

QA for the Management Briefing

Date and time: June 6, 2024 (Thursday) 13:00-14:00

Participant: Hiroshi Yokota, President, Representative Director

Hideo Sugimura, Senior Managing Executive Officer, Representative Director

Regarding the Dental Business and the ECO Business

Q: I would appreciate your comments on the dental equipment. I would also like your comment on FY2025 and if possible, FY2030. What is the current ratio of stable markets such as North America, Europe, and Japan? How much growth will there be in the growing market in the future, such as 2030?

A: In terms of dental sales, about 2/3 of our total sales are overseas and 1/3 are domestic. Of that 2/3, roughly speaking, half each are in the US and half in Europe. The US includes South America. It is roughly half in the Americas and half in Europe. As for 2025, I think we can increase sales in dentistry by about 30% over the current level. One driving force is to focus on the developed markets in Europe, and to bring North America to the 10% level. Then we think we can grow that much by doing another level of effort in South America.

Although it is not yet clear what will happen in 2030, the factory in Kashima will need one more line, and we can expect a further increase in sales of 30% to 40% from 2025.

Q: In terms of dental materials, you mentioned earlier that you expect to achieve about 30% of the total sales in FY2025. So, in that sense, is it correct to say that the sales of about JPY20 billion that you originally projected are highly probable to be achieved?

A: You are right, and that is what we are aiming for now and striving for this expansion with the image in our mind.

Q: The next topic is the eco business, which is expected to see significant growth in the medium- to long term. I believe the commercialization of the solar panel recycling business, which you mentioned, has great potential. Could you please explain a bit about your company's timing and technological advantages in this area?

A: In terms of timing, the market will actually start to emerge around 2030 from the point of view of the start of FIT. In terms of technical significance, the most difficult part of the solar panel is where the glass and the power generation panel are in close contact. The glue is tightly stuck to the surfaces, making it impossible to separate them. However, we have the technology to separate them completely.

Regarding the Cash Flow and shareholders returns

Q: As for the cash flow, if I look at pages 16 and 17, I see that free cash flow was negative once in 2024 and came back in 2025, which is not positive in free cash flow compared to the last year. I would like to ask you to explain the difference between last year and this year.

In addition, on page 16, in the section on shareholder returns, there is a section on reducing cross-shareholdings. I understand that you intend to use the proceeds from the sale to fund shareholder returns.

A: When we announced our financial results, we explained the reason for the negative free cash flow in the current fiscal year as capital investment. Since then, we have made considerable progress in various overseas projects in electronic & advanced materials, and we have incorporated a certain amount of capital, investments, and loans into the free cash flow because we believe we need to be prepared to fund these projects.

Since the amount is slightly inflated by such factors, free cash flow will probably be negative if investments and loans are included.

On the other hand, we are proceeding with the sale and reduction of cross-shareholdings at the time of the announcement of financial results for about 10 stock brands. Since the resolution for this is still to be made, it is not specifically incorporated in this document. Since it is not a significant amount, we do not expect it to contribute to making free cash flow positive all at once.

We are trying to keep returns within this range, and if reducing cross-shareholdings advances, we may consider it a little more at that time.