

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



October 31, 2022

Company name Japan Medical Dynamic Marketing, INC. Listing TSE  
 Securities code 7600 URL <http://www.jmdm.co.jp/>  
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 Scheduled date of submission of the quarterly report November 14, 2022 Scheduled date of commencement of dividend payment -  
 Preparation of supplementary materials for the quarterly financial results : Yes  
 Holding of quarterly financial results briefing : Yes (for institutional investors and analysts)

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

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

(1) Consolidated Operating Results (year to date) (Percentages indicate changes from the first half 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	%
H1 of FYE March 2023	9,989	12.8	927	-12.4	916	-12.1	721	-28.1
H1 of FYE March 2022	8,858	14.3	1,058	28.4	1,042	29.4	1,003	90.6

(Note) Comprehensive income H1 of FYE March 2023 2,558 million yen H1 of FYE March 2022 1,111 million yen  
 (130.2%) (221.0%)

	Net income per share	Diluted net income per share
	yen	Yen
H1 of FYE March 2023	27.35	-
H1 of FYE March 2022	38.03	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
Q2 of FYE March 2023	29,424	23,731	80.2
FYE March 2022	27,342	21,491	78.2

(Reference) Shareholders' equity Q2 of FYE March 2023 23,591 million yen FYE March 2022 21,386 million yen

2. Dividends

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

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

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

(Percentages indicate year-on-year changes.)

	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
Full year	21,800	13.6	2,000	-24.9	2,050	-20.9	1,450	-32.1	54.96

(Note) Revisions to the most recently announced financial forecast : Yes

\*Notes

- (1) Changes in significant subsidiaries during the 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)	Q2 of FYE March 2023	26,475,880shares	FYE March 2022	26,475,880shares
2) Number of treasury shares at the end of the period	Q2 of FYE March 2023	92,207shares	FYE March 2022	92,179shares
3) Average number of shares during the period (year to date)	H1 of FYE March 2023	26,383,693shares	H1 of FYE March 2022	26,383,792shares

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

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

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

The Company will hold a financial results briefing for institutional investors and analysts on November 11, 2022. 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.

○ Table of Contents of Attachment

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation on Operating Results .....	2
(2) Explanation on Financial Position.....	2
(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements .....	3
2. Quarterly Consolidated Financial Statements and Main Notes.....	4
(1) Quarterly consolidated balance sheet .....	4
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income .....	6
(3) Notes to Quarterly Consolidated Financial Statements .....	8
(Note on Going Concern Assumption).....	8
(Notes on Substantial Changes in the Amount of Shareholders' Equity) .....	8
(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements) .....	8
(Additional Information).....	8
(Segment Information, Etc.) .....	8
3. Other.....	9
Sales.....	9

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation on Operating Results

During the first half of the fiscal year ending March 31, 2023 of the Group, net sales were ¥9,989 million (up ¥1,131 million, or 12.8% year on year), operating profit was ¥927 million (down ¥131 million, or 12.4% year on year), ordinary profit was ¥916 million (down ¥126 million, or 12.1% year on year), and net income attributable to owners of parent was ¥721 million (down ¥281 million, or 28.1% year on year).

In Japan, despite a decline in the case unit prices due to the lowering of reimbursement prices, the number of acquired cases grew compared with the same quarter a year ago, and net sales were ¥5,805 million (up ¥339 million, or 6.2% year on year). In the United States, net sales to external customers (US dollars) increased 1.9% compared with the same quarter a year ago. This was because the number of cases acquired increased due to the contribution of the customer base that continued to expand from last year compared with the same quarter a year ago, and after translation into yen, net sales increased 23.3% to ¥4,184 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 15.7% (3.7% in Japan and 23.3% in the United States) year on year to ¥6,393 million. This was because the number of acquired cases in Japan increased despite considerable lowering of the reimbursement prices, and sales in the United States grew substantially (after translation into yen) due to the yen's sharp depreciation. (Reference: The exchange rate for U.S. sales was 110.21 yen to the U.S. dollar in the same quarter a year ago and was 133.47 yen to the U.S. dollar in the quarter under review.)

In the category of osteosynthesis materials, net sales in Japan increased 8.5% year on year to ¥1,922 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 were steady, resulting in a 9.7% increase in total net sales in Japan and the United States to ¥1,614 million.

As for cost of sales, the cost of sales ratio was 33.7% (32.2% in the same quarter a year ago) mainly due to the yen's depreciation and lowering of reimbursement prices in Japan.

Selling, general, and administrative expenses totaled ¥5,691 million (up 15.1% year on year). This was due to an increase in personnel expenses as a result of strengthening of the systems in Japan, an increase in commission expenses (commissions and royalties) in the wake of higher sales in the United States, and an increase in expenses (after translation into yen) in the United States, affected by the depreciation of the yen. In addition, the ratio of selling, general, and administrative expenses to net sales grew to 57.0% (55.8% in the same quarter a year ago).

Despite an increase in net sales, operating profit was ¥927 million (down 12.4% year on year) due to an increase in selling, general and administrative expenses in addition to a higher cost of sales ratio owing to the yen's depreciation.

Ordinary profit was ¥916 million (down 12.1% year on year) as a result of recording non-operating income of ¥39 million, including tax refund of ¥14 million and insurance claim income of ¥13 million, and recording non-operating expenses of ¥49 million, including share of loss of entities accounted for using equity method of ¥26 million.

As for extraordinary income and losses, ¥25 million in compensation income and ¥12 million in reversal of provision for loss on business were recorded under extraordinary income of ¥37 million, and ¥21 million in loss on retirement of non-current assets such as medical tools was recorded under extraordinary losses.

Net income attributable to owners of parent decreased 28.1% year on year to ¥721 million, due to the above results and the posting of ¥303 million in gain on forgiveness of debts as extraordinary income in the previous fiscal year.

Segment results are as follows.

#### 1) Japan

Net sales were ¥5,805 million (up 6.2% year on year) and operating profit was ¥463 million (down 30.6% year on year).

#### 2) United States

Net sales were ¥5,889 million (up 12.6% year on year) and operating profit was ¥389 million (down 8.6% year on year).

### (2) Explanation on Financial Position

Total assets at the end of the quarter under review increased ¥2,081 million from the end of the previous fiscal year to ¥29,424 million. The main increases were in merchandise and finished goods by ¥1,258 million and raw materials and supplies by ¥774 million.

Total liabilities decreased by ¥158 million from the end of the previous fiscal year to ¥5,692 million. The main decrease was long-term borrowings by ¥231 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 ¥985 million at the end of the quarter under review.

Total net assets increased ¥2,240 million from the end of the previous fiscal year to ¥23,731 million. The main increases were in foreign currency translation adjustment by ¥1,661 million and in retained earnings by ¥403 million.

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

The consolidated financial forecasts for the fiscal year ending March 2023 announced on April 28, 2022 have been revised. For details, please refer to the "Notice Concerning Difference between Consolidated Financial Forecasts and Financial Results for the Second Quarter of the Fiscal Year Ending March 2023 and Revision of Consolidated Financial Forecasts for the Fiscal Year Ending March 2023" announced today (October 31, 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 (September 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	2,590,849	2,617,844
Notes and accounts receivable - trade, and contract assets	5,212,555	4,638,552
Merchandise and finished goods	8,186,658	9,445,221
Work in process	497,823	661,839
Raw materials and supplies	1,410,927	2,185,158
Other	149,211	480,029
Allowance for doubtful accounts	-1,386	-1,165
Total current assets	18,046,638	20,027,480
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net)	728,450	811,511
Machinery, equipment, and vehicles (net)	350,978	365,946
Tools, furniture, and fixtures (net)	4,691,605	4,764,748
Land	1,953,479	1,959,101
Other	48,173	10,214
Total property, plant, and equipment	7,772,687	7,911,522
Intangible assets	291,960	298,951
Investments and other assets		
Investment securities	-	36,202
Investments in capital of subsidiaries and associates	174,887	159,767
Deferred tax assets	971,990	907,610
Other	84,558	82,815
Total investments and other assets	1,231,435	1,186,395
Total non-current assets	9,296,083	9,396,868
Total assets	27,342,722	29,424,349

(In thousand yen)

	Previous fiscal year (March 31, 2022)	The quarter under review (September 30, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	785,671	1,049,758
Short-term borrowings	557,046	588,406
Lease liabilities	33,163	21,495
Income taxes payable	266,440	206,385
Accrued expenses	512,569	511,653
Accounts payable - other	189,283	144,553
Provision for bonuses	194,015	166,895
Provision for bonuses for directors (and other officers)	65,200	21,831
Provision for loss on business	65,000	42,950
Other	231,291	117,166
<b>Total current liabilities</b>	<b>2,899,680</b>	<b>2,871,095</b>
Non-current liabilities		
Long-term borrowings	1,247,662	1,016,179
Lease liabilities	10,875	5,976
Retirement benefit liability	1,023,546	1,052,863
Provision for share awards for directors (and other officers)	88,322	95,180
Asset retirement obligations	29,201	29,357
Long-term deposits received	8,000	8,500
Deferred tax liabilities	544,310	613,622
<b>Total non-current liabilities</b>	<b>2,951,919</b>	<b>2,821,679</b>
<b>Total liabilities</b>	<b>5,851,600</b>	<b>5,692,775</b>
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	14,954,026
Treasury shares	-111,940	-111,981
<b>Total shareholders' equity</b>	<b>20,027,090</b>	<b>20,431,002</b>
Accumulated other comprehensive income		
Deferred gains or losses on hedges	-	132,578
Foreign currency translation adjustment	1,351,922	3,013,204
Remeasurements of defined benefit plans	7,429	14,402
<b>Total accumulated other comprehensive income</b>	<b>1,359,352</b>	<b>3,160,185</b>
Non-controlling interests	104,678	140,385
<b>Total net assets</b>	<b>21,491,121</b>	<b>23,731,573</b>
<b>Total liabilities and net assets</b>	<b>27,342,722</b>	<b>29,424,349</b>

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

Quarterly consolidated statement of income

The first half under review

(In thousand yen)

	The first half a year ago (From April 1 to September 30, 2021)	The first half under review (From April 1 to September 30, 2022)
Net sales	8,858,500	9,989,631
Cost of sales	2,856,569	3,370,648
Gross profit	6,001,931	6,618,983
Selling, general, and administrative expenses		
Freight and packing costs	175,179	208,687
Promotion expenses	54,041	53,800
Advertising expenses	32,284	35,726
Salaries and allowances	1,619,998	1,796,693
Retirement benefit expenses	51,105	49,982
Legal welfare expenses	149,501	161,265
Welfare expenses	102,781	133,433
Provision of allowance for doubtful accounts	-83	-221
Travel and transportation expenses	63,927	110,550
Depreciation	597,522	682,900
Taxes and dues	81,930	71,407
Research and development expenses	237,573	293,237
Commission expenses	1,132,091	1,409,215
Other	645,873	685,253
Total selling, general, and administrative expenses	4,943,728	5,691,934
Operating profit	1,058,203	927,049
Non-operating income		
Interest income	64	49
Foreign exchange gains	117	-
Commission income	6,018	2,844
Insurance claim income	-	13,220
Other	5,635	23,174
Total non-operating income	11,834	39,289
Non-operating expenses		
Interest expenses	13,905	10,318
Foreign exchange losses	-	980
Share of loss of entities accounted for using equity method	3,393	26,145
Commission for syndicated loans	3,160	4,161
Other	6,660	8,106
Total non-operating expenses	27,119	49,712
Ordinary profit	1,042,918	916,626
Extraordinary income		
Reversal of provision for loss on business	-	12,797
Compensation income	-	25,000
Gain on forgiveness of debts	303,474	-
Total extraordinary income	303,474	37,797
Extraordinary losses		
Loss on retirement of non-current assets	20,111	21,824
Total extraordinary losses	20,111	21,824
Net income before income taxes and others	1,326,281	932,599
Income taxes - current	304,484	228,757
Income taxes - deferred	10,294	-25,129
Total income taxes	314,778	203,627
Net income	1,011,502	728,971
Net income attributable to non-controlling interests	8,133	7,492
Net income attributable to owners of parent	1,003,369	721,479



## Quarterly Consolidated Statement of Comprehensive Income

The first half under review

	(In thousand yen)	
	The first half a year ago (From April 1 to September 30, 2021)	The first half under review (From April 1 to September 30, 2022)
Net income	1,011,502	728,971
Total accumulated other comprehensive income		
Deferred gains or losses on hedges	-2,788	132,578
Foreign currency translation adjustment	94,518	1,689,496
Remeasurements of defined benefit plans, net of tax	7,981	6,972
Total other comprehensive income	99,711	1,829,047
Comprehensive income	1,111,214	2,558,019
(Breakdown)		
Comprehensive income attributable to owners of parent	1,101,370	2,522,312
Comprehensive income attributable to non-controlling interests	9,843	35,706

## (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 half under review are reasonably calculated based on the information available at the time of preparing the consolidated quarterly financial statements. However, there are 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. First Half of the Fiscal Year Ended March 2022 (from April 1 to September 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	5,466,092	3,392,408	8,858,500	-	8,858,500
Net sales to external customers	5,466,092	3,392,408	8,858,500	-	8,858,500
Inter-segment net sales or transfers	-	1,838,626	1,838,626	-1,838,626	-
Total	5,466,092	5,231,035	10,697,127	-1,838,626	8,858,500
Segment profit	667,721	425,896	1,093,618	-35,415	1,058,203

Notes: 1. Adjustments for segment profit include ¥35,415,000 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 Half of the Fiscal Year Ending March 2023 (from April 1 to September 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	5,805,241	4,184,390	9,989,631	-	9,989,631
Net sales to external customers	5,805,241	4,184,390	9,989,631	-	9,989,631
Inter-segment net sales or transfers	-	1,704,983	1,704,983	-1,704,983	-
Total	5,805,241	5,889,373	11,694,614	-1,704,983	9,989,631
Segment profit	463,447	389,418	852,866	74,183	927,049

Notes: 1. Adjustments for segment profit include ¥74,183,000 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 half under review by segment are as follows.

Name and item of each segment		The first half under review (From April 1 to September 30, 2022)	Compared with the first half a year ago
		Amount (in thousand yen)	(%)
Medical devices	Japan	5,921,942	105.8
	Artificial joints	2,226,200	103.7
	Osteosynthesis materials	1,922,399	108.5
	Spinal fixation devices	1,596,866	109.5
	Other	176,475	80.4
	United States	4,184,390	123.3
	Artificial joints	4,167,225	123.3
	Spinal fixation devices	17,164	128.7
Subtotal (A)		10,106,332	112.4
Sales deduction (B)		-116,700	-
Total (A) + (B)		9,989,631	112.8

(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.