

# Summary of Consolidated Financial Results for the Fiscal Year Ended August 31, 2023 (Based on Japanese GAAP)

October 12, 2023

Company name: MANI, INC.  
 Stock exchange listing: Tokyo  
 Stock code: 7730 URL <https://www.mani.co.jp>  
 Representative: Director, President & Representative Executive Officer Masahiko Saito  
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 Scheduled date of annual general meeting of shareholders: November 20, 2023  
 Scheduled date to submit Securities Report: November 22, 2023  
 Scheduled date to commence dividend payments: November 6, 2023  
 Preparation of supplementary material on quarterly financial results: Yes Scheduled to release on October 16, 2023  
 Holding of quarterly 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, 2023 (from September 1, 2022 to August 31, 2023)

### (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, 2023	24,488	19.9	7,243	17.5	7,995	6.0	5,953	12.5
Year ended August 31, 2022	20,416	18.8	6,163	15.2	7,544	32.8	5,290	23.3

Note: Comprehensive income:  
 For the fiscal year ended August 31, 2023 ¥7,408 million [(13.6%)]  
 For the fiscal year ended August 31, 2022 ¥8,574 million [78.6%]

	Earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	Yen	Yen	%	%	%
Year ended August 31, 2023	60.46	—	12.5	15.2	29.6
Year ended August 31, 2022	53.75	—	12.5	16.3	30.2

Reference: Share of profit (loss) of entities accounted for using equity method  
 As of August 31, 2023 ¥ - million  
 As of August 31, 2022 ¥ - 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, 2023	54,977	49,827	90.6	505.88
As of August 31, 2022	50,113	45,414	90.6	461.41

Reference: Equity  
 As of August 31, 2023 ¥49,827 million  
 As of August 31, 2022 ¥45,414 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, 2023	8,026	(4,016)	(3,251)	23,798
Year ended August 31, 2022	6,559	(2,173)	(2,444)	22,084

## 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, 2022	–	12.00	–	18.00	30.00	2,952	55.8	7.0
Year ended August 31, 2023	–	14.00	–	21.00	35.00	3,447	57.9	7.2
Year ending August 31, 2024	–	16.00	–	23.00	39.00		65.1	

## 3. Forecast of consolidated financial results for the year ending August 31, 2024 (from September 1, 2023 to August 31, 2024)

(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	13,350	11.0	4,050	17.3	4,050	15.3	2,900	13.1	29.44
Full year	27,500	12.3	8,250	13.9	8,250	3.2	5,900	(0.9)	59.90

### ※ Notes

(1) Changes in significant subsidiaries during the fiscal year ended August 31, 2023

(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

① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

② Changes in accounting policies due to other reasons: No

③ Changes in accounting estimates: No

④ Restatement of prior period financial statements: No

Note: Please refer to p.16 “Changes in accounting policies” of the Attached Materials Index.

(3) Number of issued shares (common shares)

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

As of August 31, 2023	106,981,502 shares	As of August 31, 2022	106,911,000 shares
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② Number of treasury shares at the end of the period

As of August 31, 2023	8,484,510 shares	As of August 31, 2022	8,484,468 shares
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③ Average number of shares during the period (cumulative from the beginning of the fiscal year)

As of August 31, 2023	98,471,183 shares	As of August 31, 2022	98,426,535 shares
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\* 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

During the fiscal year ended August 31, 2023, the global economy showed signs of normalization of social and economic activities, as the impact of COVID-19 has been eased and daily human activities have recovered in Japan and overseas. However, the current outlook remains uncertain and requires careful observation due to factors such as the prolonged Russian invasion of Ukraine, continued soaring resource and energy prices, drastic rise in policy interest rates in Europe and the United States in response to inflationary risks, rapid exchange rate fluctuations, and concerns over an economic slowdown in China.

Under such circumstances, our 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 by reforming our business model through the globalization of our sales, production, and development functions. During this fiscal year, our second year of the medium-term management plan, we are strengthening the construction of the mass production system and marketing activities aimed at expanding sales for the NiTi rotary file “JIZAI”<sup>1</sup>, which is one of our key products.

With the aim “to establish a global production system,” at our German subsidiary MANI MEDICAL GERMANY GmbH (formerly GDF, hereinafter referred to as MMG), the construction of the new Head Office Factory has completed in August 2023, and production activities have begun from September. Going forward, MMG will increase its manufacturing capacity for dental restoration materials<sup>2</sup> and promote sales in Europe, North America and Asia. In addition, preparations to construct the Smart Factory within Japan have been completed, and construction of the building will begin 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 new production processes. With this Smart Factory, we will aim to expand sales globally while reducing the cost of products. To promote global marketing, as a new organization we established the “Dental Business Division” in September 2023 to further expand market share and sales of Dental products. We have set the enhancement of competitive advantage and marketing function of the Dental product segment as one of our important targets for the fiscal year ending August 31, 2024. (For details, please refer to (3) Future outlook).

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

(References)

<sup>1</sup> 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.

<sup>2</sup> 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).

### Operating results for the fiscal year ended August 31, 2023

Net sales were ¥24,488 million (up 19.9% year on year), due to high product demands mainly in Asia and Europe. In particular, demand towards Eyeless Needle products have greatly increased. The increase in overseas sales caused by depreciation of yen have also contributed significantly to net sales. Cost of sales were ¥9,066 million (up 15.6% year on year) due to an increase in manufacturing costs at overseas subsidiaries. Selling, general and administrative expenses were ¥8,177 million (up 27.5% year on year) due to an increase in R&D expenses and expenses for enhancing our personnel structure at the Head Office. Despite there was an increase in cost of sales and selling, general and administrative expenses, our operating income was ¥7,243 million (up 17.5% year on year) because the increase in net sales have exceeded these negative factors substantially and led to an increase in operating income. Ordinary income was ¥7,995 million (up 6.0% year on year) mainly due to the recording of foreign exchange gains caused by depreciation of yen. Profit attributable to owners of parent was ¥5,953 million (up 12.5% year on year) due to an increase in operating income.

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	6,784	13.9%	2,121	7.1%
Eyeless Needle products	8,574	37.2%	2,865	63.6%
Dental products	9,128	11.2%	2,256	(7.2%)
Consolidated	24,488	19.9%	7,243	17.5%

**(Surgical products)**

The segment's sales were ¥6,784 million (up 13.9% year on year) and segment income was ¥2,121 million (up 7.1% year on year). Sales have increased due to an increase in demand for ophthalmic knives, which are used in cataract surgery, mainly in Asia and Europe from the same period of the previous fiscal year. Segment income has increased mainly due to an increase in net sales despite an increase in manufacturing costs.

**(Eyeless Needle products)**

The segment's sales were ¥8,574 million (up 37.2% year on year) and segment income was ¥2,865 million (up 63.6% year on year). Sales and segment income have continued to increase greatly due to an increase in orders for eyeless needles, which was caused by growing demand in Asia, North America, Europe and South America.

**(Dental products)**

The segment's sales were ¥9,128 million (up 11.2% year on year), and segment income was ¥2,256 million (down 7.2% year on year). Sales have increased due to strong sales of MMG products in Europe and North America, and steady sales of dental endodontic instruments (reamers and files) and dental rotary and cutting instruments (dia-burs) in Asian countries, particularly in China and India. Furthermore, depreciation of yen also boosted the increase in sales. Segment income, on the other hand, has decreased from the same period of the previous fiscal year due to increase in selling, general and administrative expenses..

**(2) Explanation of financial position and cash flows****i). Financial position**

(Millions of yen)

	End of the previous consolidated accounting period (August 31, 2022)	End of the current consolidated accounting period (August 31, 2023)	Change
Total assets	50,113	54,977	4,863
Current assets	32,503	34,994	2,490
Fixed assets	17,610	19,982	2,372
Liabilities	4,698	5,149	450
Net assets	45,414	49,827	4,412

Total assets as of the consolidated accounting period ended August 31, 2023 stood at ¥54,977 million, an increase of ¥4,863 million from the end of the previous consolidated accounting period. This was primarily due to an increase of ¥2,490 million in current assets (mainly an increase in cash and deposits) and an increase of ¥2,372 million in fixed assets (mainly an increase in construction in progress for the construction of the new Head Office Factory for MMG).

Total liabilities as of the consolidated accounting period ended August 31, 2023 stood at ¥5,149 million, an increase of ¥450 million from the end of the previous consolidated accounting period. This was primarily due to an increase of payments of other accounts payable and allowance for bonuses.

Total net assets as of the consolidated accounting period ended August 31, 2023 stood at ¥49,827 million, an increase of ¥4,412 million from the end of the previous consolidated accounting period. This was primarily due to an increase in retained earnings resulting from recordings of profit attributable to owners of parent and an increase in foreign currency translation adjustments related to overseas subsidiaries caused by depreciation of yen.

**ii). Cash flows**

(Millions of yen)

	Previous consolidated accounting period (August 31, 2022)	Current consolidated accounting period (August 31, 2023)	Change
Cash flows from operating activities	6,559	8,026	22.4%
Cash flows from investing activities	(2,173)	(4,016)	84.8%
Cash flows from financing activities	(2,444)	(3,251)	33.1%
Effect of exchange rate change on cash and cash equivalents	2,085	955	(54.2%)
Cash and cash equivalents at beginning of period	18,057	22,084	22.3%
Cash and cash equivalents at end of period	22,084	23,798	7.8%

The cash flows for the consolidated accounting period ended August 31, 2023, and factors contributing to those amounts are as follows.

**(Cash flows from operating activities)**

Cash inflows from operating activities were ¥8,026 million (up 22.4% year on year). This was primarily due to a cash inflow from recording of income before income taxes, despite there was an increase in cash outflow due to income taxes paid.

**(Cash flows from investing activities)**

Cash outflows from investing activities were ¥4,016 million (up 84.8% year on year). This was primarily due to a cash outflow from purchases of property, plant and equipment related to capital investments for MANI's Kiyohara Head Office and overseas subsidiaries, and increased payments for time deposits.

**(Cash flows from financing activities)**

Cash outflows from financing activities were ¥3,251 million (up 33.1% 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 growth market that is expected to see an increase in product demand worldwide, with the background of social conditions such as continued market growth in emerging countries, as well as rising demand for advanced medical care such as declining birthrates and aging populations, and low-invasive medical care in developed countries. On the other hand, a new competitive environment has emerged that transcends traditional industry classifications, such as the entry of health tech companies, and we expect competition to continue to intensify in the future. In this environment, our Group will continue to strengthen the development and marketing of new products under our Group's basic policy of providing "The Best Quality In The World, To The World," for every product and product feature. In particular, we have set key targets to accomplish during the fiscal year ending August 31, 2024. The targets are to increase our market share and sales of Dental products, such as the NiTi rotary file "JIZAI", which is one of our key products, and to strengthen our competitiveness in the dental field. From September 2023, we established the Dental Business Division with the aim of achieving the targets stated above. While aiming to further expand market share and sales through regional-oriented global marketing, we will enhance our competitive advantage in the dental field by advancing product development that quickly captures market demands in an integrated manner.

Outlook for net sales

In terms of Dental products, we assume sales of reamers, files, dia-burs and "JIZAI" will increase due to sales expansion activities in emerging markets. In addition, sales of MMG products, including dental restorative materials, are expected to increase further in the European and North American markets. In terms of Eyeless Needle products, we assume sales of eyeless needles will continue to increase mainly in Asia, Europe and South America. In particular, there is a possibility that expansion of our market share in the North American and Chinese markets will have a positive impact on our consolidated results. However, we must continue to pay careful attention to risks of the economic downturn in China and negative impact on medical institutions caused by those risks. In terms of Surgical products, we anticipate an increase in sales of ophthalmic knives, which are used in cataract surgery, mainly in Asia and Europe.

Outlook for cost of sales and selling, general and administrative expenses

In terms of cost of sales, we expect manufacturing costs to increase due to soaring resource and energy prices, and an increase in personnel costs at overseas production subsidiaries. However, we expect the cost of sales ratio and the inventory turnover ratio to improve due to the effects of productivity improvement initiatives implemented from the current fiscal year. In terms of selling, general and administrative expenses, we assume expenses will increase significantly mainly in the Dental segment, due to strengthening of sales marketing activities and research and development activities in the dental field described above. In addition, we expect depreciation and amortization to increase in line with the start-up of a new ERP system introduced company-wide and the new Head Office Factory for MMG.

Outlook for operating income

As described above, we expect cost of sales and selling, general and administrative expenses to increase, however, we assume operating income will increase from the current fiscal year due to sales growth that exceeds the increase in such expenses.

Based on the conditions stated above, the earnings forecasts for the next fiscal year are as follows.

The forecast exchange rates are ¥135/USD, ¥145/EUR, and ¥19/RMB.

## 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)	23,500	8,250	8,250	5,900	59.90
Year ended August 2023 (Actual)	24,488	7,243	7,995	5,953	60.46
Year on year	12.3%	13.9%	3.2%	(0.9%)	(0.9%)

**(4) Basic profit-appropriation policy 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 strong consolidated results and the aforementioned policy taken into consideration, we decided to increase the year-end dividend by ¥2 from the previous forecast of ¥19 to ¥21 per share. As a result, we decided to pay the annual dividend of ¥35 per share (interim dividend of ¥14 and year-end dividend of ¥21).

Based on the aforementioned policy with the balance between growth investment and shareholder returns taken into consideration, we plan to pay a dividend of ¥39 per share for the next fiscal year (interim dividend of ¥16 and year-end dividend of ¥23), and to increase dividend by ¥4 from the previous fiscal year.



## **2. Basic approach to selection of accounting standards**

Our Group plans to continue using Japanese GAAP to prepare its consolidated financial statements for the time being, as we facilitate comparison with previous consolidated financial statements and with other 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, 2022	As of August 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	22,729	25,427
Trade notes receivable	206	262
Trade accounts receivable	1,946	2,073
Merchandise and finished goods	778	796
Work in process	3,639	3,430
Raw materials and supplies	2,062	2,193
Others	1,152	823
Allowance for doubtful accounts	(12)	(13)
Total current assets	32,503	34,994
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,452	9,762
Accumulated depreciation	(4,976)	(5,368)
Buildings and structures, net	4,475	4,393
Machinery, equipment and vehicles, net	14,634	15,588
Accumulated depreciation	(9,701)	(11,217)
Machinery, equipment and vehicles, net	4,932	4,370
Tools, furniture and fixtures	1,891	2,108
Accumulated depreciation	(1,590)	(1,788)
Tools, furniture, and fixtures, net	301	320
Land	4,353	4,424
Construction in progress	1,309	3,887
Others	190	183
Accumulated depreciation	(75)	(126)
Other, net	115	57
Total property, plant and equipment	15,486	17,453
Intangible assets		
Software	84	707
Others	949	535
Total intangible assets	1,034	1,243
Investments and other assets		
Investment securities	342	332
Deferred tax assets	547	631
Insurance funds	175	194
Others	23	127
Allowance for doubtful accounts	—	(0)
Total investments and other assets	1,089	1,285
Total non-current assets	17,610	19,982
Total assets	50,113	54,977

(Millions of yen)

	As of August 31, 2022	As of August 31, 2023
<b>Liabilities</b>		
Current liabilities		
Trade accounts payable	111	159
Other accounts payable	934	1,047
Lease obligations	87	41
Income taxes payable	1,148	1,186
Provision for bonuses	639	798
Others	861	986
Total current liabilities	3,784	4,218
Non-current liabilities		
Lease obligations	30	17
Provision for retirement benefits for directors (and other officers)	59	—
Retirement benefit liability	589	598
Asset retirement obligations	201	223
Others	34	91
Total non-current liabilities	914	931
Total liabilities	4,698	5,149
<b>Net assets</b>		
Shareholders' equity		
Share capital	988	1,066
Capital surplus	1,036	1,113
Retained earnings	42,678	45,482
Treasury shares	(3,125)	(3,125)
Total shareholders' equity	41,578	44,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21	17
Foreign currency translation adjustment	3,845	5,251
Remeasurements of defined benefit plans	(30)	21
Total accumulated other comprehensive income	3,836	5,290
Total net assets	45,414	49,827
<b>Total liabilities and net assets</b>	<b>50,113</b>	<b>54,977</b>

## (2) Consolidated income statements and Consolidated comprehensive income statements

## (Consolidated income statements)

(Millions of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Net sales	20,416	24,488
Cost of sales	7,841	9,066
Gross profit	12,575	15,421
Selling, general and administrative expenses	6,411	8,177
Operating income	6,163	7,243
Non-operating income		
Dividend income	112	194
Gain on investments in investment partnerships	13	0
Foreign exchange gains	1,257	547
Gain on sale of scraps	28	41
Others	21	20
Total non-operating income	1,434	804
Non-operating expenses		
Interest expenses	2	2
Commission for syndicate loan	3	2
Foreign exchange losses	6	—
Unoperated land-related expenses	36	41
Others	5	6
Total non-operating expenses	54	53
Ordinary profit	7,544	7,995
Extraordinary income		
Insurance cancellation reimbursement	28	24
Gain on sales of fixed assets	6	9
Compensation received	—	60
Insurance claim income	1	—
Total extraordinary income	37	93
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	72	70
Impairment losses	21	—
Retirement benefits for directors (and other officers)	33	—
Loss on fire of fixed assets	2	—
Litigation losses	32	0
Total extraordinary losses	161	71
Profit before income taxes	7,419	8,018
Current income taxes	2,319	2,166
Deferred income taxes	(190)	(102)
Total income taxes	2,129	2,064
Net income	5,290	5,953
Profit attributable to owners of parent	5,290	5,953

## (Consolidated comprehensive income statements)

(Millions of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Net income	5,290	5,953
Other comprehensive income		
Valuation difference on available-for-sale securities	(19)	(3)
Foreign currency translation adjustment	3,273	1,405
Remeasurements of defined benefit plans	30	52
Total other comprehensive income	3,283	1,454
Comprehensive income	8,574	7,408
(item)		
Comprehensive income attributable to owners of parent	8,574	7,408

## (3) Consolidated statements of changes in net assets

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

(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	39,750	(3,125)	38,650
Changes of items during the current period					
Issuance of new shares					
Dividends of surplus			(2,362)		(2,362)
Profit attributable to owners of parent			5,290		5,290
Purchase of treasury stock				(0)	(0)
Net change in items other than shareholders' equity					
Total changes of items during the current period	—	—	2,928	(0)	2,927
Balance at the end of the current period	988	1,036	42,678	(3,125)	41,578

	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	41	571	(60)	552	39,202
Changes of items during the current period					
Issuance of new shares					
Dividends of surplus					(2,362)
Profit attributable to owners of parent					5,290
Purchase of treasury stock					(0)
Net change in items other than shareholders' equity	(19)	3,273	30	3,283	3,283
Total changes of items during the current period	(19)	3,273	30	3,283	6,211
Balance at the end of the current period	21	3,845	(30)	3,836	45,414

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

## (4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	7,419	8,018
Depreciation	1,669	1,917
Impairment loss	21	—
Amortization of goodwill	76	—
Insurance income	(1)	—
Compensation received	—	(60)
Loss on fire	2	—
Increase (decrease) in allowance for doubtful accounts	9	(0)
Increase (decrease) in provision for bonuses	131	146
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(43)	—
Increase (decrease) in retirement benefit liabilities	34	78
Interest and dividend income	(112)	(194)
Loss (gain) on investments in partnerships	(13)	(0)
Interest expenses	2	2
Foreign exchange loss (gain)	(1,282)	(589)
Syndicated loan expenses	3	2
Loss (gain) on sales of fixed assets	(6)	(9)
Loss on disposal of fixed assets	72	70
Loss (gain) on cancellation of insurance contract	(28)	(24)
Decrease (increase) in trade accounts receivable	(209)	(147)
Decrease (increase) in inventories	767	274
Decrease (increase) in other current assets	(160)	(176)
Increase (decrease) in trade accounts payable	(47)	43
Increase (decrease) in other accounts payable	28	386
Increase (decrease) in other current liabilities	307	87
Others	(2)	123
Subtotal	8,638	9,949
Interest and dividends received	119	164
Interest paid	(2)	(2)
Amount of insurance income	1	—
Amount of compensation received	—	60
Loss on fire payment	(2)	—
Income taxes paid	(2,196)	(2,144)
Cash flows from operating activities	6,559	8,026



(Millions of yen)

	Fiscal year ended August 31, 2022	Fiscal year ended August 31, 2023
Cash flows from investing activities		
Payments into time deposits	(880)	(1,508)
Proceeds from withdrawal of time deposits	560	582
Proceeds from sales and redemption of securities	—	600
Payments for purchase of property, plant and equipment	(1,811)	(3,515)
Proceeds from sales of property, plant and equipment	15	16
Payments for purchase of intangible assets	(133)	(205)
Proceeds from sales and redemption of investment securities	26	—
Proceeds from distribution of investments in business partnership	16	8
Purchase of insurance funds	(39)	(43)
Proceeds from cancellation of insurance funds	72	48
Others	0	(0)
Cash flows from investing activities	(2,173)	(4,016)
Cash flows from financing activities		
Repayments of lease obligations	(78)	(100)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(2,362)	(3,149)
Payments for syndicated loan expenses	(3)	(2)
Cash flows from financing activities	(2,444)	(3,251)
Effect of exchange rate change on cash and cash equivalents	2,085	955
Net increase (decrease) in cash and cash equivalents	4,027	1,713
Cash and cash equivalents at beginning of the period	18,057	22,084
Cash and cash equivalents at end of the period	22,084	23,798

## (5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Changes in accounting policies)

[Application of Implementation Guidance on Accounting Standard for Fair Value Measurement]

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021. Hereinafter referred to as the “Fair Value Measurement Accounting Standard”) from the beginning of the current consolidated fiscal year. In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Accounting Standard, the Company has prospectively applied the new accounting standards stipulated by the Fair Value Measurement Accounting Standard. There is no impact on will the consolidated financial statements.

(Notes on consolidated balance sheets)

Overdraft agreements and commitment line agreements

We have overdraft agreements with three banks to efficiently procure working capital.

In addition, the Company entered into commitment line agreements with three banks in order to ensure the flexibility and stability of funding. The agreements were terminated upon the expiration of the agreements on May 29, 2023.

The balance of undrawn lines of credit under these agreements are as follows:

	Previous consolidated fiscal year (As of August 31, 2022)	Current consolidated fiscal year (As of August 31, 2023)
Total amount of overdraft limits and commitment line contracts	5,800 Millions of yen	800 Millions of yen
Loan balance	-	-
Balance	5,800	800

(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, 2022 (September 1, 2021, to August 31, 2022)

(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	5,959	6,250	8,206	20,416	—	20,416
Intersegment sales or transfer	—	2	—	2	(2)	-
Total	5,959	6,253	8,206	20,419	(2)	20,416
Segment profit	1,980	1,751	2,430	6,163	—	6,163
Other items						
Depreciation	356	617	695	1,669	—	1,669
Amortization of goodwill	—	—	76	76	—	76

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, 2023 (from 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
Amortization of goodwill	—	—	—	—	—	—

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.

**【Related Information】**

Fiscal year ended August 31, 2022 (September 1, 2021, to August 31, 2022)

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				
3,849	1,809	4,197	1,085	8,791	5,341	1,768	20,416

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		
6,147	1,426	7,912	7,530	15,486

3. Information by major customers

(Millions of yen)

The name of the customer	Net sales	Affiliated Segment
GKHT (Beijing) Medical Technology Co., Ltd.	2,958	Dental products

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

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

Fiscal year ended August 31, 2022 (September 1, 2021, to August 31, 2022)

(Millions of yen)

	Surgical products	Eyeless Needle products	Dental products	Corporate and eliminations	Total
Impairment loss	-	21	-	-	21

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

Not applicable.

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

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

(Millions of yen)

	Surgical products	Eyeless Needle products	Dental products	Corporate and eliminations	Total
Amortization for the year	-	-	76	-	76
Balance at end of period	-	-	-	-	-

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

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

(Per share information, etc.)

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)		Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)	
Net assets per share	¥461.41	Net assets per share	¥505.88
Earnings per share	¥53.75	Earnings per share	¥60.46

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, 2022 (from September 1, 2021 to August 31, 2022)	Fiscal year ended August 31, 2023 (From September 1, 2022 to August 31, 2023)
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	5,290	5,953
Amounts not attributable to common stock (Millions of yen)	-	-
Profit attributable to owners of parent attributable to common stock (Millions of yen)	5,290	5,953
Average number of shares during the period (thousands of shares)	98,426	98,471

(Significant subsequent events)

Not applicable.

#### 4.Others

##### (1) Changes in officers

###### 1). Change of representative executive officer

Not applicable.

###### 2). Changes in other officers

- Candidates for new directors

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

Note: Yosuke Mitsusada is a candidate for independent director.

- Candidates for new executive officers

Not applicable.

- Candidates for re-election of directors

Director: Masahiko Saito

Director: Kazuo Takahashi

Director: Toshihide Takai

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

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

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

Note: Mr. Tatsuji Yano, Ms. Yukiko Moriyama and Mr. Masaya Watanabe are candidates for independent directors.

- Candidate for re-election of executive officers

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

Executive Vice President and Executive Officer: Kazuo Takahashi (current Executive Vice President and Executive Officer)

Senior Vice President and Executive Officer: Tomomi Kosaka (current Senior Vice President and Executive Officer)

Executive Officer: Hideo Matsumoto (current Executive Officer)

Executive Officer: Hideyuki Murai (current Executive Officer)

Executive Officer: Kentaro Machara (current Executive Officer)

Executive Officer: Kentaro Inatomi (current Executive Officer)

- Retiring executive officers

Director: Michiharu Matsuda (current Director of Matsuda certified public accountant office)

- Retiring executive officer

Not applicable.

###### 3). Date of personnel changes

November 20, 2023

##### (2) Others

Not applicable.