Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 2025 [Japanese GAAP]

July 30, 2024

Company name: Japan Medical Dynamic Marketing, INC.
Stock exchange listing: Tokyo
Code number: 7600
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Scheduled date of filing quarterly securities report:
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on quarterly financial results:
Schedule of quarterly financial results briefing session:

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

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

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	6,052	12.0	366	5.7	367	9.0	273	54.3
June 30, 2023	5,402	7.5	346	(30.5)	337	(30.2)	177	(47.3)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 1,199 million [(0.8) %]
Three months ended June 30, 2023: ¥ 1,209 million [(20.7) %]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	10.39	-
June 30, 2023	6.74	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	31,960	26,432	82.4
March 31, 2024	31,485	25,603	81.0

(Reference) Equity: As of June 30, 2024: ¥ 26,323 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	-				
Fiscal year ending March 31, 2025 (Forecast)		0.00	-	15.00	15.00

(Note) Revision to the forecast for dividends announced most recently: No

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	11,850	8.2	550	(11.0)	550	(13.1)	400	11.2	15.20
Full year	25,200	8.7	1,850	5.9	1,850	0.4	1,300	2.2	49.39

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2024
(changes in specified subsidiaries resulting in changes in scope of consolidation):

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

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

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

June 30, 2024: 26,475,880 shares
March 31, 2024: 26,475,880 shares

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

June 30, 2024: 141,346 shares
March 31, 2024: 141,318 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 26,334,548 shares
Three months ended June 30, 2023: 26,300,759 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm： None

* 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 of Operating Results

During the first quarter of the fiscal year ending March 31, 2025, of the Group, net sales were ¥6,052 million (up ¥650 million, or 12.0% year on year), operating profit came to ¥366 million (up ¥19 million, or 5.7% year on year), ordinary profit was ¥367 million (up ¥30 million, or 9.0% year on year), and net income attributable to owners of parent amounted to ¥273 million (up ¥96 million, or 54.3% year on year). Net sales of our own products accounted for 81.2% of consolidated net sales (80.1% in the same three months a year ago).

In Japan, net sales were ¥3,184 million (up ¥128 million, or 4.2%), after partial deduction of promotional expenses in accordance with Accounting Standard for Revenue Recognition. In the United States, net sales to external customers increased to $18.324 million (up $1.328 million or 7.8% year on year), and after translation into yen, net sales were ¥2,868 million (up ¥521 million, or 22.2% year on year) due to the impact of the yen's depreciation. (Reference: The exchange rate for U.S. sales was 138.11 yen to the U.S. dollar in the same quarter a year ago and was 156.55 yen to the U.S. dollar in the quarter 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 the new product Promontory Hip Stem increased, resulting in higher overall BHA sales. On the other hand, overall 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 slight decline. As a result, net sales in Japan for this category were ¥1,198 million (up 2.3% 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 strong sales with double-digit growth. The number of acquired cases of Alpine Hip Stem and Entrada Hip Stem in artificial hip joint products also increased, and sales began to rise. As a result, net sales in the United States for this category were $18.288 million (up 8.0% year on year). After translation into yen, net sales were ¥2,863 million (up 22.4% year on year) due to the impact of the yen's depreciation.

In the category of Trauma, 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 ¥1,079 million (up 4.0% 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, the number of acquired cases of KMC Kyphoplasty System increased 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 ¥874 million (up 6.5% year on year).

Cost of sales increased due to higher procurement costs resulting from inflation and a weaker yen. Moreover, the cost of sales ratio increased to 36.5% (from 35.4% in the same quarter a year ago) mainly due to the impact of the lowering of reimbursement prices in Japan. For selling, general, and administrative expenses, there were increases in commission expenses (commissions and royalties) due to increased U.S. sales, research and development expenses, and personnel expenses due to wage increases. Due to the weaker yen, expenses in the United States after translation into yen also increased, but it was partly offset by our efforts to reduce expenses. As a result, selling, general, and administrative expenses totaled ¥3,475 million (up 10.6% year on year), and the ratio of selling, general and administrative expenses to net sales was 57.4% (58.2% in the same quarter a year ago).

Operating profit was ¥366 million (up 5.7% 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 ¥367 million (up 9.0% year on year) as a result of recording non-operating income of ¥27 million, including foreign exchange gains of ¥23 million, and recording non-operating expenses of ¥25 million, including interest expenses of ¥9 million and ¥8 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, ¥10 million was recorded under extraordinary losses, consisting of loss on retirement of non-current assets such as medical tools.

As a result, net income attributable to owners of parent amounted to ¥273 million (up 54.3% year on year).

Segment results are as follows.

1) Japan

Net sales were ¥3,184 million (up 4.2% year on year) and operating profit was ¥156 million (down 33.6% year on year).

2) United States

Net sales were ¥3,753 million (up 17.9% year on year) and operating profit was ¥193 million (up 252.5% year on year).

(2) Explanation of Financial Position

Total assets at the end of the quarter under review increased ¥474 million from the end of the previous fiscal year to ¥31,960 million. The main factors for increases were an increase in raw materials and supplies of ¥867 million and merchandise and finished goods of ¥143 million. The main factors for decreases were a decrease of cash and deposits of ¥486 million and notes and accounts receivable - trade, and contract assets of ¥331 million.

Total liabilities decreased ¥354 million from the end of the previous fiscal year to ¥5,527 million. The main factors for decreases were a decrease in notes and accounts payable - trade of ¥260 million and a decrease in provision for bonuses of ¥187 million, while the main factors for increases were an increase in accrued expenses of ¥110 million and short-term borrowings of ¥104 million.

Total net assets increased ¥829 million from the end of the previous fiscal year to ¥26,432 million. The main factor for increases was an increase in foreign currency translation adjustment of ¥825 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.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	2,321,552	1,835,085
Notes and accounts receivable - trade, and contract assets	5,915,467	5,583,881
Merchandise and finished goods	10,259,039	10,402,830
Work in process	919,068	837,743
Raw materials and supplies	1,914,371	2,782,106
Other	257,347	409,775
Allowance for doubtful accounts	(3,966)	(5,656)
Total current assets	21,582,880	21,845,766
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	876,633	896,277
Machinery, equipment and vehicles, net	354,459	355,847
Tools, furniture and fixtures, net	4,935,249	5,016,048
Land	1,960,584	1,963,029
Other	193,692	325,073
Total property, plant and equipment	8,320,618	8,556,275
Intangible assets	219,262	208,752
Investments and other assets		
Investments in capital of subsidiaries and associates	157,654	188,805
Deferred tax assets	1,136,171	1,093,174
Other	69,272	67,851
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,363,097	1,349,830
Total non-current assets	9,902,978	10,114,858
Total assets	31,485,859	31,960,625

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,403,276	1,143,025
Short-term borrowings	1,162,382	1,266,579
Lease liabilities	37,600	40,010
Income taxes payable	192,482	163,503
Accrued expenses	551,182	662,025
Accounts payable - other	235,050	209,300
Provision for bonuses	237,310	49,734
Provision for bonuses for directors (and other officers)	27,252	7,569
Other	183,973	177,676
Total current liabilities	4,030,510	3,719,424
Non-current liabilities		
Long-term borrowings	259,820	195,506
Lease liabilities	34,629	26,586
Retirement benefit liability	1,424,964	1,449,212
Provision for share awards for directors (and other officers)	80,571	85,365
Asset retirement obligations	31,560	31,668
Long-term deposits received	20,000	20,000
Total non-current liabilities	1,851,545	1,808,338
Total liabilities	5,882,056	5,527,763
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,237	2,587,237
Retained earnings	16,583,962	16,487,062
Treasury shares	(165,556)	(165,575)
Total shareholders' equity	22,007,572	21,910,653
Accumulated other comprehensive income		
Deferred gains or losses on hedges	47,015	125,427
Foreign currency translation adjustment	3,614,304	4,440,298
Remeasurements of defined benefit plans	(157,570)	(152,439)
Total accumulated other comprehensive income	3,503,749	4,413,286
Non-controlling interests	92,480	108,922
Total net assets	25,603,802	26,432,862
Total liabilities and net assets	31,485,859	31,960,625

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	5,402,640	6,052,877
Cost of sales	1,913,737	2,210,793
Gross profit	3,488,902	3,842,084
Selling, general and administrative expenses		
Freight and packing costs	112,639	108,375
Promotion expenses	77,318	46,830
Advertising expenses	20,562	25,293
Salaries and allowances	963,882	1,014,283
Retirement benefit expenses	26,547	33,121
Legal welfare expenses	80,655	83,408
Welfare expenses	71,780	84,325
Provision of allowance for doubtful accounts	(81)	1,689
Travel and transportation expenses	78,757	80,379
Depreciation	330,961	363,110
Taxes and dues	33,512	40,070
Research and development expenses	182,945	236,427
Commission expenses	799,377	942,580
Other	363,653	415,904
Total selling, general and administrative expenses	3,142,513	3,475,803
Operating profit	346,388	366,281
Non-operating income		
Interest income	25	48
Foreign exchange gains	10,946	23,713
Insurance claim income	-	66
Other	6,911	3,371
Total non-operating income	17,883	27,200
Non-operating expenses		
Interest expenses	5,121	9,511
Share of loss of entities accounted for using equity method	16,310	8,163
Commission for syndicated loans	2,086	2,500
Other	3,149	5,339
Total non-operating expenses	26,668	25,515
Ordinary profit	337,603	367,966
Extraordinary losses		
Loss on retirement of non-current assets	9,410	10,856
Settlement-related costs	75,000	-
Total extraordinary losses	84,410	10,856
Profit before income taxes	253,193	357,110
Income taxes - current	66,751	69,771
Income taxes - deferred	6,743	6,275
Total income taxes	73,494	76,046
Profit	179,698	281,063
Profit attributable to non-controlling interests	2,427	7,520
Profit attributable to owners of parent	177,271	273,543

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Thousands of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	179,698	281,063
Other comprehensive income		
Deferred gains or losses on hedges	103,515	78,412
Foreign currency translation adjustment	923,237	834,916
Remeasurements of defined benefit plans, net of tax	2,882	5,130
Total other comprehensive income	1,029,635	918,458
Comprehensive income	1,209,333	1,199,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,191,488	1,183,080
Comprehensive income attributable to non-controlling interests	17,845	16,442

(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 fiscal year including the quarter under review and multiplying net income before income taxes and others by the estimated effective tax rate.

(Segment Information, Etc.)

I. First Quarter of the Fiscal Year Ended March 2024 (from April 1 to June 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 on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	3,055,337	2,347,303	5,402,640	—	5,402,640
Net sales to external customers	3,055,337	2,347,303	5,402,640	—	5,402,640
Inter-segment net sales or transfers	—	835,458	835,458	(835,458)	—
Total	3,055,337	3,182,762	6,238,099	(835,458)	5,402,640
Segment profit	236,134	54,818	290,953	55,434	346,388

Notes: 1. Adjustments for segment profit include ¥55,434 thousand in elimination of inter-segment transactions.
2. Segment profit was adjusted with operating profit in the quarterly 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. First Quarter of the Fiscal Year Ending March 2025 (from April 1 to June 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 on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	3,184,194	2,868,683	6,052,877	—	6,052,877
Net sales to external customers	3,184,194	2,868,683	6,052,877	—	6,052,877
Inter-segment net sales or transfers	—	885,198	885,198	(885,198)	—
Total	3,184,194	3,753,881	6,938,076	(885,198)	6,052,877
Segment profit	156,841	193,226	350,068	16,212	366,281

Notes: 1. Adjustments for segment profit include ¥16,212 thousand in elimination of inter-segment transactions.
2. Segment profit was adjusted with operating profit in the quarterly 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.

(Notes on Consolidated Statement of Cash Flows)

Quarterly consolidated statement of cash flows has not been prepared for the three months ended June 30, 2024. Depreciation (including amortization related to intangible assets) for the three months ended June 30, 2024, is as follows.

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	¥388,277 thousand	¥423,336 thousand

3. Other

Sales

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

Name and item of each segment			The first quarter under review (from April 1 to June 30, 2024)	Compared with the same quarter a year ago
			Amount (in thousand yen)	(%)
Medical devices	Japan		3,184,194	104.2
		Joint	1,198,156	102.3
		Trauma	1,079,492	104.0
		Spine	868,954	106.9
		Other	92,143	100.2
		Subtotal	3,238,746	104.0
		Sales deduction	(54,552)	―
	United States		2,868,683	122.2
		Joint	2,863,047	122.4
		Spine	5,635	65.8
Total			6,052,877	112.0
			Ratio (%)	Change (%)
Sales ratio of our own products			81.2	1.1

Notes: 1. Inter-segment transactions are offset and eliminated.

2. In Japan, a portion of sales promotion expenses are deducted from net sales due to the application of the “Accounting Standard for Revenue Recognition.”

3. Sales results by item in Japan are shown as a lump-sum amount of such sales deductions, as a reasonable proration of such sales deductions is not possible.