

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	88.00	-	53.00	-
Fiscal year ending March 31, 2023	-	48.00	-		
Fiscal year ending March 31, 2023 (Forecast)				55.00	103.00

(Note) 1. Revision to the forecast for dividends announced most recently: Yes

(Note) 2. We conducted a two-for-one stock split of our common stock on January 1, 2022. The dividend for the six months ended September 2022 are indicated as the amount prior to said split and year-end dividends for the fiscal year ended March 2022 are indicated as amount after said split. The total for full-year dividends is not indicated as simple calculation is not possible due to having conducted said stock split.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	92,780	6.7	10,650	14.0	10,800	12.9	7,460	3.6	201.29

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

December 31, 2022: 41,376,270 shares

March 31, 2022: 41,376,270 shares

2) Total number of treasury shares at the end of the period:

December 31, 2022: 4,088,700 shares

March 31, 2022: 3,989,036 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 37,330,530 shares

Nine months ended December 31, 2021: 37,382,204 shares

(Note) 1. We conducted a two-for-one stock split of our common stock on January 1, 2022. We calculate total number of issued shares at the end of the period (including treasury shares), total number of treasury shares at the end of the period, and average number of shares during the period as if said stock split was conducted at the beginning of the previous consolidated fiscal year.

(Note) 2. The indicated total number of treasury shares at the end of the period includes our Company stock (nine months ended December 2022: 102,315 shares, fiscal year ended March 2022: 112,752 shares) held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets for our board benefit trust (for directors) and our employee stock ownership plan trust.

*The quarter earnings summary is not subject to a quarterly review by a Certified Public Accountant or an auditing firm. Earnings forecasts and other forward-looking statements indicated in this document are based on certain assumptions deemed as reasonable based on available information at the time of creation. The information in this document does not constitute any promise concerning the achievement of said performance. Actual performance may vary significantly due to various factors.

Overview of Operating Results

Q3 FY03/23 results

In Q3 FY03/23, sales were JPY65.9bn (+6.7% YoY), operating profit was JPY8.2bn (+31.9% YoY), and net income attributable to owners of the parent was JPY5.8bn (+26.8% YoY).

Q3 sales increased YoY. Strong demand at mainstay customers (research labs and factories) from the previous fiscal year continued in Q3. The number of our products sold online rose approximately 2.0mn YoY to 7.8mn, with sales of long tail products (products with relatively low-volume of sales) improving on the generation of synergistic effects with e-commerce channels aligning with DX-related corporate spending. Sales were also boosted by flexible pricing in response to rising commodity prices and higher demand for infection control products such as protective gowns and high-performance masks amidst post-pandemic policies.

The impact of inventory of certain infection control products with deteriorating profitability in the previous fiscal year settled, and the GPM improved 2.1pp to the level prior to the COVID-19 pandemic. We used flexible pricing for rising procurement costs, meaning they had only a minor effect on results.

SG&A expenses were JPY12.4bn (+4.9% YoY, or +JPY579mn YoY). The main reason for the increase was a JPY225mn expansion in personnel expenses on increases in headcount and base pay as well as subsidies for inflation. In addition, freight costs rose on an increase in volume, system-related expenses were up, and travel-related expenses rose as it was easier to move about and conduct sales activities this year than it was last year. However, depreciation and amortization costs declined as material handling investment moved further into the past and warehouse operation fees decreased due to operational improvements.

Research and Industrial Instruments Division

In Q3 FY03/22, sales of Research and Industrial Instruments Division were JPY51.8bn (+7.3% YoY), with sales of Scientific Instruments sector totaling JPY38.5bn (+7.2% YoY), and sales of Industrial Instruments sector at JPY13.3bn (+7.7% YoY).

The Scientific Instruments sector caters to universities, research institutes, and corporate research departments. This business saw an increase in sales of laboratory tools, analytical tools (culturing equipment), and general-purpose consumables such as safety and protective products and medical garments. Solid domestic R&D demand from the previous fiscal year continued. By sales channel, sales through single-source purchasing systems and sales via online sellers were a sales driver, improving 20.6% YoY while those for overseas customers were up 11.7%.

The Industrial Instruments sector, which focuses on manufacturing plants, saw higher sales for clean rooms products such as dust-free products, and general-purpose equipment and consumables such as connectors and wipers. By sales channel, as was the case with the Scientific Instruments sector, sales through single-source purchasing systems and sales via online sellers were a sales driver, improving 19.5% YoY.

Medical instruments Division

Sales in the Medical instruments Division were JPY13.7bn (+4.1% YoY). Infection control products normalized in general, where demand for equipment such as vital measurement instruments and vaccine-related products—which had been in high demand in the fourth and fifth COVID-19 waves in Q3 FY03/22—had run its course. Sales were up YoY as sales activities focused on leveraging our strengths, including its product lineups and the reliability of its inventory, as differentiating factors.

Other

Sales in the "Other" product category were JPY435mn (+16.5% YoY).

Here, subsidiary Triumph21 Co., Ltd. operates a web-based purchasing agency service for laboratory instruments and supplies using the "OffSide" system among others, securing its revenue through system usage fees. The growth in top-line revenue this year has been

driven by firm purchasing activity by its mainstay customers in the pharmaceutical industry and a gradual increase in the scope of C3-OffSide, aiding customers with not only the purchasing tasks themselves but also helping customers reduced the various indirect costs of purchasing.

Progress of sales initiatives under Project ONE medium-term business plan

E-commerce sales were JPY17.3bn (+19.0% YoY), and overseas business sales were JPY3.7bn (+11.7% YoY).

Sales were up 22.6% YoY in the open-site (i.e., open to the general public) e-commerce channels and 15.8% YoY in the members-only e-commerce channels.

Sales to online retailers and open-site e-commerce channels such as AXEL Shop finished the period up versus the same period the previous year thanks to an expansion in the number of our products listed by online sellers, and improved convenience through various collaborations.

In the members-only e-commerce channels, including retail e-commerce support service WAVE and Ocean, a single-source purchasing system for large businesses, the YoY increase in sales reflected an increase in new accounts, as well as expanded usage by existing user companies, and the expansion of listed products.

In overseas operations, sales in China were up 9.5% YoY. Export sales from Japan to Asian countries other than China rose 13.5% YoY.

In China, sales declined 5.0% YoY on a local currency basis due to the impact from the April–May 2022 lockdowns in Shanghai and in reaction to the winning of several major orders in 3Q FY03/22. However, on a yen-denominated basis, sales were up 9.5% YoY.

For exports from Japan to Asian countries other than China, we expanded the number of products listed on AXEL_GLOBAL and Wave_GLOBAL and the listing of products with overseas specifications, reaching a total of just under 2.4mn. Moreover, with the resumption of travel, efforts to strengthen communication with local dealers resulted in an increase in sales.

Revision to our dividend forecast (dividend increase).

We target a dividend payout ratio of 50% based on net income attributable to owners of the parent, less extraordinary items. We have revised its year-end dividend forecast for FY03/23 to JPY55.0 per share (versus a previous forecast of JPY52.0 per share). Combined with the dividend of JPY48.0 at end-Q2 FY03/23, the annual dividend will be JPY103.0 per share (versus a previous forecast of JPY100.0 per share).

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2022	As of December 31,2022
Assets		
Current assets		
Cash and deposits	18,717,964	20,759,140
Notes and accounts receivable - trade	22,106,383	20,451,757
Electronically recorded monetary claims - operating	9,723,791	10,338,041
Securities	500,000	1,000,000
Inventories	8,171,524	11,122,492
Other	708,527	635,352
Allowance for doubtful accounts	(23,786)	(25,416)
Total current assets	59,904,404	64,281,368
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,789,830	2,653,597
Land	1,834,659	1,834,659
Other, net	3,467,312	3,211,506
Total property, plant and equipment	8,091,802	7,699,763
Intangible assets		
Investments and other assets		
Investment securities	21,811,337	21,597,516
Deferred tax assets	33,460	52,124
Investment property, net	3,893,304	3,848,548
Other	849,191	848,583
Allowance for doubtful accounts	(28,987)	(22,413)
Total investments and other assets	26,558,305	26,324,358
Total non-current assets	36,200,620	35,545,773
Total assets	96,105,025	99,827,142
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,486,625	19,397,972
Short-term borrowings	1,600,000	2,775,000
Income taxes payable	1,532,974	970,833
Provision for bonuses	864,601	442,607
Other	2,237,237	1,528,055
Total current liabilities	25,721,438	25,114,468
Non-current liabilities		
Long-term borrowings	1,500,000	4,125,000
Deferred tax liabilities	1,023,484	1,165,413
Provision for share awards	119,906	73,122
Provision for share awards for directors (and other officers)	54,162	45,146
Retirement benefit liability	13,194	22,132
Asset retirement obligations	901,532	904,355
Other	616,895	633,071
Total non-current liabilities	4,229,174	6,968,241
Total liabilities	29,950,613	32,082,710

(Thousand yen)

	As of March 31,2022	As of December 31,2022
Net assets		
Shareholders' equity		
Share capital	5,075,000	5,075,000
Capital surplus	4,831,306	4,846,624
Retained earnings	56,073,913	58,120,749
Treasury shares	(6,106,208)	(6,747,726)
Total shareholders' equity	59,874,010	61,294,647
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,961,582	5,894,931
Foreign currency translation adjustment	199,028	435,063
Total accumulated other comprehensive income	6,160,610	6,329,994
Share acquisition rights	119,790	119,790
Total net assets	66,154,411	67,744,431
Total liabilities and net assets	96,105,025	99,827,142

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the nine months)

(Thousand yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Net sales	61,779,892	65,919,573
Cost of sales	43,735,741	45,303,347
Gross profit	18,044,151	20,616,226
Selling, general and administrative expenses	11,797,623	12,376,725
Operating profit	6,246,527	8,239,500
Non-operating income		
Interest income	55,318	68,789
Dividend income	31,559	37,236
Rental income from real estate	315,212	322,186
Other	24,663	17,073
Total non-operating income	426,753	445,285
Non-operating expenses		
Interest expenses	2,476	2,104
Rental costs on real estate	131,555	138,656
Foreign exchange losses	83,708	104,066
Other	15,843	23,988
Total non-operating expenses	233,584	268,816
Ordinary profit	6,439,697	8,415,970
Extraordinary income		
Gain on sale of investment securities	219,178	30,844
Total extraordinary income	219,178	30,844
Profit before income taxes	6,658,875	8,446,814
Income taxes - current	1,919,061	2,463,601
Income taxes - deferred	142,558	154,157
Total income taxes	2,061,620	2,617,758
Profit	4,597,255	5,829,056
Profit attributable to owners of parent	4,597,255	5,829,056

Quarterly Consolidated Statements of Comprehensive Income (For the nine months)

(Thousand yen)

	For the nine months ended December 31,2021	For the nine months ended December 31,2022
Profit	4,597,255	5,829,056
Other comprehensive income		
Valuation difference on available-for-sale securities	1,489,502	(66,651)
Deferred gains or losses on hedges	2,308	-
Foreign currency translation adjustment	107,237	236,034
Total other comprehensive income	1,599,048	169,383
Comprehensive income	6,196,304	5,998,439
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,196,304	5,998,439