

Summary of Consolidated Financial Results for the First Quarter of the Fiscal
Year Ending March 2023 [Japanese GAAP]



July 29, 2022

Company name Japan Medical Dynamic Marketing, INC. Listing TSE
 Securities code 7600 URL <https://www.jmdm.co.jp/>
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 Scheduled date of submission of the quarterly report August 10, 2022 Scheduled date of commencement of dividend payment -
 Preparation of supplementary materials for the quarterly financial results : None
 Holding of quarterly financial results briefing : None

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

1. Consolidated Financial Results for First Quarter of the Fiscal Year Ending March 2023 (from April 1 to June 30, 2022)

(1) Consolidated Operating Results (year to date) (Percentages indicate changes from the same quarter of the previous year.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 of FYE March 2023	5,027	10.8	498	-10.1	483	-10.7	336	-7.4
Q1 of FYE March 2022	4,537	33.1	554	129.0	542	127.2	363	176.3

(Note) Comprehensive Q1 of FYE March 2023 1,524 Million yen (321.1%) Q1 of FYE March 2022 362 Million yen (376.0%) income

	Net income per share	Diluted net income per share
Q1 of FYE March 2023	12.75 yen	- Yen
Q1 of FYE March 2022	13.78	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
Q1 of FYE March 2023	28,655 Million yen	22,698 Million yen	78.8%
FYE March 2022	27,342	21,491	78.2

(Reference) Shareholders' Q1 of FYE March 2023 22,572 Million yen FYE March 2022 21,386 Million yen equity

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of period	Total
FYE March 2022	- yen	0.00 yen	- yen	12.00 yen	12.00 yen
FYE March 2023	-				
FYE March 2023 (Forecast)		0.00	-	13.00	13.00

(Note) Revisions to the most recently announced dividend forecast : None

3. Consolidated Financial Forecasts for FYE 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

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

*Notes

- (1) Changes in significant subsidiaries during the first quarter under review : None
 (Changes in specified subsidiaries resulting in changes in scope of consolidation)
 Newly included - companies (Company name) -, Excluded - companies (company name) -
- (2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements : Yes
- (3) Changes in accounting policies, accounting estimates, and retrospective restatement
- 1) Changes in accounting policies based on revisions of accounting standard : None
- 2) Changes in accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Retrospective restatement : None

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury shares)	Q1 of FYE March 2023	26,475,880shares	FYE March 2022	26,475,880shares
2) Number of treasury shares at the end of the period	Q1 of FYE March 2023	92,179shares	FYE March 2022	92,179shares
3) Average number of shares during the period (year to date)	Q1 of FYE March 2023	26,383,701shares	Q1 of FYE March 2022	26,383,824shares

* This summary of quarterly financial results is not subject to audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts and other special notes

These forward-looking statements such as financial forecasts contained in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve them. Actual results and other future events may differ significantly due to various factors. Please refer to “(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements” on page 2 of the attached document for the assumptions underlying the forecasts, notes on using the forecasts, etc.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Operating Results

During the first quarter of the fiscal year ending March 31, 2023 of the Group, net sales were ¥5,027 million (up ¥489 million, or 10.8% year on year), operating profit was ¥498 million (down ¥55 million, or 10.1% year on year), ordinary profit was ¥483 million (down ¥58 million, or 10.7% year on year), and net income attributable to owners of parent was ¥336 million (down ¥27 million, or 7.4% year on year).

In Japan, the number of cases improved compared with the same quarter a year ago, a quarter affected by COVID-19, and net sales were ¥2,933 million (up ¥210 million, or 7.7% year on year). On the other hand, in the United States, the number of cases increased due to a recovery in business activities as a result of the expansion of COVID-19 vaccinations and other factors in comparison with the same quarter a year ago when cases grew in number. However, net sales to external customers in the United States (in U.S. dollars) decreased 1.6% year on year due to a decline in case unit prices, but after translation into yen, net sales increased 15.4% to ¥2,093 million due to the impact of the yen's depreciation.

In the artificial joints category, combined total net sales in Japan and the United States increased 11.5% (4.8% in Japan and 15.5% in the United States) year on year to ¥3,222 million as sales in the United States grew substantially (after translation into Japanese yen) due to the yen's sharp depreciation. (Reference: The exchange rate for U.S. sales was 110.03 yen to the U.S. dollar in the same quarter a year ago and was 129.05 yen to the U.S. dollar in the quarter under review.)

In the category of osteosynthesis materials, net sales in Japan increased 10.7% year on year to ¥960 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 and sales of Pisces Spinal System grew, resulting in a 10.2% increase in total net sales in Japan and the United States to ¥827 million.

As for cost of sales, the cost of sales ratio was 33.4% (32.0% in the same quarter a year ago) mainly due to the yen's depreciation and revision to redemption prices in Japan.

Selling, general and administrative expenses totaled ¥2,849 million (up 12.5% year on year), reflecting an increase in expenses (after translation into yen) in the United States as a result of the yen's depreciation. The ratio of selling, general and administrative expenses to net sales was 56.7% (55.8% in the same quarter a year ago).

Despite an increase in net sales, operating profit was ¥498 million (down 10.1% year on year) due to an increase in selling, general and administrative expenses in addition to an increase in the cost of sales ratio owing to the yen's depreciation.

Ordinary profit was ¥483 million (down 10.7% year on year) as a result of recording non-operating income of ¥35 million, including insurance claim income of ¥13 million, and recording non-operating expenses of ¥49 million, including foreign exchange losses of ¥30 million.

As for extraordinary income and losses, ¥6 million in reversal of provision for loss on business was recorded under extraordinary income and ¥12 million in loss on retirement of non-current assets such as medical tools was recorded under extraordinary loss.

As a result, net income attributable to owners of parent amounted to ¥336 million (down 7.4% from the previous fiscal year).

Segment results are as follows.

1) Japan

Net sales were ¥2,933 million (up 7.7% year on year) and operating profit was ¥255 million (down 22.6% year on year).

2) United States

Net sales were ¥2,949 million (up 12.3% year on year) and operating profit was ¥206 million (down 14.6% year on year).

(2) Explanation on Financial Position

Total assets at the end of the quarter under review increased ¥1,312 million from the end of the previous fiscal year to ¥28,655 million. The main increases were in merchandise and finished goods by ¥915 million and raw materials and supplies by ¥422 million.

Total liabilities increased ¥105 million from the end of the previous fiscal year to ¥5,957 million. The main increase was in short-term borrowings by ¥219 million, and the main decreases were in provision for bonuses by ¥149 million and in long-term borrowings by ¥56 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 minus ¥707 million at the end of the quarter under review.

Total net assets increased ¥1,207 million from the end of the previous fiscal year to ¥22,698 million. The main increases were in foreign currency translation adjustment by ¥1,066 million and in deferred gains or losses on hedges by ¥96 million.

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

There is no change to the consolidated financial forecast for the current fiscal year announced on April 28, 2022.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(In thousand yen)

	Previous fiscal year (March 31, 2022)	The quarter under review (June 30, 2022)
Assets		
Current assets		
Cash and deposits	2,590,849	2,711,659
Notes and accounts receivable - trade, and contract assets	5,212,555	4,816,943
Merchandise and finished goods	8,186,658	9,102,262
Work in process	497,823	422,207
Raw materials and supplies	1,410,927	1,833,797
Other	149,211	374,383
Allowance for doubtful accounts	-1,386	-1,229
Total current assets	18,046,638	19,260,024
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	728,450	761,654
Machinery, equipment, and vehicles (net)	350,978	366,033
Tools, furniture, and fixtures (net)	4,691,605	4,723,255
Land	1,953,479	1,957,063
Other	48,173	62,533
Total property, plant, and equipment	7,772,687	7,870,540
Intangible assets	291,960	298,052
Investments and other assets		
Investment securities	—	34,172
Investments in capital of subsidiaries and associates	174,887	183,552
Deferred tax assets	971,990	925,382
Other	84,558	83,688
Total investments and other assets	1,231,435	1,226,796
Total non-current assets	9,296,083	9,395,388
Total assets	27,342,722	28,655,413

(In thousand yen)

	Previous fiscal year (March 31, 2022)	The quarter under review (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	785,671	927,645
Short-term borrowings	557,046	777,038
Lease liabilities	33,163	29,026
Income taxes payable	266,440	172,877
Accrued expenses	512,569	598,292
Accounts payable - other	189,283	148,407
Provision for bonuses	194,015	44,481
Provision for bonuses for directors (and other officers)	65,200	13,851
Provision for loss on business	65,000	48,780
Other	231,291	223,029
Total current liabilities	2,899,680	2,983,429
Non-current liabilities		
Long-term borrowings	1,247,662	1,191,228
Lease liabilities	10,875	6,732
Retirement benefit liability	1,023,546	1,037,713
Provision for share awards for directors (and other officers)	88,322	92,471
Asset retirement obligations	29,201	29,288
Long-term deposits received	8,000	8,500
Deferred tax liabilities	544,310	607,808
Total non-current liabilities	2,951,919	2,973,742
Total liabilities	5,851,600	5,957,171
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,029	2,587,029
Retained earnings	14,550,073	14,569,057
Treasury shares	-111,940	-111,940
Total shareholders' equity	20,027,090	20,046,074
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	96,486
Foreign currency translation adjustment	1,351,922	2,418,621
Remeasurements of defined benefit plans	7,429	10,916
Total accumulated other comprehensive income	1,359,352	2,526,024
Non-controlling interests	104,678	126,142
Total net assets	21,491,121	22,698,241
Total liabilities and net assets	27,342,722	28,655,413

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly Consolidated Statement of Income
The quarter under review

(In thousand yen)

	The same quarter a year ago (From April 1 to June 30, 2021)	The first quarter under review (From April 1 to June 30, 2022)
Net sales	4,537,774	5,027,421
Cost of sales	1,450,366	1,678,888
Gross profit	3,087,408	3,348,532
Selling, general, and administrative expenses		
Freight and packing costs	87,696	108,413
Promotion expenses	34,597	43,816
Advertising expenses	16,689	22,991
Salaries and allowances	806,035	899,198
Retirement benefit expenses	25,552	24,991
Legal welfare expenses	69,142	77,815
Welfare expenses	59,527	74,979
Provision of allowance for doubtful accounts	-49	-157
Travel and transportation expenses	31,204	55,831
Depreciation	299,112	339,062
Taxes and dues	46,595	36,117
Research and development expenses	111,835	135,954
Commission expenses	607,258	696,827
Other	337,764	334,035
Total selling, general, and administrative expenses	2,532,962	2,849,877
Operating profit	554,446	498,655
Non-operating income		
Interest income	37	28
Foreign exchange gains	544	-
Commission income	3,174	2,844
Insurance claim income	-	13,220
Other	806	18,926
Total non-operating income	4,562	35,020
Non-operating expenses		
Interest expenses	10,265	5,751
Foreign exchange losses	-	30,969
Share of loss of entities accounted for using equity method	-	7,642
Commission for syndicated loans	958	2,056
Other	5,751	3,452
Total non-operating expenses	16,975	49,871
Ordinary profit	542,033	483,803
Extraordinary income		
Reversal of provision for loss on business	-	6,967
Total extraordinary income	-	6,967
Extraordinary losses		
Loss on retirement of non-current assets	11,132	12,121
Total extraordinary losses	11,132	12,121
Net income before income taxes and others	530,900	478,649
Income taxes - current	172,627	136,306
Income taxes-deferred	-6,248	2,485
Total income taxes	166,379	138,792
Net income	364,521	339,857
Net income attributable to non-controlling interests	955	3,347
Net income attributable to owners of parent	363,565	336,510

Quarterly Consolidated Statement of Comprehensive Income

The quarter under review

(In thousand yen)

	The same quarter a year ago (From April 1 to June 30, 2021)	The first quarter under review (From April 1 to June 30, 2022)
Net income	364,521	339,857
Total accumulated other comprehensive income		
Deferred gains or losses on hedges	-2,788	96,486
Foreign currency translation adjustment	-3,673	1,084,814
Remeasurements of defined benefit plans, net of tax	3,990	3,486
Total other comprehensive income	-2,471	1,184,788
Comprehensive income	362,050	1,524,645
(Breakdown)		
Comprehensive income attributable to owners of parent	361,161	1,503,182
Comprehensive income attributable to non-controlling interests	888	21,463

(3) Notes to Quarterly Consolidated Financial Statements

(Note on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)

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

(Additional Information)

(Impact of COVID-19)

The accounting estimates for the first quarter under review are reasonably calculated based on the information available at the time of preparation of the consolidated quarterly 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 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.)

I. Consolidated Financial Results for the First Quarter of the Fiscal Year Ended March 2022 (from April 1 to June 30, 2021)

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

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	2,722,937	1,814,837	4,537,774	-	4,537,774
Net sales to external customers	2,722,937	1,814,837	4,537,774	-	4,537,774
Inter-segment net sales or transfers	-	811,928	811,928	-811,928	-
Total	2,722,937	2,626,766	5,349,703	-811,928	4,537,774
Segment profit	329,618	241,990	571,608	-17,162	554,446

Notes: 1. Adjustments for segment profit include ¥17,162,000 in elimination of inter-segment transactions.

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

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

Not applicable.

II. First Quarter of the Fiscal Year Ending March 2023 (from April 1 to June 30, 2022)

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

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	2,933,867	2,093,553	5,027,421	-	5,027,421
Net sales to external customers	2,933,867	2,093,553	5,027,421	-	5,027,421
Inter-segment net sales or transfers	-	855,861	855,861	-855,861	-
Total	2,933,867	2,949,415	5,883,282	-855,861	5,027,421
Segment profit	255,153	206,652	461,806	36,849	498,655

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

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

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

Not applicable.

3. Other

Sales

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

Name and item of each segment		First Quarter of the Fiscal Year Ending March 2023 (from April 1 to June 30, 2022)	Compared with the same quarter a year ago
		Amount (in thousand yen)	(%)
Medical devices	Japan	3,003,114	107.8
	Artificial joints	1,134,977	104.8
	Osteosynthesis materials	960,182	110.7
	Spinal fixation devices	820,796	110.5
	Other	87,156	95.3
	United States	2,093,553	115.4
	Artificial joints	2,087,054	115.5
	Spinal fixation devices	6,498	82.0
Subtotal (A)		5,096,667	110.8
Sales deduction (B)		-69,246	—
Total (A) + (B)		5,027,421	110.8

(Note) Inter-segment transactions are offset and eliminated. As the amount of "Japan, Artificial bones," which had been separately disclosed in the same quarter a year ago, became less important, it was included in "Japan, Other," starting from the first quarter of the current fiscal year.