

Flash Report for 3rd quarter Ended September 30, 2023 (on a consolidated basis) [Japan GAAP]

Nov 10, 2023

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: November 13, 2023

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 3rd quarter period (January 1 to September 30, 2023)

(1) Operating Results

	Millions of yen					
	Net sales		EBITDA		Operating income	
3rd quarter ended September 30, 2023	41,217	14.2%	13,921	4.1%	11,827	-0.6%
3rd quarter ended September 30, 2022	36,100	7.9%	13,376	-	11,894	7.0%

	Millions of yen					
	Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
3rd quarter ended September 30, 2023	15,406	4.8%	22,384	119.3%	262.98	262.26
3rd quarter ended September 30, 2022	14,694	30.4%	10,208	26.1%	118.92	118.63

- Notes:
- Percentage figures for net sales, operating income, ordinary income and net income represent year-on-year comparisons.
 - Comprehensive income for reporting period:
 - 3rd quarter ended September 30, 2023 26,932 million (109.3%)
 - 3rd quarter ended September 30, 2022 12,869 million (50.1%)
 - EBITDA (Operating income + Depreciation + Goodwill amortization)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of September 30, 2023	136,369	117,053	85.6%
As of December 31, 2022	102,154	91,022	88.8%

Note: Owners' equity As of September 30, 2023 116,712 million
As of December 31, 2022 90,737 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	3rd quarter	3rd quarter	Year-end	Annual
Year ending December 31, 2022	—	22.00	—	24.00	46.00
Year ending December 31, 2023	—	24.00			
Year ending December 31, 2023 (forecast)			—	26.00	50.00

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, 2023)

	Millions of yen								
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)
Full year	60,569	24.4	14,836	-3.6	18,246	3.4	24,613	97.4	289.42

Notes: 1. Percentage figures represent year-on-year comparisons.
2. Revisions to performance forecasts during the period: 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 September 30, 2023: 94,259,400 shares

As of December 31, 2022: 94,259,400 shares

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

As of September 30, 2023: 8,209,512 shares

As of December 31, 2022: 9,105,053 shares

Average number of shares during the period

3rd quarter ended September 30, 2023: 85,120,407 shares

3rd quarter ended September 30, 2022: 85,843,377 shares

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

Table of Contents

1. Qualitative Information on Quarterly Financial Results	4
(1) Explanation of Results of Operations	4
(2) Explanation of Financial Position	4
(3) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information	5
2. Consolidated Quarterly Financial Statements and Principal Notes	6
(1) Consolidated Quarterly Balance Sheets	6
(2) Consolidated Quarterly Statements of Income and Comprehensive Income	8
(Consolidated Quarterly Statements of Income)	8
(Consolidated Quarterly Statements of Comprehensive Income)	9
(3) Notes to Consolidated Quarterly Financial Statements	10
(Notes to Going Concern Assumption)	10
(Notes to Significant Changes in the Amount of Shareholders' Equity)	10
(Changes in the scope of consolidation during the period)	10
(Segment Information)	11

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the world economy during 3rd quarter, inflation is almost getting to the peak but CPI is still high. Big investments are decreasing due to high interest rates. So uncertainty for the future is increasing.

In Japanese economy, capital investments keep steady about manufacturing industry. About non-manufacturing industry, demands on outdoor business are increasing thanks to recovery from COVID-19 pandemic. However, there is shortage of manpower.

Under these circumstances, all 3 segments sales increased but operating income was almost flat.

As a result, the Group sales were ¥41,217,090 thousand (+14.2% year on year), EBITDA ¥13,921,070 thousand (+4.1%), operating income was ¥11,827,353 thousand (-0.6%), ordinary income was ¥15,406,051 thousand (+4.8%) and income attributable to owners of parent for the quarter was ¥22,384,970 thousand (+119.3%).

The following is a breakdown of business performance by segment.

(Dental segment)

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

As a result, sales were ¥32,765,446 thousand (+8.1%), segment EBITDA was ¥14,484,682 thousand (+5.5%) and segment operating income was ¥13,280,199 thousand (+4.3%).

(Surgical segment)

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

As a result, sales were ¥2,591,901 thousand (+8.3%), segment EBITDA was ¥1,386,645 thousand (+7.6%) and segment operating income was ¥1,323,302 thousand (+7.3%).

(Industrial segment)

In Industrial segment, Europe sales increased by 5 times because our company acquired Nakanishi Jaeger GmbH shares at the end of 2022. And Asia sales increased as well but Domestic and North America sales were flat. Total sales increased. Segment EBITDA increased but and segment operating income decreased.

As a result, sales were ¥5,859,743 thousand (+72.1%), segment EBITDA was ¥1,637,451 thousand (+15.6%) and segment operating income was ¥1,225,113 thousand (-6.5%)

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 3rd quarter were ¥136,369,274 thousand and increased by ¥34,214,813 thousand compared with the end of the previous fiscal year. The main reasons were that Goodwill increased by ¥31,034,445 thousand and Merchandise and finished goods increased by ¥5,048,236 thousand.

Total liabilities were ¥19,316,112 thousand and increased by ¥8,184,308 thousand compared with the end of the previous fiscal year. The main reason was that Short-term borrowings increased by ¥7,000,000 thousand.

Net asset was ¥117,053,161 thousand and increased by ¥26,030,505 thousand compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥18,267,647 thousand and Foreign currency translation adjustment by ¥4,632,516 thousand.

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

Our company will revise our business performance forecasts it released on August 21, 2023.

The following table shows our forecasts of business performance for the fiscal year 2023.

Full year

	The amount	%
Sales	¥60,569 million	24.4
EBITDA	¥18,294 million	4.6
Operating income	¥14,836 million	-3.6
Ordinary profit	¥18,246 million	3.4
Net income attributable to owners of parent	¥24,613million	97.4

(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, 2022	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	34,992,939	31,799,942
Notes receivable - trade	89,402	106,152
Accounts receivable - trade	6,017,059	8,274,161
Securities	1,186,445	848,181
Money held in trust	2,014,230	-
Merchandise and finished goods	7,167,378	12,215,614
Work in process	4,799,134	5,629,977
Raw materials and supplies	4,317,667	5,738,435
Other	2,056,477	3,045,686
Allowance for doubtful accounts	-91,139	-71,053
Total current assets	62,549,596	67,587,099
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,111,280	18,389,893
Machinery, equipment and vehicles	9,359,239	10,515,670
Tools, furniture and fixtures	5,707,895	7,118,394
Land	2,205,232	2,601,022
Construction in progress	720,395	3,617,324
Accumulated depreciation	-18,475,536	-20,041,881
Total property, plant and equipment	17,628,506	22,200,423
Intangible assets		
Software	704,589	678,316
Software in progress	273,378	252,909
Goodwill	2,696,223	33,730,668
Other	398,977	340,428
Total intangible assets	4,073,168	35,002,323
Investments and other assets		
Investment securities	6,853,855	6,057,880
Shares of subsidiaries and associates	6,055,110	428,614
Insurance funds	1,843,468	1,752,278
Retirement benefit asset	7,152	-
Deferred tax assets	1,923,315	2,070,502
Other	1,221,819	1,271,705
Allowance for doubtful accounts	-1,532	-1,553
Total investments and other assets	17,903,188	11,579,428
Total non-current assets	39,604,863	68,782,174
Total assets	102,154,460	136,369,274

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,535,530	2,471,671
Short-term borrowings	100,000	7,100,000
Current portion of long-term borrowings	21,843	–
Income taxes payable	2,764,786	2,018,891
Provision for bonuses	983,394	717,001
Other	4,441,744	5,861,845
Total current liabilities	9,847,300	18,169,408
Non-current liabilities		
Long-term borrowings	358,957	–
Retirement benefit liability	162,065	175,347
Deferred tax liabilities	579,708	334,108
Other	183,772	637,248
Total non-current liabilities	1,284,503	1,146,703
Total liabilities	11,131,804	19,316,112
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	3,708,703
Retained earnings	93,628,490	111,896,138
Treasury shares	-9,293,944	-8,658,866
Total shareholders' equity	86,382,977	107,813,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,403,982	1,315,176
Foreign currency translation adjustment	2,950,583	7,583,099
Total accumulated other comprehensive income	4,354,565	8,898,276
Share acquisition rights	278,685	330,967
Non-controlling interests	6,427	9,992
Total net assets	91,022,656	117,053,161
Total liabilities and net assets	102,154,460	136,369,274

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

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	36,100,208	41,217,090
Cost of sales	13,015,788	14,785,833
Gross profit	23,084,419	26,431,257
Selling, general and administrative expenses	11,190,391	14,603,903
Operating profit	11,894,028	11,827,353
Non-operating income		
Interest income	63,175	422,844
Dividend income	32,600	37,145
Surrender value of insurance policies	–	11,285
Subsidy income	35,927	60,225
Share of profit of entities accounted for using equity method	294,604	–
Foreign exchange gains	2,593,827	2,980,635
Miscellaneous income	146,071	202,342
Total non-operating income	3,166,206	3,714,478
Non-operating expenses		
Interest expenses	2,537	7,412
Loss on investments in money held in trust	312,483	4,096
Commission expenses	7,547	2,030
Share of loss of entities accounted for using equity method	–	99,488
Miscellaneous losses	42,926	22,751
Total non-operating expenses	365,495	135,779
Ordinary profit	14,694,739	15,406,051
Extraordinary income		
Gain on sale of non-current assets	66,628	9
Gain on sale of investment securities	–	201,947
Gain on step acquisitions	–	11,361,210
Total extraordinary income	66,628	11,563,167
Extraordinary losses		
Loss on sale of non-current assets	32,219	249
Loss on retirement of non-current assets	9,006	4,660
Impairment losses	326,348	–
Expense on scrapping fixed assets	–	100,100
Total extraordinary losses	367,573	105,010
Profit before income taxes	14,393,794	26,864,208
Income taxes - current	4,432,428	4,484,817
Income taxes - deferred	-249,019	-7,845
Total income taxes	4,183,408	4,476,971
Profit	10,210,385	22,387,237
Profit attributable to non-controlling interests	1,816	2,267
Profit attributable to owners of parent	10,208,569	22,384,970

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	10,210,385	22,387,237
Other comprehensive income		
Valuation difference on available-for-sale securities	-200,237	-88,806
Foreign currency translation adjustment	2,858,957	4,633,815
Total other comprehensive income	2,658,719	4,545,008
Comprehensive income	12,869,105	26,932,246
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,866,020	26,928,681
Comprehensive income attributable to non-controlling interests	3,084	3,565

(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】

3rd quarter ended September 30, 2022 (From January 1, 2022 to September 30, 2022)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	30,301,499	2,393,080	3,405,627	36,100,208	–	36,100,208
Transactions with other segments	–	–	–	–	–	–
Net sales	30,301,499	2,393,080	3,405,627	36,100,208	–	36,100,208
Operating profit (loss)	12,727,332	1,233,333	1,310,459	15,271,125	-3,377,096	11,894,028

- 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.

3rd quarter ended September 30, 2023 (From January 1, 2023 to September 30, 2023)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	32,765,446	2,591,901	5,859,743	41,217,090	–	41,217,090
Transactions with other segments	–	–	–	–	–	–
Net sales	32,765,446	2,591,901	5,859,743	41,217,090	–	41,217,090
Operating profit (loss)	13,280,199	1,323,302	1,225,113	15,828,615	-4,001,262	11,827,353

- 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.