135,693
Purchase of treasury shares						(401)
Net changes in items other than shareholders' equity	(2,788)	876,071	40,167	913,450	20,214	933,665
Total changes during period	(2,788)	876,071	40,167	913,450	20,214	2,777,889
Balance at the end of the period	—	1,351,922	7,429	1,359,352	104,678	21,491,121

(4) Consolidated Statement of Cash Flows

(In thousand yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Net income before income taxes and others	2,034,373	2,749,804
Depreciation	1,388,828	1,420,777
Increase (decrease) in allowance for doubtful accounts	(11,209)	198
Increase (decrease) in retirement benefit liability	63,857	59,602
Increase (decrease) in remeasurements of defined benefit plans	38,820	23,007
Increase (decrease) in provision for bonuses	(2,060)	20,743
Increase (decrease) in provision for bonuses for directors (and other officers)	3,118	10,980
Increase (decrease) in provision for share awards for directors (and other officers)	14,482	17,000
Interest and dividend income	(150)	(121)
Interest expenses	40,813	29,700
Commission for syndicated loans	8,836	7,393
Foreign exchange (gains) losses	6,698	56,453
Share of (earnings) losses of entities accounted for using equity method	—	12,704
Gain on forgiveness of debts	—	(310,826)
(Gain) loss on sales and retirement of non-current assets	37,239	87,151
Impairment losses	54,013	162
Increase (decrease) in provision for loss on business	—	65,000
(Increase) decrease in trade receivables	(30,897)	(662,063)
(Increase) decrease in inventories	(411,113)	(224,389)
Increase (decrease) in trade payables	(125,511)	252,823
Increase (decrease) in consumption taxes payable/consumption taxes refund receivable	5,333	29,739
Other	(127,219)	(22,795)
Subtotal	2,988,251	3,623,045
Interest and dividends received	150	121
Interest paid	(42,421)	(34,253)
Commission for syndicated loans paid	(17,263)	(3,176)
Income taxes (paid) or refunded	(328,955)	(474,070)
Net cash provided by operating activities	2,599,761	3,111,665
Cash flows from investing activities		
Purchase of property, plant, and equipment	(1,348,259)	(1,538,038)
Proceeds from sales of property, plant, and equipment	25,556	—
Purchase of intangible assets	(23,695)	(46,972)
Payments for investments in capital of subsidiaries and associates	—	(165,933)
Other	926	821
Net cash used in investing activities	(1,345,472)	(1,750,123)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(575,041)	(369,320)
Proceeds from long-term borrowings	292,350	—
Repayments of long-term borrowings	(730,642)	(595,230)
Repayments of lease liabilities	(32,139)	(32,592)
Repayments of installment payables	(3,097)	—
Purchase of treasury shares	(279)	(401)
Dividends paid	(264,493)	(290,201)
Net cash used in financing activities	(1,313,342)	(1,287,745)
Effect of exchange rate change on cash and cash equivalents	12,514	50,721
Increase (decrease) in cash and cash equivalents	(46,538)	124,517
Cash and cash equivalents at the beginning of the period	2,512,870	2,466,331
Cash and cash equivalents at the end of the period	2,466,331	2,590,849

(5) Notes to Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standards for Revenue Recognition)

The Company has applied the “Accounting Standards for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as “Revenue Recognition Accounting Standards”) since the beginning of the fiscal year under review. Accordingly, we shall recognize each revenue at the amount expected to be received in exchange for the promised good or service when control of the good or service is transferred to the customer.

As a result, with respect to transactions for which rebates are provided in accordance with the volume of transactions over a certain period of time, etc., the amount of such variable consideration was previously included in part of promotion expenses for selling, general, and administrative expenses, but has been deducted from net sales since the fiscal year under review.

With regard to the application of the Revenue Recognition Accounting Standards, etc., in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standards, the cumulative effect of retroactively applying the new accounting policy prior to the beginning of the fiscal year under review is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting policy has been applied to the balance since the beginning of said period. However, the new accounting policy has not been applied retroactively to contracts to which the method set forth in Paragraph 86 of the Revenue Recognition Accounting Standards has been applied and for which the amount of almost every revenue has been recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review. In addition, the Company has applied the method set forth in provision (1) of Paragraph 86 of the Revenue Recognition Accounting Standards, and has accounted for any contractual changes made prior to the beginning of the fiscal year under review based on the contractual conditions after reflecting all contractual changes, and has added or subtracted the cumulative effect to or from retained earnings at the beginning of the fiscal year under review.

As a result, net sales, and selling, general, and administrative expenses decreased by ¥286,832 thousand each, but there is no impact on operating profit, ordinary profit, and net income before income taxes and others. Also there is no impact on the balance of retained earnings at the beginning of the period.

As a result of the adoption of the Revenue Recognition Accounting Standards, etc., “Notes and accounts receivable- trade” which was presented under “Current assets” in the consolidated balance sheet for the previous fiscal year, has been included in “Notes and accounts receivable - trade, and contract assets” since the fiscal year under review. In accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standards, no reclassification using a new presentation method has been made for the previous fiscal year.

(Change of Presentation Method)

(Application of Accounting Standards for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standards for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Accounting Standards”) since the beginning of the fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standards and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Fair Value Measurement Accounting Standards, etc. shall be applied into the future. This application has no impact on consolidated financial statements, because the Company does not hold any financial instruments whose fair value should be stated in the consolidated balance sheet.

(Additional Information)

(Impact of COVID-19)

The accounting estimates for the fiscal year under review are reasonably calculated based on the information available at the time of preparation of the consolidated financial statements. However, there are considerable uncertainties regarding the future spread of COVID-19 and the timing of its resolution. If the infection status of COVID-19 as well as economic and other environments deviate from the current assumptions, the Company Group's business performance and financial position may be affected.

For reference, there are no significant changes from the assumptions made as of the end of the previous fiscal year.

(Segment Information, etc.)

(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 independent management units.

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 artificial joints, osteosynthesis materials, and spinal fixation devices 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 artificial joints, osteosynthesis materials, spinal fixation devices, and other products, and supplies them to the Company. In addition, ODEV independently sells artificial joints, spinal fixation devices, and other products primarily in the US 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.

As described in “Changes in Accounting Policies,” as a result of the adoption of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, etc.) from the beginning of the fiscal year under review, net sales to external customers in “Japan” decreased by ¥286,832 thousand in the fiscal year under review, compared to the previous method, but there is no impact on segment profit.

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, 2020 to March 31, 2021)

(In thousand yen)

	Reportable segment			Adjustment (Notes) 1, 2	Amount reported in consolidated financial statements (Note) 3
	Japan	United States	Total		
Net sales					
Net sales to external customers	11,063,924	5,674,250	16,738,174	—	16,738,174
Inter-segment net sales or transfers	—	3,583,937	3,583,937	(3,583,937)	—
Total	11,063,924	9,258,187	20,322,111	(3,583,937)	16,738,174
Segment profit	1,390,980	827,411	2,218,392	(49,440)	2,168,951
Segment assets	17,292,941	9,936,227	27,229,169	(2,035,950)	25,193,218
Segment liability	4,529,616	2,330,284	6,859,900	(379,915)	6,479,985
Other Items					
Depreciation	744,137	699,790	1,443,928	(57,356)	1,386,572
Increase in property, plant, and equipment and intangible assets	797,741	704,824	1,502,566	(84,097)	1,418,469

(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 ¥2,035,950 thousand to segment assets includes ¥2,151,035 thousand of corporate assets (mainly the Company’s cash and deposits) and the negative adjustment of ¥1,100,527 thousand to inventories.

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

Fiscal Year under Review (from April 1, 2021 to March 31, 2022)

(In thousand yen)

	Reportable segment			Adjustment (Notes) 1, 2	Amount reported in consolidated financial statements (Note) 3
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	12,122,222	7,070,875	19,193,098	—	19,193,098
Net sales to external customers	12,122,222	7,070,875	19,193,098	—	19,193,098
Inter-segment net sales or transfers	—	3,797,478	3,797,478	(3,797,478)	—
Total	12,122,222	10,868,354	22,990,577	(3,797,478)	19,193,098
Segment profit	1,844,790	839,061	2,683,851	(22,321)	2,661,529
Segment assets	18,243,161	11,431,188	29,674,350	(2,331,628)	27,342,722
Segment liability	4,441,953	2,020,302	6,462,255	(610,655)	5,851,600
Other Items					
Depreciation	759,692	729,041	1,488,733	(67,956)	1,420,777
Increase in property, plant, and equipment and intangible assets	1,189,088	616,883	1,805,971	(140,303)	1,665,668

(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 ¥2,331,628 thousand to segment assets includes ¥2,100,495 thousand of corporate assets (mainly the Company's cash and deposits) and the negative adjustment of ¥1,784,204 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, 2020 to March 31, 2021)

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, 2021 to March 31, 2022)

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, 2020 to March 31, 2021)

(In thousand yen)

	Reportable segment			Other	Total	Adjustment	Amount reported in consolidated financial statements
	Japan	United States	Total				
Impairment losses	54,013	—	54,013	—	54,013	—	54,013

Fiscal Year under Review (from April 1, 2021 to March 31, 2022)

(In thousand yen)

	Reportable segment			Other	Total	Adjustment	Amount reported in consolidated financial statements
	Japan	United States	Total				
Impairment losses	162	—	162	—	162	—	162

[Amortization of Goodwill and Unamortized Balance by Reportable Segment]

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal Year under Review (from April 1, 2021 to March 31, 2022)

Not applicable.

[Information on Gain on Bargain Purchase by Reportable Segment]

Previous Fiscal Year (from April 1, 2020 to March 31, 2021)

Not applicable.

Fiscal Year under Review (from April 1, 2021 to March 31, 2022)

Not applicable.

(Per Share Information)

Items	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net assets per share	¥706.07	¥810.59
Net income per share	¥63.09	¥80.9
Diluted net income per share	Not listed, because there are no dilutive shares.	Not listed, because there are no dilutive shares.

(Note) The basis for calculating net income per share is as follows:

Items	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Fiscal year under review (From April 1, 2021 to March 31, 2022)
Net income attributable to owners of parent (thousand yen)	1,664,517	2,135,693
Amount not attributable to common shareholders (thousand yen)	—	—
Net income attributable to owners of parent related to common stock (thousand yen)	1,664,517	2,135,693
Average number of shares of common stock during the period (shares)	26,383,942	26,383,754

(Note) When calculating net income per share, the Company includes its own shares remaining in the trust for the delivery of shares to directors (and other officers), which are recorded as treasury shares in shareholders' equity, in treasury shares to be deducted in the calculation of the average number of shares during the period.

The average number of such treasury shares deducted for the calculation of net income per share was 76,827 shares for the fiscal year under review and 76,827 shares for the previous fiscal year. The number of such treasury shares deducted for the calculation of net assets per share was 76,827 shares for the fiscal year under review and 76,827 shares for the previous fiscal year.

(Significant Subsequent Events)

Not applicable.