

Flash Report for 1st quarter Ended March 31, 2024 (on a consolidated basis) [Japan GAAP]

May 10, 2024

Name: Nakanishi Inc. Stock listing: Tokyo Stock Exchange : Standard Market

Code Number: 7716 URL: <http://www.nsk-nakanishi.co.jp>

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Scheduled date to submit Securities Report: May 13, 2024

Scheduled date to begin dividend payments: -

Supplementary materials to quarterly financial statements: Applicable

Quarterly earnings results briefing: Not applicable

(All amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for 1st quarter period (January 1 to March 31, 2024)

(1) Operating Results

	Millions of yen					
	Net sales		EBITDA		Operating income	
1st quarter ended March 31, 2024	18,159	33.4%	5,320	15.9%	4,035	2.4%
1st quarter ended March 31, 2023	13,615	13.6%	4,592	6.1%	3,940	1.4%

	Millions of yen					
	Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
1st quarter ended March 31, 2024	5,090	13.2%	3,376	4.2%	39.68	39.56
1st quarter ended March 31, 2023	4,495	2.8%	3,241	3.1%	38.08	37.98

- Notes:
1. Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.
 2. Comprehensive income for reporting period:
 - 1st quarter ended March 31, 2024 6,921 million (79.9%)
 - 1st quarter ended March 31, 2023 3,846 million (-7.5%)
 3. EBITDA (Operating income + Depreciation + Goodwill amortization)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of March 31, 2024	148,069	115,904	78.1%
As of December 31, 2023	140,713	113,200	80.2%

Note: Owners' equity As of March 31, 2024 115,562 million
As of December 31, 2023 112,859 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ending December 31, 2023	—	24.00	—	26.00	50.00
Year ending December 31, 2024	—				
Year ending December 31, 2024 (forecast)		26.00	—	26.00	52.00

Notes: 1. Revisions to dividend payment forecasts during the period: Not applicable

3. Business Performance Forecasts for the Current Term (January 1 to December 31, 2024)

	Millions of yen								Earnings per share (yen)
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		
First-half period	35,534	25.7	5,854	-29.0	6,096	-45.8	4,111	-49.3	48.20
Full year	74,432	24.7	12,652	-11.5	13,088	-24.1	8,894	-61.1	104.28

Notes: 1. Percentage figures represent year-on-year comparisons.

2. Revisions to performance forecasts during the period: Not applicable

4. Others

(1) Changes in the scope of consolidation during the period

Inclusion: None

Exclusion: None

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting principles, accounting estimates, and restatement

1. Changes in accounting principles due to revision of accounting standards, etc.: Not applicable

2. Changes in accounting principles other than 1: Not applicable

3. Changes in accounting estimates: Not applicable

4. Restatement: Not applicable

(4) Number of ordinary shares outstanding at the end of the period (including treasury stock)

As of March 31, 2024: 94,259,400 shares

As of December 31, 2023: 94,259,400 shares

Number of shares of treasury stock at the end of the period

As of March 31, 2024: 9,805,812 shares

As of December 31, 2023: 8,964,612 shares

Average number of shares during the period

1st quarter ended March 31, 2024: 85,113,206 shares

1st quarter ended March 31, 2023: 85,114,760 shares

* This quarterly flash report is out of scope of quarterly review.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the world economy during 1st quarter, in the USA, personal consumption keeps good but it's getting clear that CPI is not going to down. In Europe, consumer mind is getting down so it leads to stop recovering consumption.

In Japanese economy, salary increase is expected but consumption is still weak. And there is shortage of manpower.

Under these circumstances, industrial sales decreased but all other segments sales increased. EBITDA, operating income, ordinary income and income attributable to owners of parent for the quarter increased as well.

As a result, the Group sales were ¥18,159,888 thousand (+33.4% year on year), EBITDA ¥5,320,778 thousand (+15.9%), operating income was ¥4,035,169 thousand (+2.4%), ordinary income was ¥5,090,423 thousand (+13.2%) and income attributable to owners of parent for the quarter was ¥3,376,884 thousand (+4.2%).

The following is a breakdown of business performance by segment.

By the way, our company has changed segment. About year-on-year, it is analyzed by the figures at the changed segment.

(Dental segment)

In Dental segment, Domestic sales decreased but North America sales, Europe and Asia sales increased. Total Dental segment sales increased. segment EBITDA were almost flat and segment operating income decreased.

As a result, sales were ¥11,007,337 thousand (+1.8%), segment EBITDA was ¥4,817,998 thousand (+0.2%) and segment operating income was ¥4,355,676 thousand (-1.7%).

(DCI segment)

In DCI segment, because the problem on cyber attack to a big dealer had been almost solved, sales increased.

As a result, sales were ¥4,536,726 thousand, segment EBITDA was ¥720,608 thousand and segment operating income was ¥159,902 thousand.

(Surgical segment)

In Surgical segment, Domestic, North America, Europe and Asia sales increased. Segment EBITDA and segment operating income increased as well.

As a result, sales were ¥1,015,743 thousand (+24.9%), segment EBITDA was ¥559,379 thousand (+35.3%) and segment operating income was ¥532,670 thousand (+34.7%).

(Industrial segment)

In Industrial segment, Domestic, North America, Europe and Asia sales decreased. Segment EBITDA and segment operating income decreased as well.

As a result, sales were ¥1,600,081 thousand (-19.7%), segment EBITDA was ¥426,248 thousand (-12.8%) and segment operating income was ¥289,122 thousand (-20.3%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 1st quarter were ¥148,069,180 thousand and increased by ¥7,356,089 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥2,075,786 thousand, Goodwill increased by ¥992,977 thousand and Construction in progress increased by ¥928,725 thousand.

Total liabilities were ¥32,164,532 thousand and increased by ¥4,652,437 thousand compared with the end of the previous fiscal year. The main reason was that Long-term borrowings (including Current portion of long-term borrowings) increased by ¥3,008,549 thousand.

Net asset was ¥115,904,648 thousand and increased by ¥2,703,652 thousand compared with the end of the previous fiscal year. The main reasons were that Foreign currency translation adjustment increased by ¥3,447,469 thousand, Treasury shares increased by ¥1,999,766 thousand and Retained earnings increased by ¥1,159,219 thousand.

(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information

We will not change the forecast announced on February 13, 2024.

First-half period

	The amount	%
Sales	¥35,534 million	25.7
EBITDA	¥8,409 million	-12.4
Operating income	¥5,854 million	-29.0
Ordinary profit	¥6,096 million	-45.8
Net income attributable to owners of parent	¥4,111 million	-49.3

Full year

	The amount	%
Sales	¥74,432 million	24.7
EBITDA	¥17,770 million	-0.0
Operating income	¥12,652 million	-11.5
Ordinary profit	¥13,088 million	-24.1
Net income attributable to owners of parent	¥8,894 million	-61.1

(Note) Percentage figures represent year-on-year comparisons.

2. Consolidated Quarterly Financial Statements and Principal Notes

(1) Consolidated Quarterly Balance Sheets

(Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	31,718,041	33,793,828
Notes receivable - trade	136,882	121,042
Accounts receivable - trade	8,321,641	8,819,225
Securities	927,272	1,106,987
Merchandise and finished goods	12,263,780	12,997,748
Work in process	5,916,190	6,089,424
Raw materials and supplies	5,804,338	6,226,357
Other	3,135,290	3,092,063
Allowance for doubtful accounts	-82,478	-84,860
Total current assets	68,140,959	72,161,816
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,053,960	19,626,756
Machinery, equipment and vehicles	11,090,021	11,580,200
Tools, furniture and fixtures	7,449,848	7,632,314
Land	2,594,819	2,663,143
Construction in progress	3,679,576	4,608,302
Accumulated depreciation	-20,767,549	-21,484,712
Total property, plant and equipment	23,100,677	24,626,004
Intangible assets		
Software	684,030	704,184
Software in progress	299,212	327,505
Goodwill	21,934,813	22,927,790
Customer-related intangible assets	7,908,707	8,299,806
Other	7,541,060	7,890,793
Total intangible assets	38,367,825	40,150,080
Investments and other assets		
Investment securities	6,520,238	6,591,328
Shares of subsidiaries and associates	449,419	484,555
Insurance funds	1,750,896	1,603,630
Retirement benefit asset	2,780	-
Deferred tax assets	948,549	979,448
Other	1,433,243	1,473,859
Allowance for doubtful accounts	-1,497	-1,542
Total investments and other assets	11,103,629	11,131,279
Total non-current assets	72,572,132	75,907,364
Total assets	140,713,091	148,069,180

(Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,153,937	2,529,229
Short-term borrowings	11,478,670	11,516,600
Current portion of long-term borrowings	9,965	1,010,415
Income taxes payable	2,123,634	1,690,533
Provision for bonuses	568,633	744,301
Other	5,165,980	6,195,793
Total current liabilities	21,500,820	23,686,873
Non-current liabilities		
Long-term borrowings	179,370	2,187,469
Retirement benefit liability	195,172	211,690
Deferred tax liabilities	5,083,849	5,326,210
Other	552,882	752,286
Total non-current liabilities	6,011,274	8,477,658
Total liabilities	27,512,094	32,164,532
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	3,708,703	3,708,703
Retained earnings	112,346,913	113,506,133
Treasury shares	-11,158,651	-13,158,417
Total shareholders' equity	105,764,913	104,924,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,607,616	1,703,681
Foreign currency translation adjustment	5,487,195	8,934,664
Total accumulated other comprehensive income	7,094,811	10,638,345
Share acquisition rights	330,967	330,967
Non-controlling interests	10,303	10,968
Total net assets	113,200,996	115,904,648
Total liabilities and net assets	140,713,091	148,069,180

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
(Consolidated Quarterly Statements of Income)

(Thousands of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	13,615,683	18,159,888
Cost of sales	4,912,464	7,154,118
Gross profit	8,703,218	11,005,770
Selling, general and administrative expenses	4,762,882	6,970,600
Operating profit	3,940,335	4,035,169
Non-operating income		
Interest income	61,156	172,812
Dividend income	4	4
Surrender value of insurance policies	11,285	20,374
Subsidy income	40,201	53,218
Share of profit of entities accounted for using equity method	155,774	–
Foreign exchange gains	227,512	729,611
Miscellaneous income	78,189	102,477
Total non-operating income	574,123	1,078,496
Non-operating expenses		
Interest expenses	1,256	9,514
Loss on investments in money held in trust	3,166	480
Commission expenses	2,028	2,345
Miscellaneous losses	12,536	10,902
Total non-operating expenses	18,987	23,242
Ordinary profit	4,495,471	5,090,423
Extraordinary income		
Gain on sale of non-current assets	1,990	–
Total extraordinary income	1,990	–
Extraordinary losses		
Loss on sale of non-current assets	188	2,223
Loss on retirement of non-current assets	2,936	17,612
Total extraordinary losses	3,124	19,835
Profit before income taxes	4,494,337	5,070,587
Income taxes - current	1,134,530	1,797,145
Income taxes - deferred	117,869	-103,747
Total income taxes	1,252,399	1,693,397
Profit	3,241,937	3,377,189
Profit attributable to non-controlling interests	522	305
Profit attributable to owners of parent	3,241,415	3,376,884

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	3,241,937	3,377,189
Other comprehensive income		
Valuation difference on available-for-sale securities	-127,893	96,064
Foreign currency translation adjustment	732,721	3,447,828
Total other comprehensive income	604,827	3,543,892
Comprehensive income	3,846,765	6,921,082
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,846,019	6,920,418
Comprehensive income attributable to non-controlling interests	745	664

(3) Notes to Consolidated Quarterly Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in the scope of consolidation during the period)

Not applicable.

(Segment Information)

【Segment Information】

1st quarter ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Thousands of yen)

	Reportable segments					Reconciling items	Per quarterly consolidated financial statements
	Dental segment	DCI segment	Surgical segment	Industrial segment	Reportable segments		
Sales							
Revenues from external customers	10,809,389	–	813,165	1,993,128	13,615,683	–	13,615,683
Transactions with other segments	–	–	–	–	–	–	–
Net sales	10,809,389	–	813,165	1,993,128	13,615,683	–	13,615,683
Operating profit (loss)	4,428,906	-1,793	395,340	362,647	5,185,100	-1,244,764	3,940,335

- Notes:
1. Adjustments to segment profit chiefly comprise general administrative and testing/research expenses not attributable to reportable segments.
 2. Segment profit is reconciled with operating income as recorded in the consolidated statements of income.

1st quarter ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Thousands of yen)

	Reportable segments					Reconciling items	Per quarterly consolidated financial statements
	Dental segment	DCI segment	Surgical segment	Industrial segment	Reportable segments		
Sales							
Revenues from external customers	11,007,337	4,536,726	1,015,743	1,600,081	18,159,888	–	18,159,888
Transactions with other segments	57,738		–	–	57,738	-57,738	–
Net sales	11,065,076	4,536,726	1,015,743	1,600,081	18,217,627	-57,738	18,159,888
Operating profit (loss)	4,355,676	159,902	532,670	289,122	5,337,371	-1,302,202	4,035,169

- Notes:
1. Adjustments to segment profit chiefly comprise general administrative and testing/research expenses not attributable to reportable segments.
 2. Segment profit is reconciled with operating income as recorded in the consolidated statements of income.

Change of segment

From 1st quarter of this year, DCI product segment is showing because the figures are big. DCI product segment was included in dental products segment in the past.

Furthermore, about year-on-year, it is analyzed by the figures at the changed segment.