

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	25,200	8.7	1,850	5.9	1,850	0.4	1,300	2.2	49.39

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)

Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

December 31, 2024: 26,475,880 shares

March 31, 2024: 26,475,880 shares

2) Number of treasury shares at the end of the period:

December 31, 2024: 141,438 shares

March 31, 2024: 141,318 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 26,334,505 shares

Nine months ended December 31, 2023: 26,318,736 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

These forward-looking statements such as financial forecasts contained in this report are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company, and do not mean that the Company promises to achieve them. Actual results and other future events may differ significantly due to various factors. Please refer to “(3) Explanation on Consolidated Financial Forecasts and Other Forward-looking Statements” on page 3 of the attached document for the assumptions underlying the forecasts, notes on using the forecasts, etc.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months of the fiscal year ending March 31, 2025, of the Group, net sales were ¥18,458 million (up ¥1,464 million, or 8.6% year on year), operating profit came to ¥1,229 million (up ¥45 million, or 3.9% year on year), ordinary profit was ¥1,194 million (down ¥30 million, or 2.5% year on year), and net income attributable to owners of parent amounted to ¥879 million (up ¥146 million, or 20.0% year on year). Net sales of our own products accounted for 81.0% of consolidated net sales (80.3% in the same period last year).

In Japan, net sales were ¥9,937 million (up ¥396 million, or 4.2%), after partial deduction of promotional expenses in accordance with Accounting Standard for Revenue Recognition. In the United States, net sales to external customers increased to \$55.730 million (up \$3.525 million or 6.8% year on year), and after translation into yen, net sales were ¥8,521 million (up ¥1,068 million, or 14.3% year on year) due to the impact of the yen's depreciation. (Reference: The exchange rate for U.S. sales was 142.76 yen to the U.S. dollar in the same quarter a year ago and was 152.90 yen to the U.S. dollar in the quarter under review.)

Sales by product segment are as follows.

For the joint category in Japan, in Bipolar Hip Arthroplasty (BHA), the number of acquired cases of Entrada Hip Stem and a new product, Promontory Hip Stem, increased, resulting in strong overall BHA sales with double-digit growth. On the other hand, sales of Total Hip Arthroplasty (THA) decreased due to the fall in the number of acquired cases. In addition, the number of acquired cases of Total Knee Arthroplasty (TKA) decreased, and sales saw a decline. As a result of these factors, net sales in Japan for this category were ¥3,753 million (up 3.4% year on year).

For the artificial knee joint category in the United States, in Total Knee Arthroplasty (TKA), the number of acquired cases of BKS TriMax, BKS Revision Knee and other products increased, resulting in higher overall TKA sales. The number of acquired cases for Balanced Knee System Uni, which is used for partial knee joint replacement surgery, is increasing. For the artificial hip joint category, in September 2024, we began to sell a new product, Trivicta Hip Stem, which employs a triple taper-type stem, for which market demand is growing in the United States. As the number of acquired cases for this product remained strong, sales began to increase compared with the same quarter of the previous year. As a result of these factors, net sales in the United States for this category were \$55.576 million (up 6.9% year on year). After translation into yen, net sales were ¥8,497 million (up 14.4% year on year) due to the impact of the yen's depreciation.

In the Trauma category, the number of acquired cases for Prima Hip Screw, a treatment material for femoral neck fractures, increased, resulting in a continued double-digit growth in net sales. In addition, net sales of ASULOCK, a treatment material for femoral neck/trochanteric fractures, recovered to double-digit year-on-year growth in the single month of December, despite intensifying competition. As a result of these and other factors, net sales in Japan for this category were ¥3,425 million (up 3.3% year on year).

In the spine category, the number of acquired cases for KMC Kyphoplasty System, Vusion Ti3D ARC Cage, and Lince Plate increased, leading to higher net sales in Japan. In particular, KMC Kyphoplasty System recorded strong net sales with double-digit growth compared with the same period last year partly due to the expansion of the Balloon Kyphoplasty market. As a result of these factors, total net sales for this category in Japan and the United States were ¥2,641 million (up 5.8% year on year).

The cost-to-sales ratio increased to 36.7% (36.0% in the same period last year), mainly due to higher procurement costs resulting from the weaker yen. Selling, general and administrative expenses totaled ¥10,454 million (up 7.8% year on year), and the ratio of selling general, and administrative expenses to net sales was 56.6% (57.0% in the same period last year), as a result of the impact of foreign currency translation of expenses in the United States due to the weak yen, increases in commission expenses (commissions and royalties) due to increased net sales in the United States, and personnel expenses due to wage increases.

Operating profit was ¥1,229 million (up 3.9% year on year), as the increase in net sales absorbed the higher cost of sales resulting from the rise in the cost-to-sales ratio, and the increase in selling general, and administrative expenses.

As for ordinary profit, we recorded non-operating income of ¥55 million, including ¥44 million in foreign exchange gains. On the other hand, non-operating expenses totaled ¥90 million, including ¥45 million in interest expenses and ¥35 million in share of loss of a joint venture in China, Changzhou Waston Ortho Medical Appliance Co., Limited, accounted for using the equity method.

As a result, ordinary profit came to ¥1,194 million (down 2.5% year on year), affected by a ¥58 million decrease in foreign exchange gains compared with the same period of the previous year.

As for extraordinary income and losses, ¥33 million was recorded under extraordinary losses, consisting of loss on retirement of non-current assets such as medical instruments. As a result, net income attributable to owners of parent amounted to ¥879 million (up 20.0% year on year).

Segment results are as follows.

1) Japan

Net sales were ¥9,937 million (up 4.2% year on year) and operating profit was ¥547 million (down 34.3% year on year).

2) United States

Net sales were ¥11,378 million (up 8.3% year on year) and operating profit was ¥555 million (up 69.1% year on year).

(2) Explanation of Financial Position

Total assets at the end of the quarter under review increased ¥2,311 million from the end of the previous fiscal year to ¥33,797 million. The main factors for increases were an increase in raw materials and supplies of ¥1,631 million, merchandise and finished goods of ¥621 million, and tools, furniture, and fixtures of ¥246 million. The main factor for decreases was a decrease in work in process of ¥475 million.

Total liabilities increased ¥1,118 million from the end of the previous fiscal year to ¥7,000 million. The main factors for increases were an increase in short-term borrowings of ¥1,366 million and accrued expenses of ¥204 million, while the main factors for decreases were a decrease in income taxes payable of ¥173 million, provision for bonuses of ¥153 million, and long-term borrowings of ¥121 million.

Total net assets increased ¥1,192 million from the end of the previous fiscal year to ¥26,796 million. The main factors for increases were an increase in retained earnings of ¥508 million and foreign currency translation adjustment of ¥630 million.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-looking Statements

There is no change to the consolidated financial forecast for the current fiscal year announced on April 30, 2024.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	2,321,552	2,332,272
Notes and accounts receivable - trade, and contract assets	5,915,467	6,025,506
Merchandise and finished goods	10,259,039	10,880,783
Work in process	919,068	443,527
Raw materials and supplies	1,914,371	3,546,071
Other	257,347	493,917
Allowance for doubtful accounts	(3,966)	(5,773)
Total current assets	21,582,880	23,716,305
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	876,633	851,102
Machinery, equipment and vehicles, net	354,459	370,272
Tools, furniture and fixtures, net	4,935,249	5,181,667
Land	1,960,584	1,962,283
Other	193,692	203,790
Total property, plant and equipment	8,320,618	8,569,116
Intangible assets	219,262	178,072
Investments and other assets		
Investments in capital of subsidiaries and associates	157,654	164,615
Deferred tax assets	1,136,171	1,103,919
Other	69,272	65,281
Allowance for doubtful accounts	(1)	-
Total investments and other assets	1,363,097	1,333,817
Total non-current assets	9,902,978	10,081,007
Total assets	31,485,859	33,797,313

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,403,276	1,376,877
Short-term borrowings	1,162,382	2,529,246
Lease liabilities	37,600	40,081
Income taxes payable	192,482	18,527
Accrued expenses	551,182	755,658
Accounts payable - other	235,050	186,950
Provision for bonuses	237,310	83,786
Provision for bonuses for directors (and other officers)	27,252	22,707
Other	183,973	196,265
Total current liabilities	4,030,510	5,210,101
Non-current liabilities		
Long-term borrowings	259,820	138,478
Lease liabilities	34,629	5,872
Retirement benefit liability	1,424,964	1,499,258
Provision for share awards for directors (and other officers)	80,571	94,953
Asset retirement obligations	31,560	31,803
Long-term deposits received	20,000	20,500
Total non-current liabilities	1,851,545	1,790,865
Total liabilities	5,882,056	7,000,967
Net assets		
Shareholders' equity		
Share capital	3,001,929	3,001,929
Capital surplus	2,587,237	2,591,309
Retained earnings	16,583,962	17,092,714
Treasury shares	(165,556)	(165,639)
Total shareholders' equity	22,007,572	22,520,313
Accumulated other comprehensive income		
Deferred gains or losses on hedges	47,015	77,344
Foreign currency translation adjustment	3,614,304	4,245,286
Remeasurements of defined benefit plans	(157,570)	(142,179)
Total accumulated other comprehensive income	3,503,749	4,180,450
Non-controlling interests	92,480	95,581
Total net assets	25,603,802	26,796,345
Total liabilities and net assets	31,485,859	33,797,313

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly Consolidated Statements of Income (for the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	16,993,966	18,458,848
Cost of sales	6,116,021	6,774,723
Gross profit	10,877,945	11,684,124
Selling, general and administrative expenses		
Freight and packing costs	318,131	295,107
Promotion expenses	172,272	120,071
Advertising expenses	48,981	49,324
Salaries and allowances	2,916,414	3,046,343
Retirement benefit expenses	79,643	99,363
Legal welfare expenses	258,080	275,162
Welfare expenses	223,080	258,033
Provision of allowance for doubtful accounts	36	1,806
Travel and transportation expenses	217,395	234,484
Depreciation	1,012,227	1,086,924
Taxes and dues	109,378	119,005
Research and development expenses	694,654	726,107
Commission expenses	2,513,106	2,791,485
Other	1,130,888	1,351,391
Total selling, general and administrative expenses	9,694,292	10,454,611
Operating profit	1,183,652	1,229,513
Non-operating income		
Interest income	67	132
Foreign exchange gains	102,696	44,323
Insurance claim income	2,121	66
Other	17,903	11,097
Total non-operating income	122,788	55,620
Non-operating expenses		
Interest expenses	22,476	45,493
Share of loss of entities accounted for using equity method	44,838	35,922
Other	13,253	8,732
Total non-operating expenses	80,569	90,147
Ordinary profit	1,225,871	1,194,985
Extraordinary losses		
Loss on retirement of non-current assets	29,652	33,814
Settlement-related costs	75,000	-
Total extraordinary losses	104,652	33,814
Profit before income taxes	1,121,219	1,161,171
Income taxes - current	526,484	251,116
Income taxes - deferred	(161,031)	11,617
Total income taxes	365,453	262,733
Profit	755,765	898,437
Profit attributable to non-controlling interests	22,812	19,241
Profit attributable to owners of parent	732,953	879,196

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

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	755,765	898,437
Other comprehensive income		
Deferred gains or losses on hedges	(7,214)	30,329
Foreign currency translation adjustment	682,575	631,710
Remeasurements of defined benefit plans, net of tax	8,647	15,390
Total other comprehensive income	684,009	677,429
Comprehensive income	1,439,775	1,575,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,423,089	1,555,897
Comprehensive income attributable to non-controlling interests	16,685	19,969

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Application of Accounting Treatment Specific to the Preparation of Quarterly Consolidated Financial Statements)

Tax expenses were calculated by reasonably estimating an effective tax rate after application of tax effect accounting to profit before income taxes and others for the fiscal year including the quarter under review and multiplying profit before income taxes and others by the estimated effective tax rate.

(Additional Information)

(Change in Presentation)

(Quarterly Consolidated Statements of Income)

Insurance claim income, which was separately presented under non-operating income in the nine months of the previous fiscal year, has been included in Other under non-operating income since it became immaterial. The consolidated financial statements for the nine months of the previous fiscal year have been reclassified to reflect the change in presentation.

As a result, Insurance claim income of ¥2,121 thousand and Other of ¥17,903 thousand, which were presented under non-operating income in the consolidated statement of income for the nine months of the previous fiscal year, have been reclassified as Other of ¥20,024 thousand.

In addition, Commission for syndicated loans, which was separately presented under non-operating expenses in the nine months of the previous fiscal year, has been included in Other under non-operating expenses since it became immaterial. The consolidated financial statements for the nine months of the previous fiscal year have been reclassified to reflect the change in presentation.

As a result, Commission for syndicated loans of ¥6,238 thousand and Other of ¥7,015 thousand, which were presented under non-operating expenses in the consolidated statement of income for the nine months of the previous fiscal year, have been reclassified as Other of ¥13,253 thousand.

(Segment Information, etc.)

I. The Nine Months of the Fiscal Year Ended March 2024 (from April 1 to December 31, 2023)

1. Information on the amounts of sales and profits for each reportable segment and information on the breakdown of revenue

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	9,541,156	7,452,809	16,993,966	—	16,993,966
Net sales to external customers	9,541,156	7,452,809	16,993,966	—	16,993,966
Inter-segment net sales or transfers	—	3,057,840	3,057,840	(3,057,840)	—
Total	9,541,156	10,510,650	20,051,807	(3,057,840)	16,993,966
Segment profit	833,862	328,260	1,162,123	21,529	1,183,652

- Notes:
1. Adjustments for segment profit include ¥21,529 thousand in elimination of inter-segment transactions.
 2. Segment profit was adjusted with operating profit in the quarterly consolidated statement of income.
 3. For revenue from contracts with customers in “Japan,” part of the promotion expenses is deducted by applying the Accounting Standard for Revenue Recognition.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

Not applicable.

II. The Nine Months of the Fiscal Year Ending March 2025 (from April 1 to December 31, 2024)

1. Information on the amounts of sales and profits for each reportable segment and information on the breakdown of revenue

(In thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded on quarterly consolidated statement of income (Note 2)
	Japan	United States	Total		
Net sales					
Revenue from contracts with customers	9,937,700	8,521,147	18,458,848	—	18,458,848
Net sales to external customers	9,937,700	8,521,147	18,458,848	—	18,458,848
Inter-segment net sales or transfers	—	2,857,247	2,857,247	(2,857,247)	—
Total	9,937,700	11,378,395	21,316,096	(2,857,247)	18,458,848
Segment profit	547,812	555,135	1,102,947	126,565	1,229,513

- Notes:
1. Adjustments for segment profit include ¥126,565 thousand in elimination of inter-segment transactions.
 2. Segment profit was adjusted with operating profit in the quarterly consolidated statement of income.
 3. For revenue from contracts with customers in “Japan,” part of the promotion expenses is deducted by applying the Accounting Standard for Revenue Recognition.

2. Information on impairment losses on non-current assets and goodwill by reportable segment

Not applicable.

(Notes on Consolidated Statement of Cash Flows)

Quarterly consolidated statement of cash flows has not been prepared for the nine months ended December 31, 2024. Depreciation (including amortization related to intangible assets) for the nine months ended December 31, 2024, is as follows.

	For the nine months ended December 31, 2023 (From April 1 to December 31, 2023)	For the nine months ended December 31, 2024 (From April 1 to December 31, 2024)
Depreciation	¥1,188,043 thousand	¥1,259,219 thousand

3. Other

Sales

Sales for the nine-month period under review by segment are as follows.

Name and item of each segment		Nine months under review (from April 1 to December 31, 2024)	Compared with the same period a year ago
		Amount (in thousand yen)	(%)
Medical devices	Japan	9,937,700	104.2
	Joint	3,753,711	103.4
	Trauma	3,425,632	103.3
	Spine	2,618,006	105.9
	Other	293,887	104.6
	Subtotal	10,091,238	104.0
	Sales deduction	(153,537)	—
	United States	8,521,147	114.3
	Joint	8,497,651	114.4
	Spine	23,496	93.5
Total		18,458,848	108.6
		Ratio (%)	Change (%)
Sales ratio of our own products		81.0	0.7

- Notes:
1. Inter-segment transactions are offset and eliminated.
 2. In Japan, a portion of sales promotion expenses is deducted from net sales due to the application of the Accounting Standard for Revenue Recognition.
 3. For sales by item in Japan, the amount of deduction from sales is shown as a lump sum because reasonable proration of such sales deductions is not possible.