Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2024 (Based on Japanese GAAP)

October 7, 2024

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Stock exchange listing: Tokyo
Stock code: 7730 URL https://www.mani.co.jp/
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Scheduled date of annual general meeting of shareholders: November 25, 2024
Scheduled date to submit Securities Report: November 26, 2024
Scheduled date to commence dividend payments: November 11, 2024
Preparation of supplementary material on financial results: Yes Scheduled to be disclosed on October 8, 2024
Holding of financial results meeting: Yes (For analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended August 31, 2024 (from September 1, 2023 to August 31, 2024)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2024	28,513	16.4	8,392	15.8	8,464	5.9	6,286	5.6
Year ended August 31, 2023	24,488	19.9	7,243	17.5	7,995	6.0	5,953	12.5

Note: Comprehensive income:
For the fiscal year ended August 31, 2024 ¥6,101 million [(17.6%)]
For the fiscal year ended August 31, 2023 ¥7,408 million [(13.6%)]

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Year ended August 31, 2024	63.82	–	12.3	15.1	29.4
Year ended August 31, 2023	60.46	–	12.5	15.2	29.6

Reference: Share of profit (loss) of entities accounted for using equity method
As of August 31, 2024 ¥ - million
As of August 31, 2023 ¥ - million

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2024	57,177	52,330	91.5	531.18
As of August 31, 2023	54,977	49,827	90.6	505.88

Reference: Equity
As of August 31, 2024 ¥52,330 million
As of August 31, 2023 ¥49,827 million

(3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended August 31, 2024	7,810	(6,642)	(3,703)	21,017
Year ended August 31, 2023	8,026	(4,016)	(3,251)	23,798

2. Cash dividends

	Annual dividends per share					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended August 31, 2023	–	14.00	–	21.00	35.00	3,447	57.9	7.2
Year ended August 31, 2024	–	16.00	–	23.00	39.00	3,841	61.1	7.5
Year ending August 31, 2025	–	16.00	–	23.00	39.00		60.5	

3. Forecast of consolidated financial results for the fiscal year ending August 31, 2025 (from September 1, 2024 to August 31, 2025)

(Percentages indicate year-on-year changes)

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter	14,750	6.1	4,200	0.1	4,200	(7.7)	3,000	(6.0)	30.45
Full year	30,200	5.9	8,900	6.1	8,850	4.6	6,350	1.0	64.45

※ Notes

(1) Changes in significant subsidiaries during the fiscal year ended August 31, 2024 (Changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatements of prior period financial statements

①Changes in accounting policies due to revisions to accounting standards and other regulations: No

②Changes in accounting policies due to other reasons: No

③Changes in accounting estimates: No

④Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

①Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2024	107,003,277 shares	As of August 31, 2023	106,981,502 shares

②Number of treasury shares at the end of the period

As of August 31, 2024	8,484,606 shares	As of August 31, 2023	8,484,510 shares

③Average number of shares during the period (cumulative from the beginning of the fiscal year)

As of August 31, 2024	98,502,410 shares	As of August 31, 2023	98,471,183 shares

* Quarterly financial reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

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1. Overview of business results

(1) Explanation of operating results

The recent global situation remained uncertain against the backdrop of prolonged geopolitical issues in Ukraine and the Middle East. In terms of financial conditions, interest rates were lowered in the United States and Europe due to calming inflation and concerns about economic recession, while in Japan, movements to normalize financial conditions, such as lifting the negative interest rate policy, affected stock markets and foreign exchange rates. In the real economy, although there are concerns particularly about the slowdown in China, expectations remain high for economic growth in India and ASEAN countries. While the healthcare and medical device industry, which our Group is a part of, are being affected by these external conditions, expectations for high-quality medical care are rising due to factors such as the aging population and development of IT technology. In the medium-to long-term, we expect business opportunities to increase and the competitive environment to intensify.

Under such circumstances, the Group aims to contribute to the well-being of people around the world by providing our products worldwide, based on our commitment “The Best Quality in the World, to the World.” To achieve further growth, we have started our medium-term management plan from the fiscal year ended August 31, 2022, and are engaged in realizing our corporate philosophy and evolve to “a true global company” by dramatically evolving and transforming our platforms in sales, production, and development functions.

The following is a summary of important measures and initiatives in line with the medium-term management plan that are worthy of special mention.

Global business expansion

MANI MEDICAL DEVICE MALAYSIA SDN. BHD., which is a sales subsidiary established in Malaysia as our new base, began full-scale marketing activities in November 2023. The Company will actively conduct marketing activities for Dental products and Surgical products in emerging countries, mainly in the Southeast Asia region. In September 2024, a new sales subsidiary, MANI MEDICAL AMERICA, INC., has been established in North America, and preparations are underway for the start of full-scale marketing activities. We will promote regional-oriented sales activities in medically advanced countries and expand our business in the North American market. In addition, our German subsidiary MANI MEDICAL GERMANY GmbH (hereinafter referred to as MMG), relocated to the new Head Office Factory in September 2023, and production activities have begun. Going forward, MMG will continue to increase manufacturing capacity of dental restoration materials[1] and promote sales expansion in Europe, North America and Asia.

Product development to compete globally

With regard to product development with key opinion leaders (KOLs) around the world, we have launched our three key development products in the fiscal year ended August 31, 2023. The key development products are JIZAI[2], a NiTi rotary file for dental root canal treatment, MANI EG Composite, a dental restoration material, and MANI Micro Forceps[3], a vitreous forceps for ophthalmic surgery. In the fiscal year ended August 2024, we expanded the JIZAI product lineup to meet KOL's needs to expand the quality and breadth of dental root canal treatment. On the other hand, we have also been developing products in the direction of applying existing products and technologies, such as developing an eyeless needle using our proprietary stainless steel material “MANI hard-fiber stainless steel” in a form suitable for robotic surgery.

Enhance the global production system with our Smart Factory[4]

With the aim “to establish a global production system,” the construction of the Smart Factory in Japan has begun in October 2023. The Smart Factory is positioned as the first “pilot factory” for future overseas expansion of mass production technology of our new products and next-generation automated production lines for mainstay existing products. With this Smart Factory, we will aim to expand sales globally while saving labor in manufacturing and lowering the cost of products. In particular, we are preparing for the mass production of one of our key products, “JIZAI,” a NiTi rotary file for dental root canal treatment, and ophthalmic knives for cataract surgery. Furthermore, we will expand our existing factory in Vietnam to increase production capacity and strengthen BCP (business continuity plan).

Initiatives for future growth

In addition to the progress of the measures stated above, considering the changes in the business environment surrounding our Group from a more medium- to long-term perspective, we recognize the need to further accelerate the platform reforms in the development, production, and sales functions that we have built up to now. Therefore, we have set “management platform reform,” which means the strengthening and transformation of our organizational structure and business operations, as a key issue and will begin activities from the fiscal year ending August 31, 2025. In addition to implementing company-wide organizational reform, we will aim to steadily implement our medium-term management plan with a new management team under the leadership of Masaya Watanabe, currently an outside director, as President and Representative Executive Officer starting from November 2024. For details, please refer to the notice “Notice Regarding Change of President and Representative Executive Officer,” which was released on July 11, 2024.

We will continue to aim to enhance corporate value through growth strategies based on our medium-term management plan

(References)

[1] An artificial resin material that is used for treatments to restore the shape of a tooth by filling the deficit portion (dental restoration treatment) and treatments to enhance dental aesthetics (aesthetic dental treatment).

[2] A flexible nickel titanium dental endodontic instrument used to treat an infected dental root canal in an endodontic treatment, which is one of the treatments for the dental nervous system known as pulp.

[3] An ophthalmic surgical instrument that is used to treat the fundus in vitrectomy, one of the treatment methods for ocular diseases, such as retinal detachment and diabetic proliferative retinopathy.

[4] Total investment for the Smart Factory will be ¥10.5 billion (breakdown: ¥8.4 billion for building construction, ¥1.1 billion for the "JIZAI" mass production line, and ¥1.0 billion for the ophthalmic knife mass production line).

Operating results for the fiscal year ended August 31, 2024

Net sales were ¥28,513 million (up 16.4% year on year), due to increase in sales mainly in Asia, North America and Europe. The increase in overseas sales caused by yen depreciation have also contributed significantly to net sales. Cost of sales were ¥10,616 million (up 17.1% year on year) due to an increase in manufacturing costs at overseas subsidiaries. Selling, general and administrative expenses were ¥9,505 million (up 16.2% year on year) due to an increase in sales promotion costs resulting from enhanced marketing activities and higher personnel costs at the Head Office in Japan. Despite there was an increase in cost of sales and selling, general and administrative expenses, our operating income was ¥8,392 million (up 15.8% year on year) due to sales growth. Ordinary income was ¥8,464 million (up 5.9% year on year) and profit attributable to owners of parent was ¥6,276 million (up 5.4% year on year) due to an increase in operating income and foreign exchange gains.

The following is an overview of financial results by segment. Segment sales figures are those from external customers.

	Net sales		Segment income (Operating income)	
	Millions of yen	Year on year	Millions of yen	Year on year
Surgical products	8,152	20.2%	2,640	24.5%
Eyeless Needle products	10,222	19.2%	3,872	35.2%
Dental products	10,139	11.1%	1,878	(16.8%)
Consolidated total	28,513	16.4%	8,392	15.8%

(Surgical products)

The segment sales were ¥8,152 million (up 20.2% year on year) and segment income was ¥2,640 million (up 24.5% year on year). Segment sales and income have increased due to an increase in demand for ophthalmic knives, which are used in cataract surgery, mainly in Asia, particularly in China, Europe and North America from the previous fiscal year.

(Eyeless Needle products)

The segment sales were ¥10,222 million (up 19.2% year on year) and segment income was ¥3,872 million (up 35.2% year on year). Segment sales and income have continued to increase due to an increase in orders for eyeless needles, which was caused by growing demand in Asia, particularly in China, and North America. Furthermore, from the fiscal year ended August 31, 2024, the Group has changed the method of calculating selling, general and administrative expenses by segment. As a result of this change, selling, general and administrative expenses decreased by ¥325 million. For further details, please refer to "Supplement: Change in method of calculating segment income" stated below.

(Dental products)

The segment sales were ¥10,139 million (up 11.1% year on year), and segment income was ¥1,878 million (down 16.8% year on year). Segment sales in overseas were boosted significantly by yen depreciation. In terms of sales by products, sales of dental rotary and cutting instruments (dia-burs) and dental endodontic instruments (reamers/files) were strong in Asia, particularly in China and India. On the other hand, sales of MMG products, which are mainly dental restoration materials, were weak. Segment income has decreased due to an increase in selling, general and administrative expenses resulting from active marketing activities in India and Southeast Asia. Furthermore, from the fiscal year ended August 31, 2024, the Group has changed the method of calculating selling, general and administrative expenses by segment. As a result of this change, selling, general and administrative expenses increased by ¥297 million. For further details, please refer to "Supplement: Change in method of calculating segment income" stated below.

※Reference: Exchange rates

	Previous consolidated accounting period (Year ended August 31, 2023)				Current consolidated accounting period (Year ended August 31, 2024)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
USD/JPY	144.26	138.50	137.31	138.60	149.10	147.92	149.66	150.78
EUR/JPY	143.93	142.94	144.04	146.95	159.30	159.38	161.40	162.94
CNY/JPY	20.22	19.77	19.67	19.69	20.47	20.45	20.68	20.84
INR/JPY	1.78	1.70	1.68	1.69	1.79	1.78	1.80	1.81
MYR/JPY	-	-	-	-	31.95	31.35	31.78	32.28

Supplement: Change in the method of calculating segment income

The Group has changed the method of calculating segment income since the beginning of the first quarter of the fiscal year ended August 31, 2024. The reasons for the change and the impact of the change are as follows.

Reasons for the change

Further expansion of market share and sales of dental products is one of our important targets for the fiscal year ended August 31, 2024. To achieve this target, we have established a new organization, the “Dental Business Division” in September 2023, and began its activities. As a result, it has become necessary to more appropriately reflect the fact that a large amount of selling, general and administrative expenses are incurred in the dental segment in the business results. Therefore, the method of calculating segment income (the method of calculating selling, general and administrative expenses by segment) has been newly changed.

Impact on segment income

(Millions of yen)

	A	B	C	C-A	B-A
	Year ended August 31, 2023 [Before the change]	Year ended August 31, 2023 [After the change]	Year ended August 31, 2024 [After the change]	Changes in amount	Impact on the segment income
Segment income of surgical products [selling, general and administrative expenses]	2,121 [2,322]	2,093 [2,350]	2,640 [2,789]	518 [467]	(28) [28]
Segment income of eyeless needle products [selling, general and administrative expenses]	2,865 [2,484]	3,191 [2,158]	3,872 [2,622]	1,007 [137]	325 [(325)]
Segment income of dental products [selling, general and administrative expenses]	2,256 [3,371]	1,959 [3,668]	1,878 [4,093]	(378) [722]	(297) [297]
Total segment income [selling, general and administrative expenses]	7,243 [8,177]	7,243 [8,177]	8,392 [9,505]	1,148 [1,327]	- [-]

(2) Explanation of financial position and cash flows

i). Financial position

(Millions of yen)

	As of August 31, 2023	As of August 31, 2024	Change
Total assets	54,977	57,177	2,200
Current assets	34,994	31,942	(3,052)
Non-current assets	19,982	25,235	5,252
Liabilities	5,149	4,846	(302)
Net assets	49,827	52,330	2,503

Total assets as of the fiscal year ended August 31, 2024 stood at ¥57,177 million, an increase of ¥2,200 million from the end of the previous consolidated accounting period. This was primarily due to an increase of ¥5,252 million in non-current assets (mainly an increase in investments related to the Smart Factory of ¥5,592 million) and a decrease of ¥3,052 million in current assets (mainly a decrease in cash and deposits of ¥3,783 million due to capital expenditures related to the Smart Factory and dividend payments, while accounts receivable increased ¥636 million).

Total liabilities as of the fiscal year ended August 31, 2024 stood at ¥4,846 million, a decrease of ¥302 million from the end of the previous consolidated accounting period. This was primarily due to a decrease in current liabilities such as provision for bonuses and income taxes payable.

Total net assets as of the fiscal year ended August 31, 2024 stood at ¥52,330 million, an increase of ¥2,503 million from the end of the previous consolidated accounting period. This was primarily due to an increase in retained earnings resulting from the recording of profit attributable to owners of parent.

ii). Cash flows

(Millions of yen)

	Year ended August 31, 2023	Year ended August 31, 2024	Change
Cash flows from operating activities	8,026	7,810	(2.7%)
Cash flows from investing activities	(4,016)	(6,642)	65.4%
Cash flows from financing activities	(3,251)	(3,703)	13.9%
Effect of exchange rate change on cash and cash equivalents	955	(245)	(125.7%)
Cash and cash equivalents at beginning of the period	22,084	23,798	7.8%
Cash and cash equivalents at end of the period	23,798	21,017	(11.7%)

During the fiscal year ended August 31, 2024, the cash flows and factors contributing to those amounts are as follows.

(Cash flows from operating activities)

Cash inflows from operating activities were ¥7,810 million (down 2.7% year on year). This was primarily due to an increase in operating cash inflow increased profit before income taxes, despite there was an increase in cash outflow due to increased trade receivables.

(Cash flows from investing activities)

Cash outflows from investing activities were ¥6,642 million (up 65.4% year on year). This was primarily due to a cash outflow from increased purchases of property, plant and equipment related to the Smart Factory.

(Cash flows from financing activities)

Cash outflows from financing activities were ¥3,703 million (up 13.9% year on year). This was primarily due to a cash outflow from increased dividend payments.

(3) Future outlook

The medical instrument market is considered to be a growing market where product demand is expected to increase worldwide, backed by social conditions such as the continuing market growth in emerging countries, as well as the declining birthrate and aging population in developed countries and the increasing demand for advanced medical care such as minimally invasive medical care. On the other hand, the competitive environment is expected to intensify with the entry of new health-tech companies into the market.

In this environment, our Group will promote efforts to further enhance corporate value by integrating development, production, and sales functions for every product and product feature under our Group's basic policy of providing "The Best Quality in the World, to the World." In particular, for the fiscal year ending August 31, 2025, we recognize the aforementioned "management platform reform" as our most important task, and we will do our utmost to accomplish this task.

Assumed exchange rates

The assumed exchange rate is set at a strong yen level in consideration of the exchange rate fluctuation risks expected in 2024.
(1 USD = 136.00 JPY, 1 EUR = 147.00 JPY, 1 CNY = 19.00 JPY, 1 INR = 1.60 JPY, 1 MYR = 30.00 JPY)

Our Group's overseas sales ratio is approximately 85% (as of the fiscal year ended August 31, 2024), and the appreciation of the yen is considered to be a risk for a decline in sales. On the other hand, our Group has transferred most of its manufacturing processes to Vietnam and other Southeast Asian countries. When overseas sales subsidiaries are also taken into account, cost of sales and selling, general and administrative expenses denominated in foreign currencies will decrease when the yen appreciates. As a result, we are able to mitigate the impact of exchange rate fluctuations on our business performance on the basis of gross profit and operating income. We have established a business model that can generate stable business profits.

Net sales: ¥30.2 billion (up 5.9% year on year)

Surgical products: Sales of ophthalmic knives, which are used in cataract surgery, will increase mainly in Europe, Asia and North America.

Eyeless Needle products: Sales of eyeless needles will gradually increase mainly in Asia, North America, and Europe.

Dental products: Sales of reamers/files and dia-burs will increase due to sales expansion activities in emerging markets in Asia, particularly in India. Sales of MMG products, which are mainly dental restoration materials, will increase in the European and North American markets. On the other hand, we will continue to closely monitor the risk of economic slowdown in China and its impact on medical institutions.

Cost of sales: ¥10.5 billion (down 1.1% year on year)

The cost of sales ratio will decrease due to the effects of productivity improvement initiatives, despite there will be an increase in personnel costs at overseas production subsidiaries and manufacturing costs for the Smart Factory construction.

Selling, general and administrative expenses: ¥10.8 billion (up 13.6% year on year)

Selling, general and administrative expenses will increase significantly due to an increase in expenses at overseas sales subsidiaries for the purpose of developing the Southeast Asian and North American markets, which we position as upfront investments, an increase in personnel costs associated with the strengthening of our personnel structure, and an increase in costs for strengthening research and development.

Operating income: ¥8.9 billion (up 6.1% year on year)

As described above, we expect operating income to increase at the same level as net sales.

Forecast of Consolidated Business Results

	Net sales (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Net income per share (yen)
Year ended August, 2024 (Forecast)	30,200	8,900	8,850	6,350	64.45
Year ended August 2023 (Actual)	28,513	8,392	8,464	6,286	63.82
Year on year	5.9%	6.1%	4.6%	1.0%	1.0%

(4) Basic policy on profit distribution and dividends for the current and next fiscal years

We will continue to actively return profits to shareholders by securing the internal reserves necessary for future business development and strengthening of our management structure, while promoting growth strategies that effectively utilize these reserves. Internal reserve funds will be used to invest in the Smart Factory, construction of MHC's new factory building, research and development, production facilities, and to strengthen sales and marketing activities.

Based on the consolidated results and the aforementioned policy taken into consideration, we will pay the annual dividend of ¥39 per share (interim dividend of ¥16 and year-end dividend of ¥23) for the current fiscal year.

In order to maintain the current dividend payout ratio (61.1% as of August 31, 2024) and to allocate funds to investment activities focused on future growth, we plan to pay a dividend of ¥39 per share (interim dividend of ¥16 and year-end dividend of ¥23), which is the same amount as the current fiscal year, for the next fiscal year.

2. Basic policy regarding selection of accounting standards

Our Group policy is to prepare its consolidated financial statements in accordance with Japanese GAAP for the time being, considering the comparability of the consolidated financial statements between periods and between companies.

Our Group's policy on applying International Financial Reporting Standards (IFRS) is to respond appropriately based on considerations of various conditions in Japan and overseas.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of August 31, 2023	As of August 31, 2024
Assets		
Current assets		
Cash and deposits	25,427	21,644
Notes receivable - trade	262	210
Accounts receivable - trade	2,073	2,710
Securities	—	18
Merchandise and finished goods	796	896
Work in process	3,430	3,244
Raw materials and supplies	2,193	2,221
Other	823	1,009
Allowance for doubtful accounts	(13)	(14)
Total current assets	34,994	31,942
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,762	12,442
Accumulated depreciation	(5,368)	(5,662)
Buildings and structures, net	4,393	6,779
Machinery, equipment and vehicles	15,588	16,901
Accumulated depreciation	(11,217)	(12,445)
Machinery, equipment and vehicles, net	4,370	4,456
Tools, furniture and fixtures	2,108	2,582
Accumulated depreciation	(1,788)	(1,950)
Tools, furniture and fixtures, net	320	631
Land	4,424	4,427
Construction in progress	3,887	6,290
Other	183	148
Accumulated depreciation	(126)	(64)
Other, net	57	83
Total property, plant and equipment	17,453	22,669
Intangible assets		
Software	707	642
Other	535	696
Total intangible assets	1,243	1,338
Investments and other assets		
Investment securities	332	303
Deferred tax assets	631	593
Insurance funds	194	214
Other	127	116
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,285	1,228
Total non-current assets	19,982	25,235
Total assets	54,977	57,177

(Millions of yen)

	As of August 31, 2023	As of August 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	159	181
Accounts payable - other	1,047	1,153
Lease liabilities	41	39
Income taxes payable	1,186	996
Provision for bonuses	798	401
Other	986	1,139
Total current liabilities	4,218	3,912
Non-current liabilities		
Lease liabilities	17	44
Retirement benefit liability	598	583
Asset retirement obligations	223	233
Other	91	73
Total non-current liabilities	931	934
Total liabilities	5,149	4,846
Net assets		
Shareholders' equity		
Share capital	1,066	1,087
Capital surplus	1,113	1,134
Retained earnings	45,482	48,124
Treasury shares	(3,125)	(3,125)
Total shareholders' equity	44,536	47,220
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17	11
Foreign currency translation adjustment	5,251	5,057
Remeasurements of defined benefit plans	21	42
Total accumulated other comprehensive income	5,290	5,110
Total net assets	49,827	52,330
Total liabilities and net assets	54,977	57,177

(2) Consolidated income statements and consolidated comprehensive income statements

(Consolidated income statements)

(Millions of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Net sales	24,488	28,513
Cost of sales	9,066	10,616
Gross profit	15,421	17,897
Selling, general and administrative expenses	8,177	9,505
Operating profit	7,243	8,392
Non-operating income		
Interest income	194	206
Gain on investments in investment partnerships	0	7
Foreign exchange gains	547	—
Gain on sale of scraps	41	54
Other	20	40
Total non-operating income	804	309
Non-operating expenses		
Interest expenses	2	6
Commission for syndicated loans	2	—
Loss on extinguishment share-based compensation expenses	—	40
Foreign exchange losses	—	164
Unoperated land-related costs	41	23
Other	6	3
Total non-operating expenses	53	237
Ordinary profit	7,995	8,464
Extraordinary income		
Surrender value of insurance policies	24	26
Gain on sale of non-current assets	9	5
Compensation for damage income	60	—
Total extraordinary income	93	31
Extraordinary losses		
Loss on retirement of non-current assets	70	15
Impairment losses	—	56
Litigation expenses	0	—
Total extraordinary losses	71	71
Profit before income taxes	8,018	8,424
Income taxes - current	2,166	2,107
Income taxes - deferred	△102	30
Total income taxes	2,064	2,137
Profit	5,953	6,286
Profit attributable to owners of parent	5,953	6,286

(Consolidated comprehensive income statements)

(Millions of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Net income	5,953	6,286
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(6)
Foreign currency translation adjustment	1,405	(194)
Remeasurements of defined benefit plans	52	20
Total other comprehensive income	1,454	(179)
Comprehensive income	7,408	6,106
(item)		
Comprehensive income attributable to owners of parent	7,408	6,106

(3) Consolidated statements of changes in net assets

Fiscal year ended August 31, 2023 (from September 1, 2022 to August 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the current period	988	1,036	42,678	(3,125)	41,578
Changes of items during the current period					
Issuance of new shares	77	77			155
Dividends of surplus			(3,150)		(3,150)
Profit attributable to owners of parent			5,953		5,953
Purchase of treasury stock				(0)	(0)
Net change in items other than shareholders' equity					
Total changes of items during the current period	77	77	2,803	(0)	2,958
Balance at the end of the current period	1,066	1,113	45,482	(3,125)	44,536

	Other accumulated comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of the current period	21	3,845	(30)	3,836	45,414
Changes of items during the current period					
Issuance of new shares					155
Dividends of surplus					(3,150)
Profit attributable to owners of parent					5,953
Purchase of treasury stock					(0)
Net change in items other than shareholders' equity	(3)	1,405	52	1,454	1,454
Total changes of items during the current period	(3)	1,405	52	1,454	4,412
Balance at the end of the current period	17	5,251	21	5,290	49,827

Fiscal year ended August 31, 2024 (from September 1, 2023 to August 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the current period	1,066	1,113	45,482	(3,125)	44,536
Changes of items during the current period					
Issuance of new shares	20	20			41
Dividends of surplus			(3,644)		(3,644)
Profit attributable to owners of parent			6,286		6,286
Purchase of treasury stock				(0)	(0)
Net change in items other than shareholders' equity					
Total changes of items during the current period	20	20	2,642	(0)	2,683
Balance at the end of the current period	1,087	1,134	48,124	(3,125)	47,220

	Other accumulated comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of the current period	17	5,251	21	5,290	49,827
Changes of items during the current period					
Issuance of new shares					41
Dividends of surplus					(3,644)
Profit attributable to owners of parent					6,286
Purchase of treasury stock					(0)
Net change in items other than shareholders' equity	(6)	(194)	20	(179)	(179)
Total changes of items during the current period	(6)	(194)	20	(179)	2,503
Balance at the end of the current period	11	5,057	42	5,110	52,330

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Cash flows from operating activities		
Profit before income taxes	8,018	8,424
Depreciation	1,917	2,270
Impairment losses	—	56
Compensation for damage income	(60)	—
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for bonuses	146	(401)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	—	(59)
Increase (decrease) in retirement benefit liability	78	10
Interest income	(194)	(206)
Loss (gain) on investments in investment partnerships	(0)	(7)
Interest expenses	2	6
Foreign exchange losses (gains)	(589)	46
Commission for syndicated loans	2	—
Loss (gain) on sale of non-current assets	(9)	(5)
Loss on retirement of non-current assets	70	15
Surrender value of insurance policies	(24)	(26)
Decrease (increase) in trade receivables	(147)	(578)
Decrease (increase) in inventories	274	39
Decrease (increase) in other current assets	(176)	(237)
Increase (decrease) in trade payables	43	21
Increase (decrease) in accounts payable - other	386	(39)
Increase (decrease) in other current liabilities	87	160
Other, net	123	403
Subtotal	9,949	9,895
Interest received	164	220
Interest paid	(2)	(6)
Proceeds from damage income	60	—
Income taxes paid	(2,144)	(2,298)
Net cash provided by (used in) operating activities	8,026	7,810
Cash flows from investing activities		
Payments into time deposits	(1,508)	(594)
Proceeds from withdrawal of time deposits	582	1,600
Proceeds from sale and redemption of securities	600	—
Purchase of property, plant and equipment	(3,515)	(7,423)
Proceeds from sale of property, plant and equipment	16	14
Purchase of intangible assets	(205)	(258)
Proceeds from distribution of investments in business partnership	8	10
Purchase of insurance funds	(43)	(46)
Proceeds from cancellation of insurance funds	48	52
Other, net	(0)	2
Net cash provided by (used in) investing activities	(4,016)	(6,642)

(Millions of yen)

	Fiscal year ended August 31, 2023	Fiscal year ended August 31, 2024
Cash flows from financing activities		
Repayments of lease liabilities	(100)	(56)
Purchase of treasury shares	(0)	(0)
Dividends paid	(3,149)	(3,646)
Amount payment of commission for syndicated loans	(2)	—
Net cash provided by (used in) financing activities	(3,251)	(3,703)
Effect of exchange rate change on cash and cash equivalents	955	(245)
Net increase (decrease) in cash and cash equivalents	1,713	(2,780)
Cash and cash equivalents at beginning of the period	22,084	23,798
Cash and cash equivalents at end of the period	23,798	21,017

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Segment information, etc.)

[Segment Information]

1. Overview of reportable segments

The reportable segments of the Group are constituent units of our Group for which separate financial information is obtainable. These segments are periodically examined by decision-making bodies, such as the Board of Directors, for deciding the allocation of management resources and evaluating business performances.

Our Group formulates comprehensive strategies and conducts business activities in domestic and overseas markets relating to the products it handles.

Therefore, our Group consists of product segments based on manufacturing and sales systems. The three reportable segments are Surgical products, Eyeless Needle products, and Dental products.

The major products belonging to each reportable segment are as follows.

Reportable segments	Major products, etc.
Surgical products	Surgical instruments
Eyeless Needle products	Needles for surgical sutures, surgical sutures, surgical needles
Dental products	Root canal treatment instruments, dental endodontic rotary cutting instruments, dental materials

2. Calculation methods for the amounts of sales, income or loss, assets, liabilities, and other items by reportable segment

The reported accounting method for reportable segments is generally the same as the accounting method of consolidated financial statements.

Profits of reportable segments are figures based on operating income. Intersegment sales or transfers are calculated based on production costs.

As assets are not allocated to business segments, descriptions of assets are omitted.

3. Information on net sales, income or loss, assets, liabilities and other items by reportable segment

Fiscal year ended August 31, 2023 (September 1, 2022, to August 31, 2023)

(Millions of yen)

	Reportable segments				Adjustments	Amount on the consolidated financial statements (Note)
	Surgical products	Eyeless Needle products	Dental products	Total		
Net sales						
Sales to external customers	6,784	8,574	9,128	24,488	―	24,488
Intersegment sales or transfer	―	1	―	1	(1)	―
Total	6,784	8,576	9,128	24,489	(1)	24,488
Segment profit	2,121	2,865	2,256	7,243	―	7,243
Other items						
Depreciation	389	709	818	1,917	―	1,917

Note: 1. Segment income is adjusted for operating income on the consolidated financial statements.

2. Segment assets are not stated because segment assets are not allocated to business segments.

Fiscal year ended August 31, 2024 (from September 1, 2023 to August 31, 2024)

(Millions of yen)

	Reportable segments				Adjustments	Amount on the consolidated financial statements (Note)
	Surgical products	Eyeless Needle products	Dental products	Total		
Net sales						
Sales to external customers	8,152	10,222	10,139	28,513	―	28,513
Intersegment sales or transfer	―	0	―	0	(0)	―
Total	8,152	10,222	10,139	28,514	(0)	28,513
Segment profit	2,640	3,872	1,878	8,392	―	8,392
Other items						
Depreciation	484	776	1,009	2,270	―	2,270

Note: 1. Segment income is adjusted for operating income on the consolidated financial statements.

2. Segment assets are not stated because segment assets are not allocated to business segments.

4. Matters related to changes in reportable segments, etc.

(Change in the method of calculating segment income)

The Group has changed the method of calculating segment income since the beginning of the first quarter of the fiscal year ended August 31, 2024. Please refer to “1. Overview of business results, (1) Explanation of operating results, Supplement: Change in the method of calculating segment income” for the reasons for the change and the amount of impact.

【Related Information】

Fiscal year ended August 31, 2023 (September 1, 2022, to August 31, 2023)

1. Information by products and services

This information is omitted because the same information is disclosed in the segment information.

2. Information by regions

(1) Net sales

(Millions of yen)

Japan	North America	Europe		Asia		Others	Total
			Of which, Germany		Of which, China		
4,165	2,033	5,337	1,348	11,059	6,656	1,892	24,488

Note: Sales are classified by country or region based on customer location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Europe	Asia		Total
			Of which, Vietnam	
6,257	3,651	7,544	7,198	17,453

3.Information by major customers

(Millions of yen)

The name of the customer	Net sales	Affiliated Segment
GKHT (Beijing) Medical Technology Co., Ltd.	3,250	Dental products

Fiscal year ended August 31, 2024 (September 1, 2023, to August 31, 2024)

1.Information by products and services

This information is omitted because the same information is disclosed in the segment information.

2.Information by regions

(1) Net sales

(Millions of yen)

Japan	North America	Europe		Asia		Others	Total
			Of which, Germany		Of which, China		
4,206	2,785	5,563	1,572	13,894	8,643	2,064	28,513

Note: Sales are classified by country or region based on customer location.

(2) Property, plant and equipment

(Millions of yen)

Japan	Europe	Asia		Total
			Of which, Vietnam	
11,787	3,701	7,179	6,828	22,669

3.Information by major customers

(Millions of yen)

The name of the customer	Net sales	Affiliated Segment
GKHT (Beijing) Medical Technology Co., Ltd.	4,033	Dental products

[Information of impairment loss on non-current assets by reportable segment]

Fiscal year ended August 31, 2023 (from September 1, 2022 to August 31, 2023)

Not applicable.

Fiscal year ended August 31, 2024 (September 1, 2023, to August 31, 2024)

(Millions of yen)

	Surgical products	Eyeless Needle products	Dental products	Unallocated amounts and elimination	Total
Impairment loss	56	—	—	—	56

[Information on amortization of goodwill and unamortized balance by reportable segment]

Fiscal year ended August 31, 2023 (from September 1, 2022 to August 31, 2023)

Not applicable.

Fiscal year ended August 31, 2024 (September 1, 2023, to August 31, 2024)

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

(Per share information, etc.)

Fiscal year ended August 31, 2023 (from September 1, 2022 to August 31, 2023)		Fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)	
Net assets per share	¥505.88	Net assets per share	¥531.18
Earnings per share	¥60.46	Earnings per share	¥63.82

Note: 1. Diluted earnings per share is not presented because there are no dilutive shares.

2. The basis of calculating earnings per share is as follows:

	Fiscal year ended August 31, 2023 (from September 1, 2022 to August 31, 2023)	Fiscal year ended August 31, 2024 (From September 1, 2023 to August 31, 2024)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,953	6,286
Amounts not attributable to common stock (Millions of yen)	—	—
Profit attributable to owners of parent attributable to common stock (Millions of yen)	5,953	6,286
Average number of shares during the period (thousands of shares)	98,471	98,502

(Significant subsequent events of going concern)

Not applicable.

4.Others

(1) Changes in officers

1). Change of representative executive officer (As of November 25, 2024)

President and Representative Executive Officer: Masaya Watanabe (current Outside Director)

Chairman of the Board of Executive Officers: Masahiko Saito (current President and Representative Executive Officer)

2). Changes in other officers

・Candidates for new directors (as of November 25, 2024)

Director: Yukio Matsui (former Chief Commercial Officer of Astellas Pharma Inc.
current Value Accelerator Operating Advisor of Goldman Sachs Asset Management
member of business strategy committee of TOHO HOLDINGS CO., LTD.)

Note: Yukio Matsui is a candidate for outside director.

・Candidates for re-election of directors (as of November 25, 2024)

Director: Masaya Watanabe (current Chief Adviser of Representative Director of Pivotal Partners Co., Ltd.
Outside Director of CROSS SYNC, Inc.
member of Japan Agency for Medical Research and Development)

Director: Kazuo Takahashi

Director: Toshihide Takai

Director: Tatsuji Yano (current outside director of KPP GROUP HOLDINGS CO., LTD.)

Director: Yukiko Moriyama (current attorney at Waseda Legal Commons)

Director: Yosuke Mitsusada (current Professor of Institute of Management,
Sanno University and independent director of Kyodo Printing Co., Ltd.)

Note: Tatsuji Yano, Yukiko Moriyama and Yosuke Mitsusada are candidates for outside directors.

・Retiring directors

Director: Masahiko Saito (current Director, President and Representative Executive Officer)

3). Changes in executive officers

Please refer to the “Notice Regarding Changes of Officers,” disclosed on August 2, 2024, for further information regarding the changes in executive officers (as of September 1, 2024).

(2) Others

Not applicable.