Flash Report for 2nd quarter Ended June 30, 2023 (on a consolidated basis) [Japan GAAP]

Aug 7, 2023

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Scheduled date to submit Securities Report: Aug 8, 2023
Scheduled date to begin dividend payments: Sep 14, 2023
Supplementary materials to quarterly financial statements: Applicable
Quarterly 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 2nd quarter period (January 1 to June 30, 2023)

(1) Operating Results

	Millions of yen					
	Net sales		EBITDA		Operating income	
2nd quarter ended June 30, 2023	28,259	15.5%	9,595	5.7%	8,247	1.4%
2nd quarter ended June 30, 2022	24,462	6.3%	9,075	–	8,129	6.3%

	Millions of yen					
	Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
2nd quarter ended June 30, 2023	11,247	18.5%	8,103	20.0%	95.28	94.97
2nd quarter ended June 30, 2022	9,490	27.8%	6,750	25.8%	78.52	78.33

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:
   2nd quarter ended June 30, 2023 10,971 million (21.9%)
   2nd quarter ended June 30, 2022 9,000 million (45.4%)
3. EBITDA (Operating income + Depreciation + Goodwill amortization)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of June 30, 2023	111,560	99,477	88.9%
As of December 31, 2022	102,154	91,022	88.8%

Note: Owners' equity As of June 30, 2023 99,137 million
As of December 31, 2022 90,737 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ending December 31, 2022	—	22.00	—	24.00	46.00
Year ending December 31, 2023	—	24.00			
Year ending December 31, 2023 (forecast)			—	26.00	50.00

Notes: 1. Revisions to dividend payment forecasts during the period: Applicable

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)
Full year	56,638	16.4	15,972	3.8	19,506	10.5	13,842	11.0	162.77

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

2. Revisions to performance forecasts during the period: Applicable

4. Others

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

Inclusion: None

Exclusion: None

(2) Application of special accounting methods in the preparation of quarterly 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.: Not 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 June 30, 2023: 94,259,400 shares
As of December 31, 2022: 94,259,400 shares

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

As of June 30, 2023: 9,282,284 shares
As of December 31, 2022: 9,105,053 shares

Average number of shares during the period

2nd quarter ended June 30, 2023: 85,045,065 shares
2nd quarter ended June 30, 2022: 85,980,048 shares

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the world economy during 2nd quarter, inflation is almost getting to the peak but CPI is still high. There are some uneasy due to the bankrupt of Silicon Valley Bank and the acquisition of Credit Suisse. So uncertainty for the future is increasing.

In Japanese economy, capital investments keep steady about manufacturing industry. About non-manufacturing industry, demands on outdoor business are increasing thanks to recovery from COVID-19 pandemic. However, there is shortage of manpower.

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

As a result, the Group sales were ¥28,259,425 thousand (+15.5% year on year), EBITDA ¥9,595,521 thousand (+5.7%), operating income was ¥8,247,200 thousand (+1.4%), ordinary income was ¥11,247,938 thousand (+18.5%) and income attributable to owners of parent for the quarter was ¥8,103,010 thousand (+20.0%).

The following is a breakdown of business performance by segment.

(Dental segment)

In Dental segment, North America sales decreased but Domestic, Europe and Asia sales increased. Segment EBITDA and segment operating income increased as well.

As a result, sales were ¥22,448,932 thousand (+9.3%), segment EBITDA was ¥9,820,469 thousand (+5.5%) and segment operating income was ¥9,051,671 thousand (+4.4%).

(Surgical segment)

In Surgical segment, North America and Europe sales decreased but Domestic and Asia sales increased. Total sales increased. Segment EBITDA and segment operating income were almost the same of year on year.

As a result, sales were ¥1,779,394 thousand (+5.8%), segment EBITDA was ¥928,439 thousand (+0.8%) and segment operating income was ¥ 888,937 thousand (+0.4%).

(Industrial segment)

In Industrial segment, Europe sales increased by 5 times because our company acquired Alfred Jäger GmbH shares at the end of 2022. And Asia sales increased as well but Domestic and North America sales were flat. Total sales increased. Segment EBITDA and segment operating income increased as well.

As a result, sales were ¥4,031,098 thousand (+79.1%), segment EBITDA was ¥ 1,147,705 thousand (+35.9%) and segment operating income was ¥878,716 thousand (+13.5%)

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 2nd quarter were ¥111,560,527 thousand and increased by ¥ 9,406,067 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥5,267,163 thousand and Construction in progress increased by ¥2,179,438 thousand.

Total liabilities were ¥ 12,082,919 thousand and increased by ¥ 951,115 thousand compared with the end of the previous fiscal year. The main reason was that Short-term borrowings increased by ¥2,000,000 thousand.

Net asset was ¥99,477,607 thousand and increased by ¥ 8,454,951 thousand compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥ 6,025,138 thousand and Foreign currency translation adjustment by ¥ 2,996,341 thousand.

(3) Explanation of Cash flows

The balance of cash and cash equivalents on a consolidated basis as of the end of 2nd quarter was ¥35,006,105 thousand, up ¥3,274,767 thousand from the previous term-end.

Net cash provided by operating activities was ¥4,102,962 thousand, compared with ¥2,805,211 thousand a year earlier. The main factor here was an increase of cash due to the recording of income before income taxes and minority interests of ¥11,149,976 thousand, which outweighed income taxes paid of ¥3,277,738 thousand.

Net cash provided by investing activities was ¥-2,290,437 thousand, compared with ¥-3,363,793 thousand a year earlier. The main expenditure was Purchase of tangible fixed assets ¥2,989,215 thousand.

Net cash provided used in financing activities was ¥-946,067 thousand, compared with ¥-2,800,225 thousand a year earlier. The main expenditure was Cash dividends paid ¥2,043,463 thousand. The main income was Proceeds from short-term borrowings ¥2,000,000 thousand.

(4) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

Our company will revise our business performance forecasts it released on February 9, 2023.

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

Full year

	The amount	%
Sales	¥56,638 million	16.4
EBITDA	¥18,616 million	6.4
Operating income	¥15,972 million	3.8
Ordinary profit	¥19,506 million	10.5
Net income attributable to owners of parent	¥13,842 million	11.0

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

2. Consolidated Quarterly Financial Statements and Principal Notes

(1) Consolidated Quarterly Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	34,992,939	40,260,103
Notes receivable - trade	89,402	97,925
Accounts receivable - trade	6,017,059	7,479,889
Securities	1,186,445	1,522,935
Money held in trust	2,014,230	–
Merchandise and finished goods	7,167,378	8,205,268
Work in process	4,799,134	5,150,120
Raw materials and supplies	4,317,667	5,297,672
Other	2,056,477	1,736,443
Allowance for doubtful accounts	-91,139	-72,364
Total current assets	62,549,596	69,677,994
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,111,280	17,494,960
Machinery, equipment and vehicles	9,359,239	9,906,969
Tools, furniture and fixtures	5,707,895	6,155,649
Land	2,205,232	2,311,787
Construction in progress	720,395	2,899,833
Accumulated depreciation	-18,475,536	-18,750,792
Total property, plant and equipment	17,628,506	20,018,407
Intangible assets		
Software	704,589	703,856
Software in progress	273,378	227,150
Goodwill	2,696,223	2,842,245
Other	398,977	369,995
Total intangible assets	4,073,168	4,143,248
Investments and other assets		
Investment securities	6,853,855	6,507,031
Shares of subsidiaries and associates	6,055,110	6,252,959
Insurance funds	1,843,468	1,753,812
Retirement benefit asset	7,152	2,245
Deferred tax assets	1,923,315	1,939,973
Other	1,221,819	1,266,503
Allowance for doubtful accounts	-1,532	-1,650
Total investments and other assets	17,903,188	17,720,876
Total non-current assets	39,604,863	41,882,533
Total assets	102,154,460	111,560,527

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,535,530	1,891,273
Short-term borrowings	100,000	2,100,000
Current portion of long-term borrowings	21,843	–
Income taxes payable	2,764,786	2,671,879
Provision for bonuses	983,394	478,000
Other	4,441,744	3,896,511
Total current liabilities	9,847,300	11,037,665
Non-current liabilities		
Long-term borrowings	358,957	–
Retirement benefit liability	162,065	172,511
Deferred tax liabilities	579,708	690,392
Other	183,772	182,350
Total non-current liabilities	1,284,503	1,045,254
Total liabilities	11,131,804	12,082,919
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,185,764
Retained earnings	93,628,490	99,653,629
Treasury shares	-9,293,944	-9,790,273
Total shareholders' equity	86,382,977	91,917,068
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,403,982	1,273,368
Foreign currency translation adjustment	2,950,583	5,946,924
Total accumulated other comprehensive income	4,354,565	7,220,292
Share acquisition rights	278,685	330,967
Non-controlling interests	6,427	9,279
Total net assets	91,022,656	99,477,607
Total liabilities and net assets	102,154,460	111,560,527

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	24,462,214	28,259,425
Cost of sales	8,978,925	10,250,102
Gross profit	15,483,288	18,009,322
Selling, general and administrative expenses	7,353,834	9,762,122
Operating profit	8,129,454	8,247,200
Non-operating income		
Interest income	35,193	103,861
Dividend income	32,097	37,140
Surrender value of insurance policies	–	11,285
Subsidy income	35,927	40,201
Share of profit of entities accounted for using equity method	–	162,535
Foreign exchange gains	1,480,792	2,524,448
Miscellaneous income	110,914	147,732
Total non-operating income	1,694,925	3,027,205
Non-operating expenses		
Interest expenses	774	1,998
Loss on investments in money held in trust	248,058	3,188
Commission expenses	5,417	2,029
Share of loss of entities accounted for using equity method	58,746	–
Miscellaneous losses	21,239	19,249
Total non-operating expenses	334,236	26,466
Ordinary profit	9,490,143	11,247,938
Extraordinary income		
Gain on sale of non-current assets	65,888	5,269
Total extraordinary income	65,888	5,269
Extraordinary losses		
Loss on sale of non-current assets	31,826	195
Loss on retirement of non-current assets	1,492	2,936
Expense on scrapping fixed assets	–	100,100
Total extraordinary losses	33,319	103,231
Profit before income taxes	9,522,712	11,149,976
Income taxes - current	2,741,843	2,869,987
Income taxes - deferred	28,707	175,483
Total income taxes	2,770,550	3,045,471
Profit	6,752,161	8,104,505
Profit attributable to non-controlling interests	1,345	1,494
Profit attributable to owners of parent	6,750,816	8,103,010

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	6,752,161	8,104,505
Other comprehensive income		
Valuation difference on available-for-sale securities	-439,585	-130,614
Foreign currency translation adjustment	2,688,159	2,997,698
Total other comprehensive income	2,248,573	2,867,083
Comprehensive income	9,000,735	10,971,588
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,998,281	10,968,736
Comprehensive income attributable to non-controlling interests	2,454	2,851

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	9,522,712	11,149,976
Depreciation	918,407	1,182,661
Amortization of goodwill	27,302	165,659
Expense on scrapping fixed assets	–	100,100
Increase (decrease) in allowance for doubtful accounts	12,254	-25,590
Increase (decrease) in provision for bonuses	-471,948	-505,394
Increase (decrease) in retirement benefit liability	487	-229
Interest and dividend income	-67,290	-141,002
Interest expenses	774	1,998
Share of loss (profit) of entities accounted for using equity method	58,746	-162,535
Loss on retirement of non-current assets	1,492	2,936
Loss (gain) on sale of non-current assets	-34,061	-5,074
Gain (gain) on investments in money held in trust	248,058	3,188
Surrender value of insurance policies	–	-11,285
Subsidy income	-35,927	-40,201
Decrease (increase) in trade receivables	-465,159	-942,713
Decrease (increase) in inventories	-807,590	-1,556,057
Increase (decrease) in trade payables	-54,308	-190,391
Foreign exchange losses (gains)	-2,605,381	-2,272,826
Other, net	-720,974	48,075
Subtotal	5,527,595	6,801,296
Interest and dividends received	142,747	541,333
Interest paid	-804	-2,130
Income taxes paid	-2,900,252	-3,277,738
Subsidies received	35,927	40,201
Net cash provided by (used in) operating activities	2,805,211	4,102,962

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	-1,457,281	-2,989,215
Proceeds from sale of property, plant and equipment	61,820	5,306
Payments for scrapping fixed assets	–	-100,100
Purchase of intangible assets	-284,504	-116,915
Proceeds from sale and redemption of investment securities	726,707	408,807
Purchase of shares of subsidiaries and associates	-1,568,387	-16,876
Payments into time deposits	-3,006,312	-2,170,698
Proceeds from withdrawal of time deposits	2,167,067	493,500
Purchase of insurance funds	-6,741	-7,213
Proceeds from cancellation of insurance funds	–	110,352
Proceeds from cancellation of money held in trust	–	2,093,108
Other, net	3,838	-493
Net cash provided by (used in) investing activities	-3,363,793	-2,290,437
Cash flows from financing activities		
Proceeds from short-term borrowings	–	2,000,000
Repayments of long-term borrowings	–	-402,688
Dividends paid	-1,722,570	-2,043,463
Purchase of treasury shares	-1,077,655	-499,914
Net cash provided by (used in) financing activities	-2,800,225	-946,067
Effect of exchange rate change on cash and cash equivalents	2,365,212	2,408,310
Net increase (decrease) in cash and cash equivalents	-993,595	3,274,767
Cash and cash equivalents at beginning of period	34,887,816	31,648,571
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	82,767
Cash and cash equivalents at end of period	33,894,220	35,006,105

(4) Notes to Consolidated Quarterly Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in the scope of consolidation during the period)

Not applicable.

(Segment Information)

【Segment Information】

2nd quarter ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	20,530,662	1,681,197	2,250,354	24,462,214	–	24,462,214
Transactions with other segments	–	–	–	–	–	–
Net sales	20,530,662	1,681,197	2,250,354	24,462,214	–	24,462,214
Operating profit (loss)	8,669,769	885,149	774,127	10,329,046	-2,199,591	8,129,454

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.

2nd quarter ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	22,448,932	1,779,394	4,031,098	28,259,425	–	28,259,425
Transactions with other segments	–	–	–	–	–	–
Net sales	22,448,932	1,779,394	4,031,098	28,259,425	–	28,259,425
Operating profit (loss)	9,051,671	888,937	878,716	10,819,325	-2,572,124	8,247,200

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.