

Flash Report for Fiscal year Ended December 31, 2023 (on a consolidated basis) [Japan GAAP]

February 13, 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: March 29, 2024

Scheduled date to begin dividend payments: March 29, 2024

Supplementary materials to financial statements: Not available

Earnings results briefing: Applicable (for institutional investors and securities analysts)

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

1. Consolidated financial results for Fiscal year period (January 1 to December 31, 2023)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
Fiscal year ended December 31, 2023	59,692	22.6%	14,296	-7.1%	17,238	-2.3%
Fiscal year ended December 31, 2022	48,671	8.5%	15,389	11.9%	17,646	26.5%

	Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
	Fiscal year ended December 31, 2023	22,835	83.1%	268.04
Fiscal year ended December 31, 2022	12,471	23.4%	145.48	145.11

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:

Fiscal year ended December 31, 2023 25,579 million (80.6%)

Fiscal year ended December 31, 2022 14,165 million (33.9%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of December 31, 2023	140,713	113,200	80.2%
As of December 31, 2022	102,636	91,022	88.4%

Note: Owners' equity As of December 31, 2023 112,859 million

As of December 31, 2022 90,737 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended December 31, 2022	—	22.00	—	24.00	46.00
Year ending December 31, 2023	—	24.00	—	26.00	50.00
Year ending December 31, 2024 (forecast)	—	26.00	—	26.00	52.00

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

	Millions of yen									
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	
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.

4. Others

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

Inclusion: 1 company, DCI International, LLC

Exclusion: None

(2) Application of special accounting methods in the preparation of 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 December 31, 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 December 31, 2023: 8,964,612 shares

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

Average number of shares during the period

Fiscal year ended December 31, 2023: 85,195,980 shares

Fiscal year ended December 31, 2022: 85,729,735 shares

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

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1. Qualitative Information on Financial Results

(1) Explanation of Results of Operations

In the world economy during the fiscal year, 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. However, Operating income decreased because Selling, general and administrative expenses including Amortization of goodwill increased.

As a result, the Group sales were ¥59,692,369 thousand (+22.6% year on year), EBITDA ¥17,775,316 thousand (+1.6%), operating income was ¥14,296,545 thousand (-7.1%), ordinary income was ¥17,238,331 thousand (-2.3%) and income attributable to owners of parent for the quarter was ¥22,835,745 thousand (+83.1%).

The following is a breakdown of business performance by segment.

(Dental segment)

In Dental segment, sales in Domestic, North America, Europe and Asia increased because the impacts our company acquired DCI International, LLC and Guilin Refine Medical Instrument Co., Ltd shares in 2023. Segment EBITDA increased but segment operating income decreased.

As a result, sales were ¥48,340,709 thousand (+18.1%), segment EBITDA was ¥18,966,393 thousand (+2.8%) and segment operating income was ¥16,693,993 thousand (-1.9%).

(Surgical segment)

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

As a result, sales were ¥3,770,645 thousand (+19.3%), segment EBITDA was ¥2,018,786 thousand (+22.3%) and segment operating income was ¥1,922,720 thousand (+22.3%).

(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 North America and Asia sales increased as well but Domestic decreased. Total sales increased. Segment EBITDA and segment operating income decreased.

As a result, sales were ¥7,581,013 thousand (+65.4%), segment EBITDA was ¥1,726,413 thousand (-6.4%) and segment operating income was ¥1,175,158 thousand (-30.2%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of Fiscal year were ¥140,713,091 thousand and increased by ¥38,076,619 thousand compared with the end of the previous fiscal year. The main reasons were that Goodwill increased by ¥20,452,011 thousand and Merchandise and finished goods increased by ¥4,976,718 thousand.

Total liabilities were ¥27,512,094 thousand and increased by ¥15,898,279 thousand compared with the end of the previous fiscal year. The main reasons were that Short-term borrowings increased by ¥11,378,670 thousand and Deferred tax liabilities increase by ¥4,022,128 thousand.

Net asset was ¥113,200,996 thousand and increased by ¥22,178,340 thousand compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥18,718,422 thousand.

(3) Explanation of Cash flows

The balance of cash and cash equivalents on a consolidated basis as of the end of the fiscal year was ¥25,972,808 thousand, down ¥5,758,529 thousand from the previous term-end.

Cash flows from operating activities was ¥8,549,399 thousand, compared with ¥7,764,417 thousand a year earlier. The main factor here was an increase of cash due to the recording of Profit before income taxes of ¥28,808,295 thousand, which outweighed Income taxes paid of ¥-5,990,914 thousand.

Cash flows from investing activities was ¥-19,149,217 thousand, compared with ¥-6,314,202 thousand a year earlier. The main expenditure were Purchase of shares of subsidiaries resulting in change in scope of consolidation ¥-15,107,810 thousand and Purchase of property, plant and equipment ¥-5,626,303 thousand.

Cash flows from financing activities was ¥3,406,227 thousand, compared with ¥6,107,521 thousand a year earlier. The main reason cash income was Proceeds from short-term borrowings ¥11,100,000 thousand. The main expenditure were Dividends paid ¥-4,082,674 thousand and Purchase of treasury shares ¥-2,999,804 thousand.

(4) Future Outlook

Regarding the future outlook, it is expected that unclear business circumstances will continue because CPI is rising and semiconductor materials are lacking.

Under such severe business environment, our group will promote comprehensive efforts to enhance the organizational structure which enables us to survive fierce global competition, keeping a close look on the conditions of the global economy and markets.

For fiscal year 2024, we have assumed an exchange rate of ¥135 to U.S. dollar and ¥150 to Euro.

The following table shows our forecasts of business performance for the fiscal year 2024.

	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 Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	34,992,939	31,718,041
Notes receivable - trade	89,402	136,882
Accounts receivable - trade	6,017,059	8,321,641
Securities	1,186,445	927,272
Money held in trust	2,014,230	-
Merchandise and finished goods	7,287,062	12,263,780
Work in process	4,922,072	5,916,190
Raw materials and supplies	4,317,667	5,804,338
Other	2,056,477	3,135,290
Allowance for doubtful accounts	-91,139	-82,478
Total current assets	62,792,217	68,140,959
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,650,677	19,053,960
Machinery, equipment and vehicles	9,451,774	11,090,021
Tools, furniture and fixtures	5,749,530	7,449,848
Land	2,232,281	2,594,819
Construction in progress	720,395	3,679,576
Accumulated depreciation	-18,475,536	-20,767,549
Total property, plant and equipment	18,329,122	23,100,677
Intangible assets		
Software	704,589	684,030
Software in progress	273,378	299,212
Goodwill	1,482,801	21,934,813
Customer-related intangible assets	-	7,908,707
Other	1,151,173	7,541,060
Total intangible assets	3,611,943	38,367,825
Investments and other assets		
Investment securities	6,853,855	6,520,238
Shares of subsidiaries and associates	6,055,110	449,419
Insurance funds	1,843,468	1,750,896
Retirement benefit asset	7,152	2,780
Deferred tax assets	1,923,315	948,549
Other	1,221,819	1,433,243
Allowance for doubtful accounts	-1,532	-1,497
Total investments and other assets	17,903,188	11,103,629
Total non-current assets	39,844,254	72,572,132
Total assets	102,636,471	140,713,091

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,535,530	2,153,937
Short-term borrowings	100,000	11,478,670
Current portion of long-term borrowings	21,843	9,965
Income taxes payable	2,764,786	2,123,634
Provision for bonuses	983,394	568,633
Other	4,441,744	5,165,980
Total current liabilities	9,847,300	21,500,820
Non-current liabilities		
Long-term borrowings	358,957	179,370
Retirement benefit liability	162,065	195,172
Deferred tax liabilities	1,061,720	5,083,849
Other	183,772	552,882
Total non-current liabilities	1,766,515	6,011,274
Total liabilities	11,613,815	27,512,094
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	3,708,703
Retained earnings	93,628,490	112,346,913
Treasury shares	-9,293,944	-11,158,651
Total shareholders' equity	86,382,977	105,764,913
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,403,982	1,607,616
Foreign currency translation adjustment	2,950,583	5,487,195
Total accumulated other comprehensive income	4,354,565	7,094,811
Share acquisition rights	278,685	330,967
Non-controlling interests	6,427	10,303
Total net assets	91,022,656	113,200,996
Total liabilities and net assets	102,636,471	140,713,091

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

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	48,671,452	59,692,369
Cost of sales	17,449,753	23,567,952
Gross profit	31,221,698	36,124,416
Selling, general and administrative expenses	15,832,469	21,827,871
Operating profit	15,389,229	14,296,545
Non-operating income		
Interest income	102,448	591,000
Dividend income	638,780	65,498
Surrender value of insurance policies	226,120	11,285
Subsidy income	35,927	60,225
Share of profit of entities accounted for using equity method	812,454	–
Foreign exchange gains	610,939	2,088,030
Miscellaneous income	202,941	305,122
Total non-operating income	2,629,610	3,121,162
Non-operating expenses		
Interest expenses	2,761	13,268
Loss on investments in money held in trust	282,091	2,611
Commission expenses	13,757	6,250
Provision of allowance for doubtful accounts	–	31,538
Share of loss of entities accounted for using equity method	–	100,684
Miscellaneous losses	73,667	25,022
Total non-operating expenses	372,277	179,377
Ordinary profit	17,646,562	17,238,331
Extraordinary income		
Gain on sale of non-current assets	70,157	1,174
Gain on sale of investment securities	–	201,947
Gain on step acquisitions	–	11,497,835
Total extraordinary income	70,157	11,700,958
Extraordinary losses		
Loss on sale of non-current assets	40,653	2,453
Loss on retirement of non-current assets	4,189	28,440
Impairment losses	374,668	–
Expense on scrapping fixed assets	–	100,100
Total extraordinary losses	419,511	130,993
Profit before income taxes	17,297,208	28,808,295
Income taxes - current	5,494,590	5,130,589
Income taxes - deferred	-670,669	839,175
Total income taxes	4,823,920	5,969,765
Profit	12,473,287	22,838,530
Profit attributable to non-controlling interests	1,747	2,785
Profit attributable to owners of parent	12,471,540	22,835,745

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	12,473,287	22,838,530
Other comprehensive income		
Valuation difference on available-for-sale securities	-439,991	203,633
Foreign currency translation adjustment	2,132,278	2,537,703
Total other comprehensive income	1,692,286	2,741,336
Comprehensive income	14,165,574	25,579,867
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,162,934	25,575,990
Comprehensive income attributable to non-controlling interests	2,640	3,876

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	867,948	1,180,482	84,765,333	-6,793,803	80,019,961
Changes during period					
Dividends of surplus			-3,608,383		-3,608,383
Profit attributable to owners of parent			12,471,540		12,471,540
Purchase of treasury shares				-2,500,140	-2,500,140
Net changes in items other than shareholders' equity					
Total changes during period	—	—	8,863,157	-2,500,140	6,363,016
Balance at end of period	867,948	1,180,482	93,628,490	-9,293,944	86,382,977

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,843,974	819,197	2,663,172	232,552	3,786	82,919,473
Changes during period						
Dividends of surplus						-3,608,383
Profit attributable to owners of parent						12,471,540
Purchase of treasury shares						-2,500,140
Net changes in items other than shareholders' equity	-439,991	2,131,385	1,691,393	46,132	2,640	1,740,165
Total changes during period	-439,991	2,131,385	1,691,393	46,132	2,640	8,103,182
Balance at end of period	1,403,982	2,950,583	4,354,565	278,685	6,427	91,022,656

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	867,948	1,180,482	93,628,490	-9,293,944	86,382,977
Changes during period					
Dividends of surplus			-4,083,155		-4,083,155
Profit attributable to owners of parent			22,835,745		22,835,745
Purchase of treasury shares				-2,999,804	-2,999,804
Disposal of treasury shares		2,528,220		1,135,096	3,663,317
Change in scope of consolidation			-34,167		-34,167
Net changes in items other than shareholders' equity					
Total changes during period	—	2,528,220	18,718,422	-1,864,707	19,381,935
Balance at end of period	867,948	3,708,703	112,346,913	-11,158,651	105,764,913

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	1,403,982	2,950,583	4,354,565	278,685	6,427	91,022,656
Changes during period						
Dividends of surplus						-4,083,155
Profit attributable to owners of parent						22,835,745
Purchase of treasury shares						-2,999,804
Disposal of treasury shares						3,663,317
Change in scope of consolidation						-34,167
Net changes in items other than shareholders' equity	203,633	2,536,612	2,740,245	52,282	3,876	2,796,404
Total changes during period	203,633	2,536,612	2,740,245	52,282	3,876	22,178,340
Balance at end of period	1,607,616	5,487,195	7,094,811	330,967	10,303	113,200,996

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	17,297,208	28,808,295
Depreciation	2,049,311	2,929,725
Impairment losses	374,668	-
Expense on scrapping fixed assets	-	100,100
Amortization of goodwill	55,115	549,045
Loss (gain) on step acquisitions	-	-11,497,835
Increase (decrease) in allowance for doubtful accounts	22,810	-11,797
Increase (decrease) in provision for bonuses	73,798	-414,761
Increase (decrease) in retirement benefit liability	-197,708	22,460
Interest and dividend income	-741,228	-656,499
Interest expenses	2,761	13,268
Share of loss (profit) of entities accounted for using equity method	-812,454	100,684
Loss (gain) on investments in money held in trust	282,091	2,611
Loss (gain) on sale of investment securities	-	-201,947
Loss (gain) on sale of property, plant and equipment	-29,504	1,278
Loss on retirement of property, plant and equipment	4,189	28,440
Subsidy income	-35,927	-60,225
Decrease (increase) in trade receivables	-89,177	-484,616
Decrease (increase) in inventories	-3,665,855	-3,535,038
Increase (decrease) in trade payables	134,345	-569,466
Foreign exchange losses (gains)	-1,626,574	-1,370,381
Other, net	-1,326,730	-318,069
Subtotal	11,771,140	13,435,271
Interest and dividends received	1,289,065	1,059,052
Interest paid	-2,761	-14,235
Income taxes paid	-5,328,953	-5,990,914
Subsidies received	35,927	60,225
Net cash provided by (used in) operating activities	7,764,417	8,549,399

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	-3,469,529	-5,626,303
Proceeds from sale of property, plant and equipment	69,035	–
Purchase of intangible assets	-514,712	-326,437
Proceeds from sale and redemption of investment securities	2,461,769	1,398,437
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-3,606,745	-15,107,810
Purchase of shares of subsidiaries and associates	-1,662,206	–
Payments into time deposits	-7,593,927	-2,866,722
Proceeds from withdrawal of time deposits	5,376,039	1,224,715
Purchase of insurance funds	-14,233	-9,920
Proceeds from cancellation of insurance funds	523,136	116,037
Long-term loan advances	-96,900	–
Proceeds from cancellation of money held in trust	2,212,410	2,165,388
Other, net	1,660	-116,601
Net cash provided by (used in) investing activities	-6,314,202	-19,149,217
Cash flows from financing activities		
Proceeds from short-term borrowings	–	11,100,000
Repayments of short-term borrowings	–	-100,000
Net increase (decrease) in short-term borrowings	–	-101,421
Repayments of long-term borrowings	–	-409,872
Purchase of treasury shares	-2,500,140	-2,999,804
Dividends paid	-3,607,380	-4,082,674
Net cash provided by (used in) financing activities	-6,107,521	3,406,227
Effect of exchange rate change on cash and cash equivalents	1,418,061	1,435,060
Net increase (decrease) in cash and cash equivalents	-3,239,245	-5,758,529
Cash and cash equivalents at beginning of period	34,887,816	31,648,571
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	82,767
Cash and cash equivalents at end of period	31,648,571	25,972,808

(5) Notes to Consolidated Financial Statements
(Notes to Going Concern Assumption)
Not applicable.

(Segment Information)

【Segment Information】

Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Thousands of yen)

	Reportable segments				Reconciling items	consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	40,926,711	3,160,058	4,584,682	48,671,452	—	48,671,452
Transactions with other segments	—	—	—	—	—	—
Net sales	40,926,711	3,160,058	4,584,682	48,671,452	—	48,671,452
Operating profit (loss)	17,024,344	1,571,575	1,683,337	20,279,257	-4,890,028	15,389,229

- 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.

Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Thousands of yen)

	Reportable segments				Reconciling items	consolidated financial statements
	Dental segment	Surgical segment	Industrial segment	Reportable segments		
Sales						
Revenues from external customers	48,340,709	3,770,645	7,581,013	59,692,369	–	59,692,369
Transactions with other segments	–	–	–	–	–	–
Net sales	48,340,709	3,770,645	7,581,013	59,692,369	–	59,692,369
Operating profit (loss)	16,693,993	1,922,720	1,175,158	19,791,871	-5,495,326	14,296,545

- 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.