

Summary of Consolidated Financial Results for the Six Months Ended of the Fiscal Year Ending March 2025 [Japanese GAAP]



October 30, 2024

Company name: Japan Medical Dynamic Marketing, INC.

Listing: Tokyo

Securities code: 7600

URL: <https://www.jmdm.co.jp/>

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Scheduled date to file semi-annual securities report: November 14, 2024

Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	11,817	7.9	669	8.3	664	5.1	496	38.0
September 30, 2023	10,952	9.6	617	(33.4)	632	(31.0)	359	(50.1)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ (331) million [-%]
Six months ended September 30, 2023: ¥ 1,732 million [(32.3)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	18.85	-
September 30, 2023	13.67	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	31,162	24,889	79.6
March 31, 2024	31,485	25,603	81.0

(Reference) Equity: As of September 30, 2024: ¥ 24,819 million
As of March 31, 2024: ¥ 25,511 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	14.00	14.00
Fiscal year ending March 31, 2025	-	0.00	-	-	-
Fiscal year ending March 31, 2025 (Forecast)	-	-	-	15.00	15.00

(Note) Revision to the forecast for dividends announced most recently: None

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending March 31, 2025 :

Commemorative dividend - yen
Special dividend - yen

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	25,200	8.7	1,850	5.9	1,850	0.4	1,300	2.2	49.39

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)

Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of semi-annual consolidated financial statements: Yes

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

September 30, 2024: 26,475,880 shares

March 31, 2024: 26,475,880 shares

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

September 30, 2024: 141,396 shares

March 31, 2024: 141,318 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 26,334,528 shares

Six months ended September 30, 2023: 26,311,902 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters.

These forward-looking statements such as financial forecasts contained in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve them. Actual results and other future events may differ significantly due to various factors. Please refer to "(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements" on page 2 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 November 12, 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. Qualitative Information on The Six Months Ended Financial Results

(1) Explanation of Operating Results

During the Six months ended of the fiscal year ending March 31, 2025, of the Group, net sales were ¥11,817 million (up ¥865 million, or 7.9% year on year), operating profit came to ¥669 million (up ¥51 million, or 8.3% year on year), ordinary profit was ¥664 million (up ¥32 million, or 5.1% year on year), and net income attributable to owners of parent amounted to ¥496 million (up ¥136 million, or 38.0% year on year). Net sales of our own products accounted for 80.9% of consolidated net sales (80.1% same period last year).

In Japan, net sales were ¥6,341 million (up ¥212 million, or 3.5% year on year), after the partial deduction of promotional expenses in accordance with Accounting Standard for Revenue Recognition. In the United States, net sales to external customers increased to \$35.947 million (up \$1.815 million or 5.3% year on year), and after translation into yen, net sales were ¥5,476 million (up ¥653 million, or 13.5% year on year) due to the impact of the yen's depreciation. (Reference: The exchange rate for U.S. sales was 141.31 yen to the U.S. dollar in the same period last year and was 152.34 yen to the U.S. dollar in the six months ended under review.)

Sales by product segment are as follows.

For the joint category in Japan, in Bipolar Hip Arthroplasty (BHA), the number of acquired cases of the artificial hip joint product Entrada Hip Stem with hydroxyapatite (HA) coating and a new product, Promontory Hip Stem, increased, resulting in strong overall BHA sales with double-digit growth. On the other hand, sales of Total Hip Arthroplasty (THA) decreased due to the fall in the number of acquired cases of THA. In addition, the number of acquired cases of Total Knee Arthroplasty (TKA) decreased, and overall TKA sales saw a decline. As a result, net sales in Japan for this category were ¥2,373 million (up 0.5% year on year).

For the joint category in the United States, the number of acquired cases of Total Knee Arthroplasty (TKA) for artificial knee joint products such as BKS TriMax and BKS Revision Knee increased as the customer base expanded, resulting in higher overall TKA sales. The number of acquired cases of Alpine Hip Stem in artificial hip joint products remained firm, but the number of acquired cases of Entrada Hip Stem decreased slightly, resulting in overall sales of artificial hip joint (THA, BHA) remaining flat compared with the same period last year. In addition, during the six months ended under review, we began to sell in certain facilities a new artificial hip joint product Trivicta Hip Stem, a triple taper-type hip stem for which demand is growing in the artificial hip joint market in the United States. As a result, net sales in the United States for this category were \$35.851 million (up 5.4% year on year). After translation into yen, net sales were ¥5,461 million (up 13.6% year on year) due to the impact of the yen's depreciation.

In the Trauma category, the number of acquired cases of Prima Hip Screw, a treatment material for femoral neck fractures, increased and continued double-digit growth. As a result, net sales in Japan were ¥2,134 million (up 3.6% year on year).

In the spine category, the number of acquired cases of KMC Kyphoplasty System, Vusion Ti3D ARC Cage, and Lince Plate increased, leading to higher sales in Japan. In particular, KMC Kyphoplasty System recorded strong sales with double-digit growth compared with the same period last year following the expansion of the Balloon Kyphoplasty market. As a result of these factors, total net sales for this category in Japan and the United States were ¥1,763 million (up 6.8% year on year).

The cost to sales ratio increased to 36.5% (35.9% in the same period last year), mainly due to higher procurement costs resulting from inflation and a weaker yen. Selling, general, and administrative expenses totaled ¥6,837 million (up 6.7% year on year), and the ratio of selling, general, and administrative expenses to net sales was 57.9% (58.5% in the same period last year), as a result of increases in commission expenses (commissions and royalties) due to increased U.S. sales as well as personnel expenses due to wage increases.

Operating profit was ¥669 million (up 8.3% year on year), as the increase in net sales absorbed the rise in the cost of sales ratio and the increase in selling, general, and administrative expenses.

Ordinary profit was ¥664 million (up 5.1% year on year) as a result of recording non-operating income of ¥43 million, including

foreign exchange gains of ¥37 million, and recording non-operating expenses of ¥47 million, including interest expenses of ¥24 million and ¥17 million in share of loss of a joint venture in China, Changzhou Waston Ortho Medical Appliance Co., Limited, accounted for using the equity method.

As for extraordinary income and losses, ¥22 million was recorded under extraordinary losses, consisting of loss on retirement of non-current assets such as medical instruments.

As a result, net income attributable to owners of parent amounted to ¥496 million (up 38.0% year on year).

Segment results are as follows.

1) Japan

Net sales were ¥6,341 million (up 3.5% year on year) and operating profit was ¥255 million (down 45.3% year on year).

2) United States

Net sales were ¥7,336 million (up 10.4% year on year) and operating profit was ¥364 million (up 296.2% year on year).

(2) Explanation of Financial Position

Total assets at the end of the six months ended under review decreased ¥322 million from the end of the previous fiscal year to ¥31,162 million. The main factors for decreases were a decrease in notes and accounts receivable - trade, and contract assets of ¥558 million, work in process of ¥416 million and merchandise and finished goods of ¥265 million. The main factors for increases were an increase in raw materials and supplies of ¥996 million.

Total liabilities increased ¥391 million from the end of the previous fiscal year to ¥6,273 million. The main factors for increases were an increase in short-term borrowings of ¥1,065 million, while the main factors for decreases were a decrease in notes and accounts payable - trade of ¥424 million, income taxes payable of ¥92 million and long-term borrowings of ¥92 million.

Total net assets decreased ¥714 million from the end of the previous fiscal year to ¥24,889 million. The main factor for decreases was a decrease in foreign currency translation adjustment of ¥770 million.

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

There is no change to the consolidated financial forecast for the current fiscal year announced on April 30, 2024.

2. Semi-annual Consolidated Financial Statements and Main Notes

(1) Semi-annual Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	2,321,552	2,260,068
Notes and accounts receivable - trade, and contract assets	5,915,467	5,357,301
Merchandise and finished goods	10,259,039	9,993,652
Work in process	919,068	502,766
Raw materials and supplies	1,914,371	2,910,486
Other	257,347	546,534
Allowance for doubtful accounts	(3,966)	(5,609)
Total current assets	21,582,880	21,565,200
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	876,633	818,093
Machinery, equipment and vehicles, net	354,459	355,576
Tools, furniture and fixtures, net	4,935,249	4,896,231
Land	1,960,584	1,958,430
Other	193,692	15,561
Total property, plant and equipment	8,320,618	8,043,893
Intangible assets	219,262	178,746
Investments and other assets		
Investments in capital of subsidiaries and associates	157,654	159,451
Deferred tax assets	1,136,171	1,148,965
Other	69,272	66,618
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,363,097	1,375,034
Total non-current assets	9,902,978	9,597,674
Total assets	31,485,859	31,162,874

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,403,276	978,905
Short-term borrowings	1,162,382	2,228,163
Lease liabilities	37,600	35,866
Income taxes payable	192,482	100,164
Accrued expenses	551,182	570,555
Accounts payable - other	235,050	177,064
Provision for bonuses	237,310	213,753
Provision for bonuses for directors (and other officers)	27,252	15,138
Other	183,973	155,383
Total current liabilities	4,030,510	4,474,993
Non-current liabilities		
Long-term borrowings	259,820	166,992
Lease liabilities	34,629	14,708
Retirement benefit liability	1,424,964	1,474,432
Provision for share awards for directors (and other officers)	80,571	90,159
Asset retirement obligations	31,560	31,735
Long-term deposits received	20,000	20,500
Total non-current liabilities	1,851,545	1,798,528
Total liabilities	5,882,056	6,273,521
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,237	2,591,309
Retained earnings	16,583,962	16,710,044
Treasury shares	(165,556)	(165,611)
Total shareholders' equity	22,007,572	22,137,671
Accumulated other comprehensive income		
Deferred gains or losses on hedges	47,015	(14,700)
Foreign currency translation adjustment	3,614,304	2,844,147
Remeasurements of defined benefit plans	(157,570)	(147,309)
Total accumulated other comprehensive income	3,503,749	2,682,137
Non-controlling interests	92,480	69,544
Total net assets	25,603,802	24,889,353
Total liabilities and net assets	31,485,859	31,162,874

(2) Semi-annual Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Semi-annual Consolidated Statement of Income)

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	10,952,436	11,817,968
Cost of sales	3,928,813	4,310,877
Gross profit	7,023,623	7,507,090
Selling, general and administrative expenses		
Freight and packing costs	228,349	202,879
Promotion expenses	116,477	68,956
Advertising expenses	30,774	34,138
Salaries and allowances	1,924,345	2,016,874
Retirement benefit expenses	53,095	66,242
Legal welfare expenses	174,166	185,561
Welfare expenses	144,586	172,183
Provision of allowance for doubtful accounts	(80)	1,643
Travel and transportation expenses	144,675	153,486
Depreciation	671,713	717,890
Taxes and dues	71,572	78,847
Research and development expenses	466,417	468,813
Commission expenses	1,641,014	1,799,030
Other	738,720	871,310
Total selling, general and administrative expenses	6,405,828	6,837,857
Operating profit	617,795	669,233
Non-operating income		
Interest income	44	89
Foreign exchange gains	59,236	37,018
Other	10,703	5,964
Total non-operating income	69,985	43,072
Non-operating expenses		
Interest expenses	13,708	24,146
Share of loss of entities accounted for using equity method	31,438	17,555
Other	9,900	5,735
Total non-operating expenses	55,047	47,437
Ordinary profit	632,732	664,868
Extraordinary losses		
Loss on retirement of non-current assets	18,667	22,973
Settlement-related costs	75,000	-
Total extraordinary losses	93,667	22,973
Profit before income taxes	539,064	641,895
Income taxes - current	338,832	130,083
Income taxes - deferred	(155,057)	9,785
Total income taxes	183,775	139,869
Profit	355,289	502,025
Profit (loss) attributable to non-controlling interests	(4,434)	5,499
Profit attributable to owners of parent	359,723	496,526

(Semi-annual Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	355,289	502,025
Other comprehensive income		
Deferred gains or losses on hedges	74,080	(61,715)
Foreign currency translation adjustment	1,297,205	(781,723)
Remeasurements of defined benefit plans, net of tax	5,765	10,260
Total other comprehensive income	1,377,051	(833,178)
Comprehensive income	1,732,340	(331,153)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,720,113	(325,086)
Comprehensive income attributable to non-controlling interests	12,227	(6,066)

(3) Notes to The Six Months Ended Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Accounting Treatment Specific to the Preparation of The Six Months Ended Consolidated Financial Statements)

Tax expenses were calculated by reasonably estimating an effective tax rate after application of tax effect accounting to profit before income taxes for the fiscal year including the six months ended under review and multiplying profit before income taxes by the estimated effective tax rate.

(Additional Information)

(Change in Presentation)

(The Six Months Ended Consolidated Statement of Income)

Commission for syndicated loans, which was separately presented under non-operating expenses in the six months ended of the previous fiscal year, has been included in Other under non-operating expenses since it became immaterial. The consolidated financial statements for the six months ended of the previous fiscal year have been reclassified to reflect the change in presentation.

As a result, Commission for syndicated loans of ¥4,134 thousand and Other of ¥5,765 thousand, which were presented under non-operating expenses in the consolidated statement of income for the six months ended of the previous fiscal year, have been reclassified as Other of ¥9,900 thousand.

(Segment Information, etc.)

I. The Six Months Ended of the Fiscal Year Ended March 2024 (from April 1 to September 30, 2023)

1. Information on the amounts of sales and profits for each reportable segment and information on the breakdown of revenue

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the six months ended consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	6,129,249	4,823,187	10,952,436	—	10,952,436
Net sales to external customers	6,129,249	4,823,187	10,952,436	—	10,952,436
Inter-segment net sales or transfers	—	1,821,198	1,821,198	(1,821,198)	—
Total	6,129,249	6,644,385	12,773,635	(1,821,198)	10,952,436
Segment profit	466,550	92,064	558,615	59,179	617,795

Notes: 1. Adjustments for segment profit include ¥59,179 thousand in elimination of inter-segment transactions.

2. Segment profit is adjusted with operating profit in the six months ended consolidated statement of income.

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

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

Not applicable.

II. The Six Months Ended of the Fiscal Year Ending March 2025 (from April 1 to September 30, 2024)

1. Information on the amounts of sales and profits for each reportable segment and information on the breakdown of revenue

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the six months ended consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	6,341,671	5,476,296	11,817,968	—	11,817,968
Net sales to external customers	6,341,671	5,476,296	11,817,968	—	11,817,968
Inter-segment net sales or transfers	—	1,860,393	1,860,393	(1,860,393)	—
Total	6,341,671	7,336,689	13,678,361	(1,860,393)	11,817,968
Segment profit	255,310	364,742	620,052	49,180	669,233

- Notes: 1. Adjustments for segment profit include ¥49,180 thousand in elimination of inter-segment transactions.
2. Segment profit is adjusted with operating profit in the six months ended consolidated statement of income.
3. For revenue from contracts with customers in Japan, part of the promotion expenses is deducted by applying the Accounting Standard for Revenue Recognition.

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

Not applicable.

3. Other

Sales

Sales for the six months ended under review by segment are as follows.

Name and item of each segment		Six months ended under review (from April 1 to September 30, 2024)	Compared to the same period last year
		Amount (in thousand yen)	(%)
Medical devices	Japan	6,341,671	103.5
	Joint	2,373,125	100.5
	Trauma	2,134,036	103.6
	Spine	1,749,316	106.9
	Other	187,430	102.2
	Subtotal	6,443,909	103.3
	Sales deduction	(102,237)	—
	United States	5,476,296	113.5
	Joint	5,461,671	113.6
	Spine	14,624	89.2
Total		11,817,968	107.9
		Ratio (%)	Change (%)
Sales ratio of our own products		80.9	0.7

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