Flash Report for Fiscal year Ended December 31, 2022 (on a consolidated basis) [Japan GAAP]

February 9, 2023

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Scheduled date to submit Securities Report: March 30, 2023
Scheduled date to begin dividend payments: March 31, 2023
Supplementary materials to financial statements: Not available
Earnings results briefing: Applicable (for institutional investors and securities analysts)

(All amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for Fiscal year period (January 1 to December 31, 2022)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
Fiscal year ended December 31, 2022	48,671	8.5%	15,389	11.9%	17,646	26.5%
Fiscal year ended December 31, 2021	44,857	35.7%	13,750	61.0%	13,951	61.7%

	Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
Fiscal year ended December 31, 2022	12,471	23.4%	145.48	145.11
Fiscal year ended December 31, 2021	10,102	56.5%	116.73	116.47

Notes: 1. Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.

2. Comprehensive income for reporting period:

Fiscal year ended December 31, 2022 14,165 million (33.9%)

Fiscal year ended December 31, 2021 10,577 million (63.8%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of December 31, 2022	102,154	91,022	88.8%
As of December 31, 2021	94,460	82,919	87.5%

Note: Owners' equity As of December 31, 2022 90,737 million
As of December 31, 2021 82,683 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended December 31, 2021	—	17.00	—	20.00	37.00
Year ending December 31, 2022	—	22.00	—	24.00	46.00
Year ending December 31, 2023 (forecast)	—	24.00	—	24.00	48.00

3. Business Performance Forecasts for the Current Term (January 1 to December 31, 2023)

	Millions of yen								
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)
First-half period	25,556	4.5	7,616	-6.3	7,892	-16.8	5,461	-19.1	64.14
Full year	52,272	7.4	15,070	-2.1	15,836	-10.3	10,976	-12.0	128.91

Notes: 1. Percentage figures represent year-on-year comparisons.

4. Others

(1) Changes in the scope of consolidation during the period

Inclusion: 1 company, Nakanishi GmbH

Exclusion: None

(2) Application of special accounting methods in the preparation of consolidated financial statements: Not applicable

(3) Changes in accounting principles, accounting estimates, and restatement

1. Changes in accounting principles due to revision of accounting standards, etc.: Applicable
2. Changes in accounting principles other than 1: Not applicable
3. Changes in accounting estimates: Not applicable
4. Restatement: Not applicable

(4) Number of ordinary shares outstanding at the end of the period (including treasury stock)

As of December 31, 2022: 94,259,400 shares
As of December 31, 2021: 94,259,400 shares

Number of shares of treasury stock at the end of the period

As of December 31, 2022: 9,105,053 shares
As of December 31, 2021: 8,094,386 shares

Average number of shares during the period

Fiscal year ended December 31, 2022: 85,729,735 shares

Fiscal year ended December 31, 2021: 86,546,716 shares

* This flash report is out of scope of quarterly review.

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1. Qualitative Information on Financial Results

(1) Explanation of Results of Operations

In the world economy during the fiscal year, CPI has increased thanks to demand increases by prompt economic recover after pandemic. Unease of energy supply has increased due to the Russian invasion of Ukraine. So uncertainty for future was increasing.

In Japanese economy, economic activities were very low because raw material prices increased and to procure components was difficult.

Under these circumstances, all 3 segments sales increased. Operating income increased as well.

As a result, the Group sales were ¥48,671,452 thousand (+8.5% year on year), operating income was ¥15,389,229 thousand (+11.9%), ordinary income was ¥17,646,562 thousand (+26.5%) and income attributable to owners of parent for the quarter was ¥12,471,540 thousand (+23.4%).

The following is a breakdown of business performance by segment.

By the way, our company has changed segment. About year-on-year, it is analyzed by the figures at the changed segment.

(Dental segment)

In Dental segment, Domestic sales decreased because the reaction that clinics received subsidy from government last year and Asia sales was almost the same as last year.

However, North America sales and Europe sales increased. Total dental sales increased. Segment profit was almost the same.

As a result, sales were ¥40,926,711 thousand (+7.0%) and segment profit was ¥17,024,344 thousand (+9.4%).

(Surgical segment)

In Surgical segment, Asia sales decreased but Domestic, North America and Europe sales increased. Total sales increased. Segment profit increased as well.

As a result, sales were ¥3,160,058 thousand (+14.4%) and segment profit was ¥1,571,575 thousand (+20.6%).

(Industrial segment)

In Industrial segment, Asia sales decreased but Domestic, North America and Europe sales increased. Total sales increased. Segment profit increased as well.

As a result, sales were ¥4,584,682 thousand (+19.4%) and segment profit was ¥1,683,337 thousand (+22.2%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of Fiscal year were ¥102,154,460 thousand and increased by ¥7,693,540 thousand compared with the end of the previous fiscal year. The main reasons were that Buildings and structures increased by ¥2,680,039 thousand and Goodwill increased by ¥2,587,780 thousand.

Total liabilities were ¥11,131,804 thousand and decreased by ¥409,642 thousand compared with the end of the previous fiscal year. The main reason was Other in current liabilities decreased by ¥1,604,109 thousand but Accounts payable - trade increased by ¥526,217 thousand.

Net asset was ¥91,022,656 thousand and increased by ¥8,103,182 thousand compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥8,863,157 thousand and Treasury shares increased by ¥2,500,140 thousand.

(3) Explanation of Cash flows

The balance of cash and cash equivalents on a consolidated basis as of the end of the fiscal year was ¥31,648,571 thousand, down ¥3,239,245 thousand from the previous term-end.

Cash flows from operating activities was ¥7,764,417 thousand, compared with ¥11,970,529 thousand a year earlier. The main factor here was an increase of cash due to the recording of Profit before income taxes of ¥17,297,208 thousand, which outweighed Income taxes paid of ¥-5,328,953 thousand.

Cash flows from investing activities was ¥-6,314,202 thousand, compared with ¥-4,146,968 thousand a year earlier. The main expenditure were Purchase of shares of subsidiaries resulting in change in scope of consolidation ¥-3,606,745 thousand and Purchase of property, plant and equipment ¥-3,469,529 thousand.

Cash flows from financing activities was ¥-6,107,521 thousand, compared with ¥-3,973,487 thousand a year earlier. The main expenditure were Dividends paid ¥-3,607,380 thousand and Purchase of treasury shares ¥-2,500,140 thousand.

(4) Future Outlook

Regarding the future outlook, it is expected that unclear business circumstances will continue because CPI is rising and semiconductor materials are lacking.

Under such severe business environment, our group will promote comprehensive efforts to enhance the organizational structure which enables us to survive fierce global competition, keeping a close look on the conditions of the global economy and markets.

For fiscal year 2023, we have assumed an exchange rate of ¥125 to U.S. dollar and ¥135 to Euro.

The following table shows our forecasts of business performance for the fiscal year 2023.

	The amount	%
Sales	¥52,272 million	7.4
Operating income	¥15,070 million	-2.1
Ordinary profit	¥15,836 million	-10.3
Net income attributable to owners of parent	¥10,976 million	-12.0

(Note) Percentage figures represent year-on-year comparisons.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	35,984,340	34,992,939
Notes and accounts receivable - trade	5,348,771	–
Notes receivable - trade	–	89,402
Accounts receivable - trade	–	6,017,059
Securities	1,422,099	1,186,445
Money held in trust	4,341,163	2,014,230
Merchandise and finished goods	5,822,666	7,167,378
Work in process	3,286,853	4,799,134
Raw materials and supplies	2,623,642	4,317,667
Other	1,382,650	2,056,477
Allowance for doubtful accounts	-60,452	-91,139
Total current assets	60,151,734	62,549,596
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,431,241	18,111,280
Machinery, equipment and vehicles	7,486,174	9,359,239
Tools, furniture and fixtures	5,205,578	5,707,895
Land	2,033,155	2,205,232
Construction in progress	962,539	720,395
Accumulated depreciation	-15,825,871	-18,475,536
Total property, plant and equipment	15,292,817	17,628,506
Intangible assets		
Software	377,341	704,589
Software in progress	320,598	273,378
Goodwill	108,442	2,696,223
Other	538,570	398,977
Total intangible assets	1,344,953	4,073,168
Investments and other assets		
Investment securities	8,692,157	6,853,855
Shares of subsidiaries and associates	4,866,102	6,055,110
Insurance funds	2,122,292	1,843,468
Retirement benefit asset	–	7,152
Deferred tax assets	940,349	1,923,315
Other	1,051,965	1,221,819
Allowance for doubtful accounts	-1,452	-1,532
Total investments and other assets	17,671,414	17,903,188
Total non-current assets	34,309,185	39,604,863
Total assets	94,460,919	102,154,460

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,009,312	1,535,530
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	–	21,843
Income taxes payable	2,529,830	2,764,786
Provision for bonuses	909,596	983,394
Other	6,045,854	4,441,744
Total current liabilities	10,594,594	9,847,300
Non-current liabilities		
Long-term borrowings	–	358,957
Retirement benefit liability	342,260	162,065
Deferred tax liabilities	412,271	579,708
Other	192,319	183,772
Total non-current liabilities	946,851	1,284,503
Total liabilities	11,541,446	11,131,804
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	84,765,333	93,628,490
Treasury shares	-6,793,803	-9,293,944
Total shareholders' equity	80,019,961	86,382,977
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,843,974	1,403,982
Foreign currency translation adjustment	819,197	2,950,583
Total accumulated other comprehensive income	2,663,172	4,354,565
Share acquisition rights	232,552	278,685
Non-controlling interests	3,786	6,427
Total net assets	82,919,473	91,022,656
Total liabilities and net assets	94,460,919	102,154,460

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	44,857,730	48,671,452
Cost of sales	17,562,599	17,449,753
Gross profit	27,295,131	31,221,698
Selling, general and administrative expenses	13,544,697	15,832,469
Operating profit	13,750,434	15,389,229
Non-operating income		
Interest income	79,082	102,448
Dividend income	46,278	638,780
Gain on investments in money held in trust	160,465	–
Surrender value of insurance policies	–	226,120
Subsidy income	32,133	35,927
Share of profit of entities accounted for using equity method	284,155	812,454
Foreign exchange gains	–	610,939
Miscellaneous income	154,114	202,941
Total non-operating income	756,230	2,629,610
Non-operating expenses		
Interest expenses	3,382	2,761
Loss on investments in money held in trust	–	282,091
Commission expenses	9,829	13,757
Foreign exchange losses	496,460	–
Miscellaneous losses	45,324	73,667
Total non-operating expenses	554,997	372,277
Ordinary profit	13,951,666	17,646,562
Extraordinary income		
Gain on sale of non-current assets	–	70,157
Gain on sale of investment securities	17,087	–
Total extraordinary income	17,087	70,157
Extraordinary losses		
Loss on sale of non-current assets	–	40,653
Loss on retirement of non-current assets	31,124	4,189
Impairment losses	–	374,668
Total extraordinary losses	31,124	419,511
Profit before income taxes	13,937,629	17,297,208
Income taxes - current	4,439,352	5,494,590
Income taxes - deferred	-605,668	-670,669
Total income taxes	3,833,684	4,823,920
Profit	10,103,944	12,473,287
Profit attributable to non-controlling interests	1,335	1,747
Profit attributable to owners of parent	10,102,609	12,471,540

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	10,103,944	12,473,287
Other comprehensive income		
Valuation difference on available-for-sale securities	-440,192	-439,991
Foreign currency translation adjustment	913,888	2,132,278
Total other comprehensive income	473,696	1,692,286
Comprehensive income	10,577,641	14,165,574
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,576,209	14,162,934
Comprehensive income attributable to non-controlling interests	1,431	2,640

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	867,948	1,180,482	77,435,739	-5,593,711	73,890,460
Changes of items during period					
Dividends of surplus			-2,773,015		-2,773,015
Profit (loss) attributable to owners of parent			10,102,609		10,102,609
Purchase of treasury shares				-1,200,092	-1,200,092
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	7,329,593	-1,200,092	6,129,501
Net assets	867,948	1,180,482	84,765,333	-6,793,803	80,019,961

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Valuation and translation adjustments			
Net assets	2,284,166	-94,595	2,189,571	189,688	2,355	76,272,075
Changes of items during period						
Dividends of surplus						-2,773,015
Profit (loss) attributable to owners of parent						10,102,609
Purchase of treasury shares						-1,200,092
Net changes of items other than shareholders' equity	-440,192	913,792	473,600	42,864	1,431	517,896
Total changes of items during period	-440,192	913,792	473,600	42,864	1,431	6,647,397
Net assets	1,843,974	819,197	2,663,172	232,552	3,786	82,919,473

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	867,948	1,180,482	84,765,333	-6,793,803	80,019,961
Changes of items during period					
Dividends of surplus			-3,608,383		-3,608,383
Profit (loss) attributable to owners of parent			12,471,540		12,471,540
Purchase of treasury shares				-2,500,140	-2,500,140
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	8,863,157	-2,500,140	6,363,016
Net assets	867,948	1,180,482	93,628,490	-9,293,944	86,382,977

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Valuation and translation adjustments			
Net assets	1,843,974	819,197	2,663,172	232,552	3,786	82,919,473
Changes of items during period						
Dividends of surplus						-3,608,383
Profit (loss) attributable to owners of parent						12,471,540
Purchase of treasury shares						-2,500,140
Net changes of items other than shareholders' equity	-439,991	2,131,385	1,691,393	46,132	2,640	1,740,165
Total changes of items during period	-439,991	2,131,385	1,691,393	46,132	2,640	8,103,182
Net assets	1,403,982	2,950,583	4,354,565	278,685	6,427	91,022,656

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	13,937,629	17,297,208
Depreciation	1,807,907	2,049,311
Impairment losses	–	374,668
Amortization of goodwill	54,561	55,115
Increase (decrease) in allowance for doubtful accounts	-33,477	22,810
Increase (decrease) in provision for bonuses	524,596	73,798
Increase (decrease) in retirement benefit liability	25,317	-197,708
Interest and dividend income	-125,361	-741,228
Interest expenses	3,382	2,761
Share of loss (profit) of entities accounted for using equity method	-284,155	-812,454
Loss (gain) on investments in money held in trust	-160,465	282,091
Loss (gain) on sale of investment securities	-17,087	–
Loss (gain) on sale of property, plant and equipment	–	-29,504
Loss on retirement of property, plant and equipment	31,124	4,189
Subsidy income	-32,133	-35,927
Decrease (increase) in trade receivables	-2,404	-89,177
Decrease (increase) in inventories	-837,027	-3,665,855
Increase (decrease) in trade payables	-70,825	134,345
Foreign exchange losses (gains)	-1,125,915	-1,626,574
Other, net	1,631,950	-1,326,730
Subtotal	15,327,616	11,771,140
Interest and dividends received	220,063	1,289,065
Interest paid	-3,382	-2,761
Income taxes paid	-3,605,900	-5,328,953
Subsidies received	32,133	35,927
Net cash provided by (used in) operating activities	11,970,529	7,764,417

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from investing activities		
Proceeds from sale and redemption of securities	700,000	–
Purchase of property, plant and equipment	-1,768,897	-3,469,529
Proceeds from sale of property, plant and equipment	–	69,035
Purchase of intangible assets	-582,958	-514,712
Purchase of investment securities	-4,341,680	–
Proceeds from sale and redemption of investment securities	945,291	2,461,769
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	-3,606,745
Purchase of shares of subsidiaries and associates	–	-1,662,206
Payments into time deposits	-4,369,139	-7,593,927
Proceeds from withdrawal of time deposits	5,602,868	5,376,039
Purchase of insurance funds	-38,810	-14,233
Proceeds from cancellation of insurance funds	98,226	523,136
Long-term loan advances	–	-96,900
Proceeds from cancellation of money held in trust	–	2,212,410
Other, net	-391,867	1,660
Net cash provided by (used in) investing activities	-4,146,968	-6,314,202
Cash flows from financing activities		
Purchase of treasury shares	-1,200,092	-2,500,140
Dividends paid	-2,773,394	-3,607,380
Net cash provided by (used in) financing activities	-3,973,487	-6,107,521
Effect of exchange rate change on cash and cash equivalents	992,971	1,418,061
Net increase (decrease) in cash and cash equivalents	4,843,045	-3,239,245
Cash and cash equivalents at beginning of period	30,044,771	34,887,816
Cash and cash equivalents at end of period	34,887,816	31,648,571

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Segment Information)

【Segment Information】

Fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Reportable segments				Reconciling items	consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	38,257,258	2,761,146	3,839,325	44,857,730	–	44,857,730
Transactions with other segments	–	–	–	–	–	–
Net sales	38,257,258	2,761,146	3,839,325	44,857,730	–	44,857,730
Operating profit (loss)	15,556,444	1,303,566	1,377,490	18,237,501	-4,487,067	13,750,434

Notes: 1. Adjustments to segment profit chiefly comprise general administrative and testing/research expenses not attributable to reportable segments.

2. Segment profit is reconciled with operating income as recorded in the consolidated statements of income.

Fiscal year ended December 31, 2022 (From January 1, 2021 to December 31, 2022)

(Thousands of yen)

	Reportable segments				Reconciling items	consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	40,926,711	3,160,058	4,584,682	48,671,452	–	48,671,452
Transactions with other segments	–	–	–	–	–	–
Net sales	40,926,711	3,160,058	4,584,682	48,671,452	–	48,671,452
Operating profit (loss)	17,024,344	1,571,575	1,683,337	20,279,257	-4,890,028	15,389,229

Notes: 1. Adjustments to segment profit chiefly comprise general administrative and testing/research expenses not attributable to reportable segments.

2. Segment profit is reconciled with operating income as recorded in the consolidated statements of income.

Change of segment

From 1st quarter of this year, surgical segment is showing because the figures are big. Surgical segment was included in dental segment in the past.

And other segment was divided into dental segment and industrial segment and surgical segment. The divided figures were added to the three segments.

Furthermore, about year-on-year, it is analyzed by the figures at the changed segment.