# 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
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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 | |
|---|---|---|---|---|---|---|---|---|
| Six months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 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.