Flash Report for 3rd quarter Ended September 30, 2024 (on a consolidated basis) [Japan GAAP]

November 14, 2024

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Scheduled date to begin dividend payments: -
Supplementary materials to quarterly financial statements: Applicable
Quarterly earnings results briefing: Not applicable

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

1. Consolidated financial results for 1st quarter period (January 1 to September 30, 2024)

(1) Operating Results

	Millions of yen					
	Net sales		EBITDA		Operating income	
3rd quarter ended September 30, 2024	56,621	37.4%	15,597	14.2%	11,392	-1.6%
3rd quarter ended September 30, 2023	41,217	14.2%	13,663	2.1%	11,578	-2.7%

	Millions of yen					
	Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
3rd quarter ended September 30, 2024	12,280	-19.0%	8,079	-63.7%	95.42	95.13
3rd quarter ended September 30, 2023	15,157	3.1%	22,234	117.8%	261.21	260.49

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:
   3rd quarter ended September 30, 2024 9,087 million (-66.1%)
   3rd quarter ended September 30, 2023 26,773 million (108.0%)
3. EBITDA (Operating income + Depreciation + Goodwill amortization)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of September 30, 2024	147,853	116,004	78.2%
As of December 31, 2023	140,768	113,164	80.1%

Note: Owners' equity As of September 30, 2024 115,627 million
As of December 31, 2023 112,823 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended December 31, 2023	—	24.00	—	26.00	50.00
Year ending December 31, 2024	—	26.00	—		
Year ending December 31, 2024 (forecast)				26.00	52.00

Notes: 1. Revisions to dividend payment forecasts during the period: Not applicable

3. Business Performance Forecasts for the Current Term (January 1 to December 31, 2024)

	Millions of yen								
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)
Full year	75,208	26.0	13,427	-5.8	14,635	-14.9	9,652	-57.7	113.85

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

2. Revisions to performance forecasts during the period: Not 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 September 30, 2024: 93,418,200 shares

As of December 31, 2023: 94,259,400 shares

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

As of September 30, 2024: 8,961,118 shares

As of December 31, 2023: 8,964,612 shares

Average number of shares during the period

3rd quarter ended September 30, 2024: 84,674,699 shares

3rd quarter ended September 30, 2023: 85,120,407 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 3rd quarter, in the USA, personal consumption keeps good but it's getting clear that CPI is not going to down. In Europe, consumer mind is getting down so it leads to stop recovering consumption.

In Japanese economy, salary increase is expected but consumption is still weak. And there is shortage of manpower.

Under these circumstances, industrial sales decreased but all other segments sales increased. EBITDA increased but operating income, ordinary income and income attributable to owners of parent for the quarter decreased.

As a result, the Group sales were ¥56,621,860 thousand (+37.4% year on year), EBITDA ¥15,597,183 thousand (+14.2%), operating income was ¥11,392,940 thousand (-1.6%), ordinary income was ¥12,280,241 thousand (-19.0%) and income attributable to owners of parent for the quarter was ¥8,079,754 thousand (-63.7%).

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 but North America sales, Europe and Asia sales increased. Total Dental segment sales increased. segment EBITDA were almost flat and segment operating income decreased.

As a result, sales were ¥34,126,447 thousand (+4.2%), segment EBITDA was ¥14,569,670 thousand (+0.4%) and segment operating income was ¥13,030,106 thousand (-2.0%).

(DCI segment)

In DCl segment, because the problem on cyber attack to a big dealer had been almost solved, sales increased.

As a result, sales were ¥14,305,428 thousand, segment EBITDA was ¥1,968,570 thousand and segment operating income was ¥211,115 thousand.

(Surgical segment)

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

As a result, sales were ¥3,207,818 thousand (+23.8%), segment EBITDA was ¥1,816,733 thousand (+31.0%) and segment operating income was ¥1,727,655 thousand (+30.6%).

(Industrial segment)

In Industrial segment, North America sales increased thanks to weak JPY. However Domestic, Europe and Asia sales decreased. Segment EBITDA and segment operating income decreased as well.

As a result, sales were ¥4,982,165 thousand (-15.0%), segment EBITDA was ¥1,020,763 thousand (-26.0%) and segment operating income was ¥ 573,864 thousand (-41.2%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 3rd quarter were ¥ 147,853,944 thousand and increased by ¥ 7,085,302 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥7,476,189 thousand, and Buildings and structures increased by ¥ 4,085,315 thousand.

Total liabilities were ¥ 31,849,583 thousand and increased by ¥ 4,245,763 thousand compared with the end of the previous fiscal year. The main reasons were that Short-term borrowings increased by ¥3,010,070 thousand and Long-term borrowings (including Current portion of long-term borrowings) increased by ¥2,505,034 thousand.

Net asset was ¥116,004,361 thousand and increased by ¥2,839,538 thousand compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥3,787,365 thousand and Capital surplus by ¥1,125,151 thousand

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

We will not change the forecast announced on August 9, 2024.

Full year

	The amount	%
Sales	¥75,208 million	26.0
EBITDA	¥19,013 million	7.4
Operating income	¥13,427 million	-5.8
Ordinary profit	¥14,635 million	-14.9
Net income attributable to owners of parent	¥9,652 million	-57.7

(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, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	31,718,041	39,194,230
Notes receivable - trade	136,882	104,263
Accounts receivable - trade	8,321,641	7,864,467
Securities	927,272	846,335
Merchandise and finished goods	12,300,232	13,100,294
Work in process	5,916,190	6,116,795
Raw materials and supplies	5,800,362	6,583,860
Other	3,135,290	2,868,115
Allowance for doubtful accounts	-82,478	-86,191
Total current assets	68,173,435	76,592,171
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,053,960	23,139,276
Machinery, equipment and vehicles	11,090,021	11,359,387
Tools, furniture and fixtures	7,449,848	7,675,923
Land	2,594,819	2,607,501
Construction in progress	3,679,576	815,026
Accumulated depreciation	-20,767,549	-21,324,746
Total property, plant and equipment	23,100,677	24,272,369
Intangible assets		
Software	684,030	675,882
Software in progress	299,212	321,412
Goodwill	21,378,868	20,436,174
Customer-related intangible assets	8,189,652	7,811,717
Other	7,839,135	7,466,632
Total intangible assets	38,390,899	36,711,820
Investments and other assets		
Investment securities	6,520,238	6,334,214
Shares of subsidiaries and associates	449,419	599,436
Insurance funds	1,750,896	626,614
Retirement benefit asset	2,780	–
Deferred tax assets	948,549	810,244
Other	1,433,243	1,959,626
Allowance for doubtful accounts	-1,497	-52,553
Total investments and other assets	11,103,629	10,277,583
Total non-current assets	72,595,206	71,261,773
Total assets	140,768,641	147,853,944

(Thousands of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	2,153,937	2,239,316
Short-term borrowings	11,478,670	14,488,740
Current portion of long-term borrowings	9,965	1,010,230
Income taxes payable	2,123,634	1,083,547
Provision for bonuses	568,633	791,857
Other provisions	–	184,714
Other	5,165,980	4,590,487
Total current liabilities	21,500,820	24,388,893
Non-current liabilities		
Long-term borrowings	179,370	1,684,140
Retirement benefit liability	195,172	181,281
Deferred tax liabilities	5,175,573	4,974,060
Other	552,882	621,208
Total non-current liabilities	6,102,999	7,460,689
Total liabilities	27,603,819	31,849,583
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	3,708,703	2,583,551
Retained earnings	112,310,974	116,098,340
Treasury shares	-11,158,651	-12,025,058
Total shareholders' equity	105,728,975	107,524,782
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,607,616	1,974,032
Foreign currency translation adjustment	5,486,959	6,128,883
Total accumulated other comprehensive income	7,094,575	8,102,915
Share acquisition rights	330,967	366,852
Non-controlling interests	10,303	9,810
Total net assets	113,164,822	116,004,361
Total liabilities and net assets	140,768,641	147,853,944

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	41,217,090	56,621,860
Cost of sales	15,043,460	23,697,001
Gross profit	26,173,629	32,924,859
Selling, general and administrative expenses	14,595,060	21,531,918
Operating profit	11,578,569	11,392,940
Non-operating income		
Interest income	422,844	569,772
Dividend income	37,145	41,851
Surrender value of insurance policies	11,285	134,495
Subsidy income	60,225	53,218
Foreign exchange gains	2,980,635	–
Miscellaneous income	202,342	511,124
Total non-operating income	3,714,478	1,310,462
Non-operating expenses		
Interest expenses	7,412	41,847
Loss on investments in money held in trust	4,096	487
Commission expenses	2,030	2,345
Share of loss of entities accounted for using equity method	99,488	–
Foreign exchange losses	–	348,969
Miscellaneous losses	22,751	29,511
Total non-operating expenses	135,779	423,162
Ordinary profit	15,157,267	12,280,241
Extraordinary income		
Gain on sale of non-current assets	9	–
Gain on sale of investment securities	201,947	–
Gain on step acquisitions	11,361,210	–
Total extraordinary income	11,563,167	–
Extraordinary losses		
Loss on sale of non-current assets	249	2,264
Loss on retirement of non-current assets	4,660	21,615
Expense on scrapping fixed assets	100,100	70,567
Provision for loss on litigation	–	184,714
Total extraordinary losses	105,010	279,161
Profit before income taxes	26,615,425	12,001,080
Income taxes - current	4,484,817	4,235,487
Income taxes - deferred	-106,048	-314,817
Total income taxes	4,378,768	3,920,670
Profit	22,236,656	8,080,409
Profit attributable to non-controlling interests	2,267	655
Profit attributable to owners of parent	22,234,389	8,079,754

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	22,236,656	8,080,409
Other comprehensive income		
Valuation difference on available-for-sale securities	-88,806	366,416
Foreign currency translation adjustment	4,626,016	640,539
Total other comprehensive income	4,537,210	1,006,956
Comprehensive income	26,773,866	9,087,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	26,770,301	9,087,857
Comprehensive income attributable to non-controlling interests	3,565	-492

(3) 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】

3rd quarter ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Thousands of yen)

	Reportable segments					Reconciling items	Per quarterly consolidated financial statements
	Dental segment	DCI segment	Surgical segment	Industrial segment	Reportable segments		
Sales							
Revenues from external customers	32,765,446	–	2,591,901	5,859,743	41,217,090	–	41,217,090
Transactions with other segments	–	–	–	–	–	–	–
Net sales	32,765,446	–	2,591,901	5,859,743	41,217,090	–	41,217,090
Operating profit (loss)	13,300,221	-20,022	1,323,302	976,329	15,579,831	-4,001,262	11,578,569

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.

3rd quarter ended September 30, 2024 (From January 1, 2024 to September 30, 2024)

(Thousands of yen)

	Reportable segments					Reconciling items	Per quarterly consolidated financial statements
	Dental segment	DCI segment	Surgical segment	Industrial segment	Reportable segments		
Sales							
Revenues from external customers	34,126,447	14,305,428	3,207,818	4,982,165	56,621,860	–	56,621,860
Transactions with other segments	150,471		–	–	150,471	-150,471	–
Net sales	34,276,919	14,305,428	3,207,818	4,982,165	56,772,331	-150,471	56,621,860
Operating profit (loss)	13,030,106	211,115	1,727,655	573,864	15,542,743	-4,149,802	11,392,940

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, DCI product segment is showing because the figures are big. DCI product segment was included in dental products segment in the past.

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