

First Half
Financial Results Briefing for the Fiscal Year Ending
March 2023

November 11, 2022
Japan Medical Dynamic Marketing,INC.

Representative Director and President
Masao Okawa



Securities code : 7600

Notes



The forward-looking statements in this document are based on information currently available to us and certain assumptions that we consider reasonable, and are not intended as a promise by us that they will be realized. Actual results may differ materially due to various factors.

Our products



Artificial Hip
Joint



Artificial
Knee Joint



Trauma

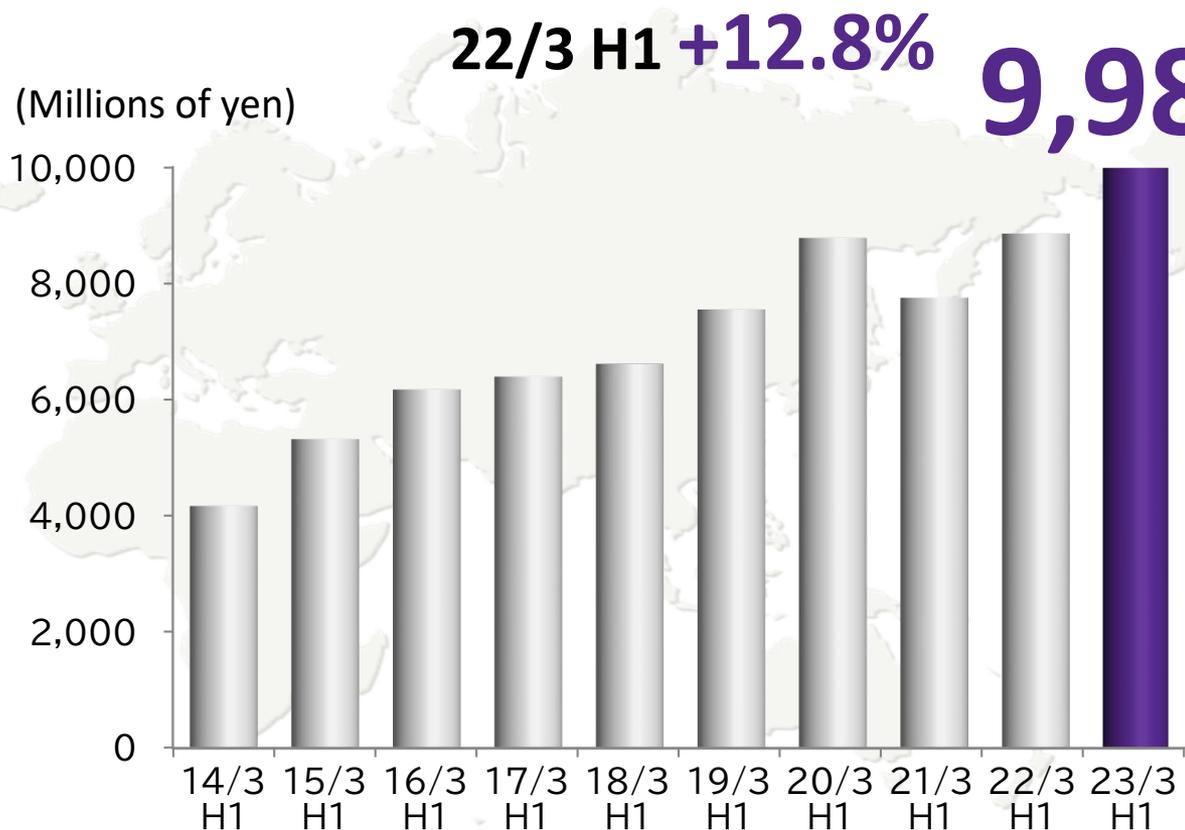


Spine

-Agenda-

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Consolidated net sales



22/3 H1 +12.8%

9,980 million yen

* After the application of revenue recognition standards

Double-digit growth for two consecutive quarters

Highest first-half net sales in company history

H1 YoY Change

Japan + 6.2%

U.S. + 23.3%

Consolidated Statement of Income

(Millions of yen, %)	FYE Mar 2023 H1		YoY change		FYE Mar 2022 H1	
	Results	Ratio to sales	Amount of change	Rate of change	Results	Ratio to sales
Net sales	9,989	100.0	+1,131	+12.8	8,858	100.0
Cogs	3,370	33.7	+514	+18.0	2,856	32.2
SG & A	5,691	57.0	+748	+15.1	4,943	55.8
Operating profit	927	9.3	- 131	- 12.4	1,058	11.9
Ordinary profit	916	9.2	- 126	- 12.1	1,042	11.8
Net income	721	7.2	- 281	- 28.1	1,003	11.3

* Profit attributable to owners of parent

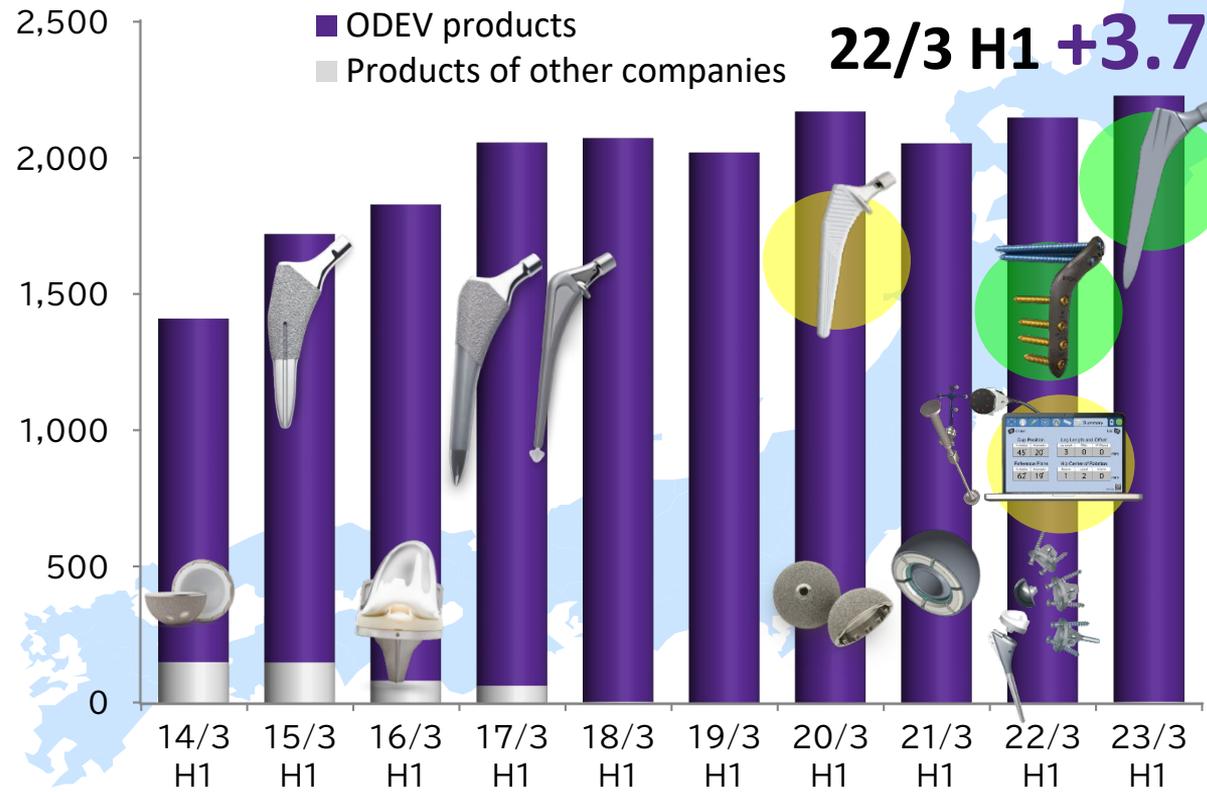
Consolidated Net Sales by Location/Product

(Millions of yen, %)	FYE Mar 2023 H1		YoY change		FYE Mar 2022 H1	
	Results	Percentage	Amount of change	Rate of change	Results	Percentage
Sales in Japan	5,921	59.3	+325	+5.8	5,596	63.2
Joint	2,226	22.3	+80	+3.7	2,146	24.2
Trauma	1,922	19.2	+150	+8.5	1,772	20.0
Spine	1,596	16.0	+138	+9.5	1,458	16.5
Other	176	1.8	-43	-19.6	219	2.5
Sales in U.S.*	4,184	41.9	+792	+23.3	3,392	38.3
Joints	4,167	41.7	+788	+23.3	3,379	38.1
Spine	17	0.2	+4	+28.7	13	0.2
Subtotal before sales deduction	10,106	101.2	+1,118	+0.0	8,988	101.5
Sales deduction*³	-116	-1.2	-4	-8.9	-130	-1.5
Total	9,989	100.0	+1,131	+12.8	8,858	100.0
Sales of Company products	8,118	81.3	+967	+13.5	7,151	80.7
*US dollar basis (Thousands of dollars)	31,351		+570	+1.9	30,781	
* Exchange rate (Yen)	133.47		+23.26		110.21	

Sales in Japan - Joint Replacement



(Millions of yen)



22/3 H1 +3.7%

Strength from

THA* *Total Hip Arthroplasty

Highlights

- Strong growth of Entrada® Hip System
- Intellijoint HIP® Navigation system
- Synergy from expanded introduction

Challenges

- Impact from a decline in reimbursement price for hip joint

New Products Launched

SecuAlign HTO Plate System*
 (March 2022)
*High tibial osteotomy

Promontory Hip Stem
 (September 2022)

Growth Factors for Hip Joint Sales in Japan



Surgical navigation system for total hip arthroplasty [Intellijoint HIP® navigation system]

*Our
Products*



*Surgical
navigation
system*

Expansion of sales of artificial hip joint products in Japan



Manufactured by Intellijoint Surgical Inc.
(Canada)
[Intellijoint HIP® navigation system]

- Surgical navigation system for confirming proper placement position of implants, such as the angle of the acetabular component and the leg length difference of the femoral stem in total hip arthroplasty.
- The use of surgical navigation systems has been credited with improving implant placement accuracy and reducing operating time.

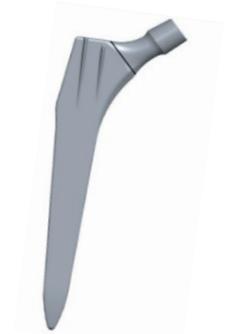
New Artificial Hip Joint Product

Promontory Hip Stem



Promontory Hip Stem Launch (September 2022)

- The cross-sectional shape of the stem is rectangular, with strong fixation expected as the corners of the stem bite into the medullary cavity of the femur.
- Useful in a wide range of cases, regardless of the shape or bone quality of the femur.
- In the therapeutic area of total hip arthroplasty for fragile bone hip joint disease, there are many indications for this product which will lead to the expansion of our sales of artificial hip prosthesis products in Japan.

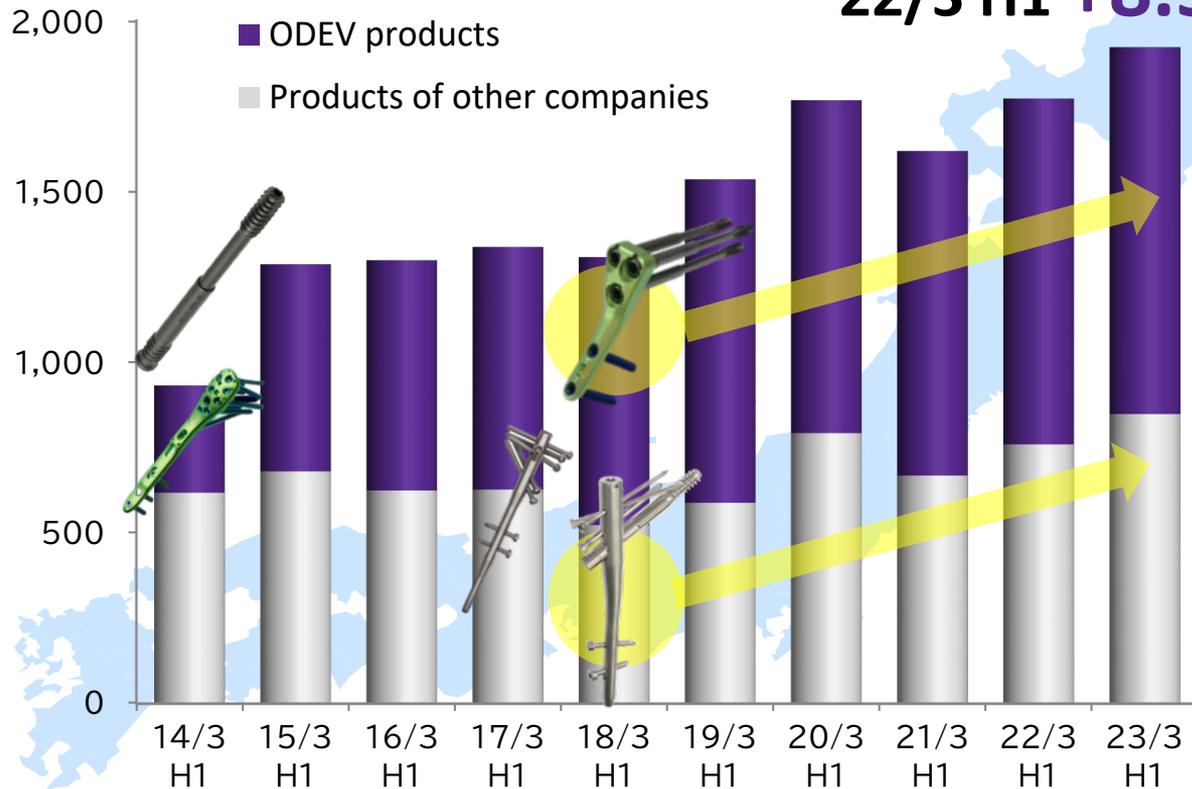


Promontory Hip Stem

Sales in Japan - Trauma



(Millions of yen)



22/3 H1 +8.5%

**Femoral Neck
fracture fixation system
ODEV product
Prima Hip Screw
&
Other company's product
ASULOCK**

**Double-digit
growth**

Sales in Japan - Spine



(Millions of yen)

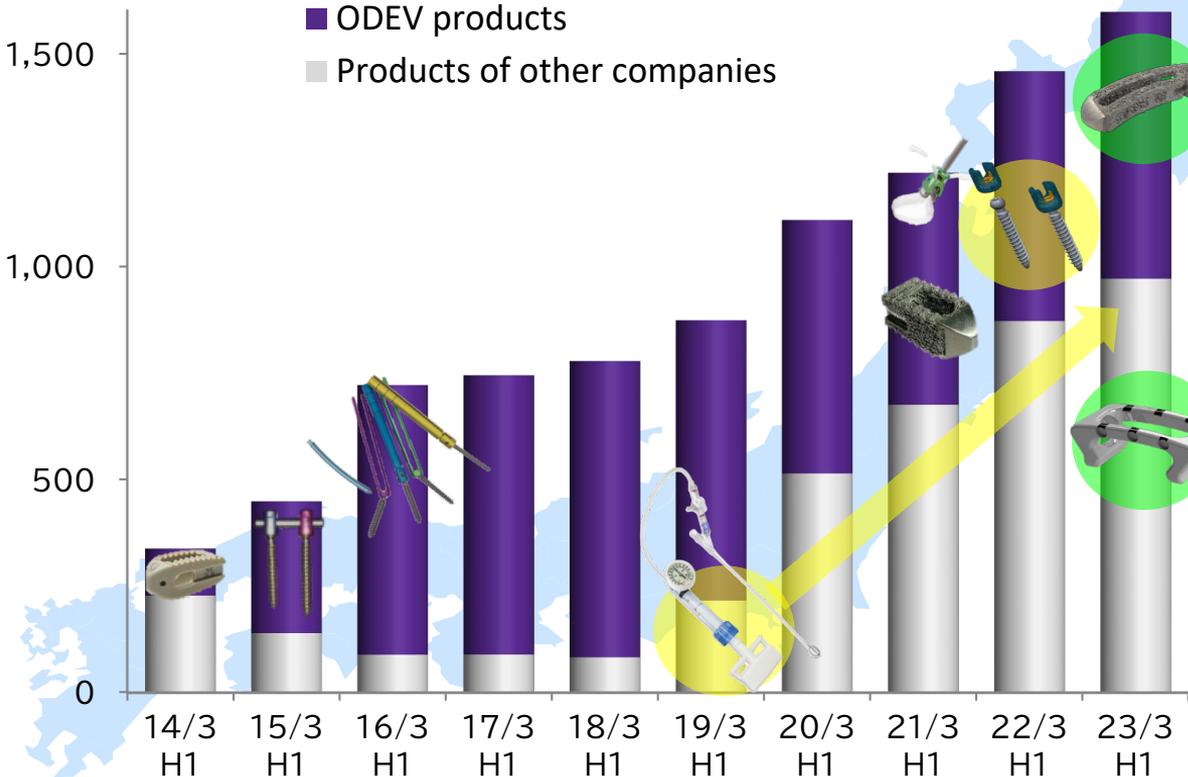
22/3 H1 +9.5%

■ ODEV products
■ Products of other companies

ODEV product:
Pisces spinal system
& Other company's product: **BKP**
(KMC Kyphoplasty system)
Double-digit growth

New Products Launched

Vusion Ti3D ARC cage
(July 2022)
Lynx α plate
(August 2022)



New Spinal Fixation Devices

Vusion Ti3D ARC Cage



Vusion Ti3D ARC Cage Launch (July 2022)

- Interbody fusion implant used during spinal fusion
- With a porous structure simulating cancellous bone and an optimized pore size, stable fixation and early bone union between vertebrae can be expected.
- Vusion Ti3D ARC is indicated for the treatment of a large percentage of lumbar spine disease cases, which will lead to increased sales of spinal fusion devices in Japan.



Vusion Ti3D ARC cage

New Spinal Fixation Devices

Lynx α Plate



Lynx α Plate Launch (August 2022)

- Intra-spinal fixation device and plate for cervical laminoplasty
- In fixing the vertebral arch with a plate and screws, a locking screw system and a characteristic plate design (which are not available in the conventional metal plate for cervical laminoplasty) are adopted to provide simple and solid fixation in a technical manner, with the expectation of improving surgical flow and safety in operation.
- The introduction of the Lynx α plate into the therapeutic area of cervical laminoplasty will expand indications, leading to increased sales of spinal fusion devices.



Lynx α plate
Made by ACTYPower

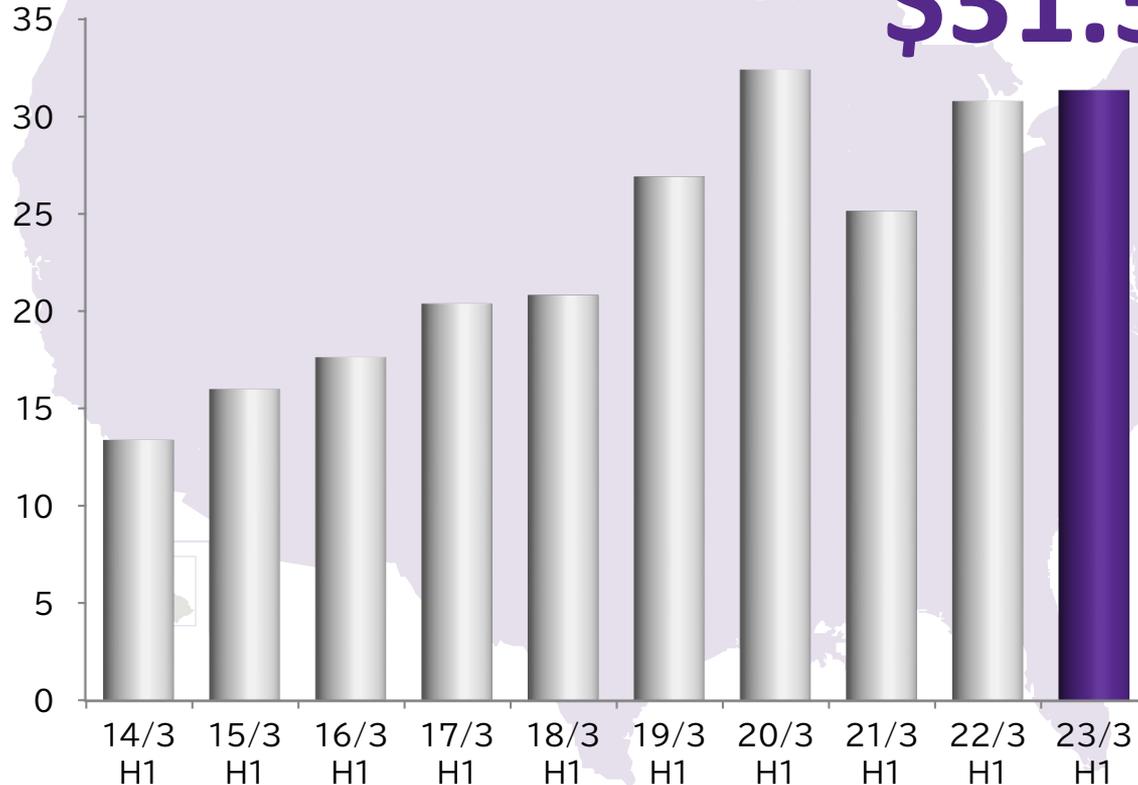
Sales in U.S.



(Millions of dollars)

22/3 H1 +1.9%

\$31.3M



Highlights

- Increase in the number of surgical cases from new customers added in the prior fiscal year

Challenges

- Temporary postponement of the commencement of business with new customers due to supply chain issues
- Retirement of doctors
- Shortage of medical staff due to inflation and labor issues
- Intensified competition due to the introduction of new products by competitors

Sales in U.S. – Joint Replacement



Artificial Hip Joint

\$11.7M

22/3 H1 +4.2%

Artificial Knee Joint

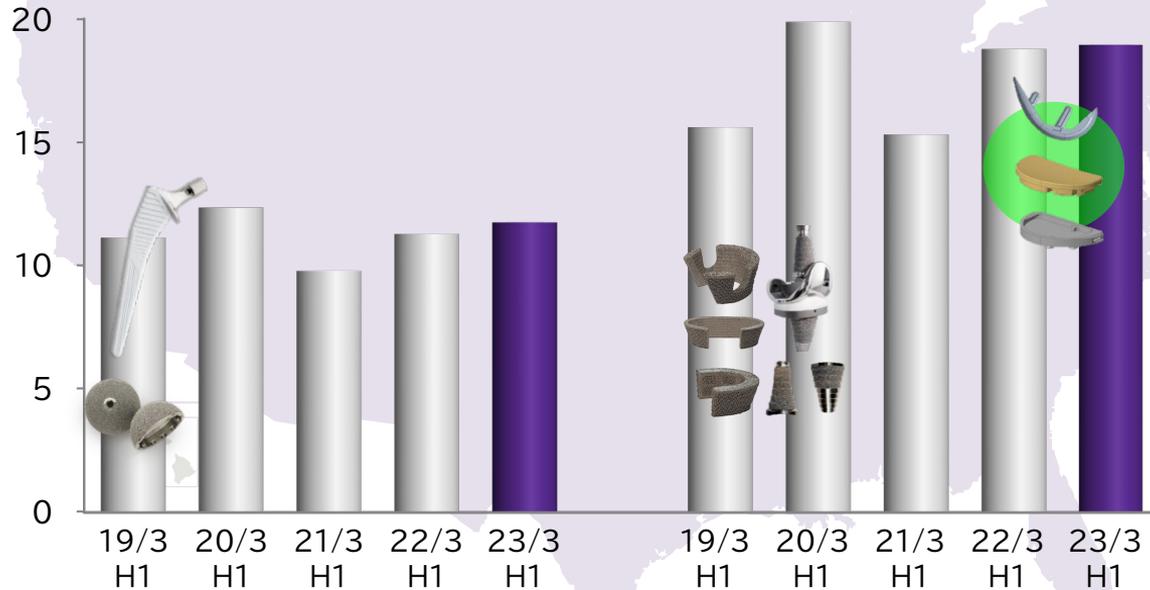
\$18.7M

22/3 H1 +0.9%

Growth rate

Hip > Knee

(Millions of dollars)



Slower Growth with Knee

- Retirement of 3 surgeons with high surgical volume in early 2022
- Defection of one large customer to competitor offering robotics

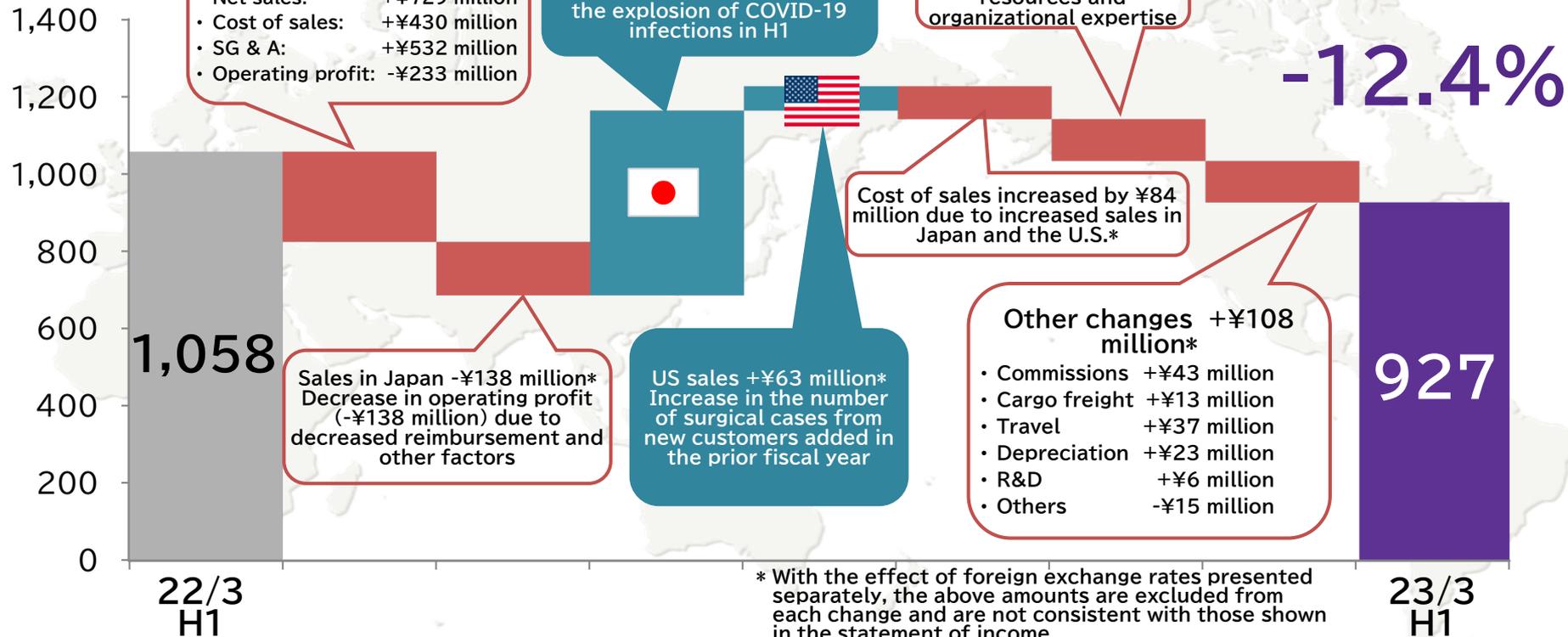
New Product Launched

Balanced Knee System Uni
(January 2022)

*Excluding sales of "KASM" to DePuy Synthes

Comparative YoY Analysis of Operating Profit

(Millions of yen)



Impact of significant depreciation of the yen:

- Net sales: +¥729 million
- Cost of sales: +¥430 million
- SG & A: +¥532 million
- Operating profit: -¥233 million

Sales in Japan +¥477 million*
 Maintaining growth despite certain restrictions on marketing activities due to the explosion of COVID-19 infections in H1

Personnel expenses +¥108 million*
 Strengthening human resources and organizational expertise

Cost of sales increased by ¥84 million due to increased sales in Japan and the U.S.*

Sales in Japan -¥138 million*
 Decrease in operating profit (-¥138 million) due to decreased reimbursement and other factors

US sales +¥63 million*
 Increase in the number of surgical cases from new customers added in the prior fiscal year

Other changes +¥108 million*

- Commissions +¥43 million
- Cargo freight +¥13 million
- Travel +¥37 million
- Depreciation +¥23 million
- R&D +¥6 million
- Others -¥15 million

* With the effect of foreign exchange rates presented separately, the above amounts are excluded from each change and are not consistent with those shown in the statement of income.
 Exchange rate: 110.21 yen/dollar for 22/3 H1
 133.47 yen/dollar for 23/3 H1

Difference in H1 Financial Forecasts

(Millions of yen , %)	23/3, H1		Change from initial forecast		23/3, H1	
	Results	Ratio to sales	Amount of change	Rate of change	Initial forecast	Ratio to sales
Net sales	9,989	100.0	↓ - 210	- 2.1	10,200	100.0
Operating profit	927	9.3	↓ - 172	- 15.7	1,100	10.8
Ordinary profit	916	9.2	↓ - 133	- 12.7	1,050	10.3
Net income*	721	7.2	↑ +21	+3.1	700	6.9

* Profit attributable to owners of parent

Highlights

- **Japan**
 - Increase in net sales by expanding sales of focused products
- **United States**
 - Increase in the number of surgical cases from new customers added in the prior fiscal
 - Increase in yen-based net sales due to the depreciation of the yen (from 128 yen/dollar to 133 yen/dollar)

Challenges

- **Japan**
 - Increase in cost of sales due to the depreciation of the yen and deterioration in the cost of sales ratio
- **United States**
 - Delayed sales to new customers due to supply chain problems
 - Increase in U.S. expenses due to the depreciation of the yen
 - New products, including hip replacement implants and enabling technology, introduced by competitors

Revised Full-year Forecast

Consolidated Statement of Income

(Millions of yen, %)	FYE March 2023		Change from previous year		FYE March 2022	
	Forecast	Ratio to sales	Amount of change	Rate of change	Results	Ratio to sales
Net sales	21,800	100.0	+2,606	+13.6	19,193	100.0
Cogs	7,450	34.2	+1,245	+20.1	6,204	32.3
SG & A	12,350	56.7	+2,022	+19.6	10,327	53.8
Operating profit	2,000	9.2	- 661	- 24.9	2,661	13.9
Ordinary profit	2,050	9.4	- 541	- 20.9	2,591	13.5
Net income*	1,450	6.7	- 684	- 32.1	2,135	11.1

* Profit attributable to owners of parent

Revised Full-year Forecast

Consolidated Net Sales by product group

(Millions of yen , %)	FYE March 2023		Change from previous year		FYE March 2022	
	Forecast	Percentage	Amount of change	Rate of change	Results	Percentage
Sales in Japan	13,100	60.1	+691	+5.7	12,409	64.7
Joint	4,920	22.6	+201	+4.3	4,719	24.6
Trauma	4,370	20.0	+255	+6.2	4,115	21.4
Spine	3,440	15.7	+315	+10.1	3,125	16.3
Other	370	1.7	- 78	- 17.4	448	2.3
Sales in U.S.*¹	8,970	41.1	+1,900	+26.9	7,070	36.8
Joints	8,940	41.0	+1,896	+26.9	7,044	36.7
Spine	30	0.1	- 4	+15.4	26	0.1
Subtotal before sales deduction	22,070	101.2	+2,591	+13.3	19,479	101.5
Sales deduction	- 270	- 1.2	+16	+5.6	- 286	- 1.5
Total	21,800	100.0	+2,607	+13.6	19,193	100.0
Sales of Company products	17,710	81.2	+2,269	+14.7	15,441	80.5
US dollar basis*²	63,572		+932	+1.5	62,640	

*1 Exchange rate (Yen)

141.10

28.22

112.88

*2 Thousands of dollars

(H1 result: 133.47, H2 expectation: 150.00)

Compared with Previous Full-year Financial Forecast

(Millions of yen, %)	FYE March 2023		Change from initial forecast		FYE March 2023	
	Revised forecast	Ratio to sales	Amount of change	Rate of change	Initial forecast	Ratio to sales
Net sales	21,800	100.0	↓ - 200	- 0.9	22,000	100.0
Operating profit	2,000	9.2	↓ - 800	- 28.6	2,800	10.8
Ordinary profit	2,050	9.4	↓ - 650	- 24.1	2,700	10.3
Net income*	1,450	6.7	↓ - 400	- 21.6	1,850	6.9

* Profit attributable to owners of parent

Positive factors

- **Japan**
 - In Japan, an increase in ordinary profit, including foreign exchange gains and losses, due to the depreciation of the yen, and an increase in profit due to the recording of extraordinary income, including ordinary profit and reversal of provision for loss on business.
- **United States**
 - Increase in yen-based net sales due to the depreciation of the yen (from 128 yen/dollar to 150 yen/dollar)

Negative factors

- **Japan**
 - Increase in cost of goods purchased due to the depreciation of the yen and deterioration in the cost of sales ratio
- **United States**
 - Decrease in U.S. net sales as a result of the delayed acquisition of new customers due to supply chain issues, the decreased number of cases due to the shortage of medical staff, and the competition for sales due to the introduction of new products and technology by competitors.
 - Decrease in operating profit due to a downward revision of U.S. sales, an increase in logistics costs due to inflation, and an increase in U.S. expenses due to the yen depreciation.

Sales Strategy for the Second Half

Aiming to increase operating profit by expanding sales

Sales Strategy for the Second Half

- **Strengthen sales of focused products in the Japan market**
 - Development of sales activities with awareness of outcome
 - Acquisition of new customers
 - Higher repeat rate of existing customers

- **Sales to new customers in the U.S. market**
 - Commencement of business with new customers that had been postponed due to H1 supply chain issues
 - Accelerate sales of knee replacement product through newly introduced PSI*¹
 - Expansion of the OMG*² Program
 - Increase number of regional seminars

Key Measures to Expand Business Base

“MODE2023” (FYE Mar 2022 to FYE Mar 2024)

- (1) Expand overseas business**
 - Continued double-digit growth in North America
- (2) Strengthen development and procurement capabilities**
 - **Novelty and competitive advantage**
 - Strengthening procurement and development of high-value-added products, instruments and services
- (3) Strengthening human resources and organizational expertise**
 - **Strengthening expertise in non-sales positions**
 - Investment in human resources to strengthen strategy implementation function
- (4) Promoting digitalization**
 - **Leveraging IT and DX**
 - Development of high-value-added services for healthcare professionals, such as preoperative planning and surgical navigation systems and services. DX to improve internal operational efficiency

*¹ Patient Specific Instruments: 3D analysis of knee joint conditions and tailor-made total knee arthroplasty according to the patient's individual shape.

*² ODEV Meeting and Greeting: ODEV corporate facility tour and introduction to key management aimed at building relationships of trust with doctors

Topic (1) Signing of the United Nations Global Compact (UNGC)



Signing the “United Nations Global Compact (UNGC)” advocated by the United Nations (Registered as a Participating Enterprise on June 23, 2022)

[Certificate for Signing the United Nations Global Compact]



United Nations Global Compact Headquarters website (<https://www.unglobalcompact.org/>)

Topic (2) Information Disclosure based on TCFD (GHG Emissions Reduction)



Recognizing our response to climate change as one of our materiality issues, we will deepen our understanding of the risks and opportunities related to climate change impacting our business, and work to reduce scope 1 and 2 greenhouse gas (GHG) emissions.

② Risks and opportunities associated with climate change

Scope of coverage: Domestic only (on the Company's non-consolidated basis)

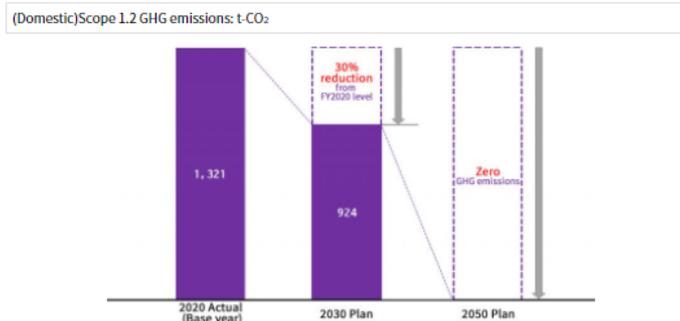
Time: Short term (within 1 year), medium term (over 1 year to 3 years), and long term (over 3 years)

Impact: Small (within 0.5 billion yen), Medium (over 0.5 billion yen to 0.2 billion yen), Large (over 0.2 billion yen)

Classification	Contents	Period	Degree of Influence	Response Policy	
Risk	Transition	Risk of increased energy and procurement costs due to the introduction of a carbon tax	Medium-term	Small	Continuous improvement of energy efficiency Introduction of renewable energy Compliance with relevant laws and regulations Proactive disclosure of environmental data
		Risk of incurring capital investment costs due to replacement of equipment, etc., in accordance with stricter GHG reduction regulations	Short term ~Long-term	Small	
	Reputation	Risk of impact on stock price due to delay in disclosing information on climate change response	Short-term ~Medium-term	Small	
	Physical	Acute	Risk of distribution delays and opportunity losses due to damage to buildings, facilities, and inventory, shutdowns, and supply chain disruptions caused by natural disasters	Short-term	
Chronic		Risk of sales decrease due to decline or stagnation in the functioning of the healthcare system as a result of an increase in infectious diseases caused by rising temperatures.	Medium-term ~Long-term	Big	
Opportunities	Resource Efficiency	Cost savings through improved energy efficiency	Short term ~Long-term	Small	Reinforcement of BCP (Business Continuity Plan) measures
	Reputation	Enhance corporate value through proactive information disclosure	Short term ~Medium-term	Small	Periodic review of risks and opportunities
	Products and Services	Increased demand through product center satellitization (shorter logistics lead times)	Short term ~Long-term	Small	
		Provision of products, medical tools, etc. that contribute to reducing environmental impact, etc.	Long-term	Big	
	Resilience	Stabilization of product supply through decentralized storage of inventory	Short term ~Long-term	Small	

4. Indicators and Targets

We have set our climate change index as greenhouse gas (GHG) emissions, and based on the FY2020 Scope 1 and 2 GHG emissions, we have set our domestic reduction target for FY2030 at 30% below the FY2020 level, with the goal of achieving "zero GHG emissions" in FY2050. The company will be responsible for the following.



We aim to achieve zero GHG emissions by 2050 by systematically implementing initiatives to reduce GHG emissions, including the promotion of energy conservation at all of our domestic bases, procurement of electricity derived from renewable energy sources, and the phased introduction of electric vehicles.

The Company website
(Top > Sustainability > Responses to TCFD Recommendations)
(<https://www.jmdm.co.jp/en/sustainability-action/tcfd/>)

Topic (2) Information Disclosure based on TCFD (Risks and Opportunities)



We consider delays in logistics and lost opportunities due to natural disasters as risks. In response to these risks, we will promote the decentralized storage of inventory and the use of distribution center to reduce risks and promote business activities to respond to new opportunities such as emergency surgery.

Classification			Content	Timing	Impact
Risk	Physical	Acute	Risk of distribution delays and lost opportunities due to damage to buildings, equipment, and inventory, suspension of operations, and supply chain disruptions caused by natural disasters	Short-term	Large
Opportunity	Products and services		Increase in demand by using product centers as satellites (reducing logistics lead time)	Short-term to long-term	Small
	Resilience		Stabilization of product supply through distributed storage of inventory	Short-term to long-term	Small

Scope: Japan only (The Company on a non-consolidated basis)

Timing: Short-term (within one year), medium-term (from over one year to up to three years), long-term (over three years)

Impact: Small (within ¥50 million), medium (over ¥50 million to up to ¥200 million), large (over ¥200 million)

The Company website
(Top > Sustainability > Responses to TCFD Recommendations)
(<https://www.jmdm.co.jp/en/sustainability-action/tcfid/#portfolio>)

Topic (3) Status of Business in China



WOMA (Changzhou Waston Ortho Medical Appliance Co., Limited)

Sales

- Certified as a supplier by bidding for the central government's centralized purchasing tender with BKS manufactured by ODEV (made in U.S.A.)
- Acquisition of two-year sales rights from September 2021

Strengthening Sales System

- Contracts completed with 12 agents (as of the end of September 2022)

China Regulatory Approval

- Preparations to obtain pharmaceutical approval for WOMA-manufactured (made in China) BKS (2023) are in progress

Project for Manufacturing Medical Instruments in China

- Starting trial for the manufacture of medical instruments at WOMA to reduce global group manufacturing costs



Company Overview

Location

- Changzhou, Jiangsu Province, China

Representative

- Hu Jinmin

Business profile

- Import, development, manufacture and sales of artificial joint products

Share capital

- US\$10 million

Investment ratio

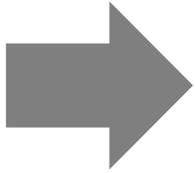
- WASTON: 60%, ODEV: 40%

Topic (4) Status of Business in Australia



Business losses related to the fiscal year ended March 2022 have been included, with minimal impact on the consolidated financial results for the fiscal year ending March 2023.

Ortho Development Pty Ltd.



- Established as a subsidiary of U.S. Ortho Development, in April 2019.
- The Company had planned to expand sales in the Australian market as a strategic growth area for "expansion of overseas business," but due to COVID-19, it became clear that it would be difficult to reasonably predict when it would re-enter the Australian market, as it would take several more years to obtain regulatory approval.
- The liquidation of the company was resolved on September 22, 2022.

**Contributing to Medical Care Through the Development and Sale of Advanced
Medical Devices.**



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