Flash Report for 1st quarter Ended March 31, 2023 (on a consolidated basis) [Japan GAAP]

May 12, 2023

Name: Nakanishi Inc. Stock listing: Tokyo Stock Exchange : Standard Market
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Scheduled date to submit Securities Report: May 15, 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 1st quarter period (January 1 to March 31, 2023)

(1) Operating Results

	Millions of yen					
	Net sales		EBITDA		Operating income	
1st quarter ended March 31, 2023	13,615	13.6%	4,698	8.5%	4,041	4.0%
1st quarter ended March 31, 2022	11,981	5.7%	4,329	–	3,886	5.7%

	Millions of yen					
	Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
1st quarter ended March 31, 2023	4,597	5.1%	3,305	5.2%	38.83	38.73
1st quarter ended March 31, 2022	4,374	6.3%	3,142	2.2%	36.50	36.41

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, 2023 3,911 million (-5.9%)
   1st quarter ended March 31, 2022 4,156 million (10.4%)
3. EBITDA (Operating income + Depreciation + Goodwill amortization)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of March 31, 2023	103,008	92,356	89.4%
As of December 31, 2022	102,154	91,022	88.8%

Note: Owners' equity As of March 31, 2023 92,070 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 ending December 31, 2022	—	22.00	—	24.00	46.00
Year ending December 31, 2023	—				
Year ending December 31, 2023 (forecast)		24.00	—	24.00	48.00

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)
First-half period	25,556	4.5	7,616	-6.3	7,892	-16.8	5,461	-19.1	64.14
Full year	52,272	7.4	15,070	-2.1	15,836	-10.3	10,976	-12.0	128.91

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, 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 March 31, 2023: 9,285,653 shares

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

Average number of shares during the period

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

1st quarter ended March 31, 2022: 86,098,948 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, inflation is almost getting to the peak but CPI is still high. There are some uneasy due to the bankrupt of Silicon Valley Bank and Credit Suisse. 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. EBITDA increased as well.

By the way, our company introduced EBITDA (Operating income + Depreciation + Goodwill amortization) for KPI at the beginning of 2023.

As a result, the Group sales were ¥13,615,683 thousand (+13.6% year on year), EBITDA ¥4,698,020 thousand (+8.5%), operating income was ¥4,041,903 thousand (+4.0%), ordinary income was ¥4,597,039 thousand (+5.1%) and income attributable to owners of parent for the quarter was ¥3,305,092 thousand (+5.2%).

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 was increased as well.

As a result, sales were ¥ 10,809,389 thousand (+7.1%) and segment EBITDA was ¥4,804,484 thousand (+9.1%).

(Surgical segment)

In Surgical segment, North America and Europe sales decreased but Domestic and Asia sales increased. Total sales increased. Segment EBITDA decreased a little.

As a result, sales were ¥ 813,165 thousand (+2.5%) and segment EBITDA was ¥413,284 thousand (-2.7%).

(Industrial segment)

In Industrial segment, Europe sales increased by 5 times because our company acquired Alfred Jäger GmbH shares at the end of 2022. And Domestic, North America and Asia sales increased as well. Total sales increased. Segment EBITDA increased as well.

As a result, sales were ¥ 1,993,128 thousand (+82.4 %) and segment EBITDA was ¥593,924 thousand (+46.3%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 1st quarter were ¥103,008,799 thousand and increased by ¥854,339 thousand compared with the end of the previous fiscal year. The main reasons were that Money held in trust decreased by ¥2,014,230 thousand but Cash and deposits increased by 1,283,230 ¥thousand and Accounts receivable – trade increased by ¥780,066 thousand.

Total liabilities were ¥10,652,331 thousand and decreased by ¥479,472 thousand compared with the end of the previous fiscal year. The main reason was that Income taxes payable decreased by ¥1,391,288 thousand.

Net asset was ¥92,356,468 thousand and increased by ¥1,333,812 thousand compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥1,227,220 thousand and Foreign currency translation adjustment by ¥733,555 thousand.

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

We will not change the forecast announced on February 9, 2023. However, our company introduced EBITDA (Operating income + Depreciation + Goodwill amortization) for KPI at the beginning of 2023, adding EBITDA into forecast.

First-half period

	The amount	%
Sales	¥25,556 million	4.5
EBITDA	¥8,882 million	-2.0
Operating income	¥7,616 million	-6.3
Ordinary profit	¥7,892 million	-16.8
Net income attributable to owners of parent	¥5,461 million	-19.1

Full year

	The amount	%
Sales	¥52,272 million	7.4
EBITDA	¥17,603 million	0.6
Operating income	¥15,070 million	-2.1
Ordinary profit	¥15,836 million	-10.3
Net income attributable to owners of parent	¥10,976 million	-12.0

(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 March 31, 2023
Assets		
Current assets		
Cash and deposits	34,992,939	36,276,170
Notes receivable - trade	89,402	130,572
Accounts receivable - trade	6,017,059	6,797,126
Securities	1,186,445	1,300,295
Money held in trust	2,014,230	–
Merchandise and finished goods	7,167,378	7,710,270
Work in process	4,799,134	4,836,589
Raw materials and supplies	4,317,667	4,683,780
Other	2,056,477	2,325,530
Allowance for doubtful accounts	-91,139	-82,474
Total current assets	62,549,596	63,977,861
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,111,280	18,213,726
Machinery, equipment and vehicles	9,359,239	9,583,412
Tools, furniture and fixtures	5,707,895	6,003,494
Land	2,205,232	2,222,051
Construction in progress	720,395	583,104
Accumulated depreciation	-18,475,536	-19,010,785
Total property, plant and equipment	17,628,506	17,595,004
Intangible assets		
Software	704,589	717,798
Software in progress	273,378	231,040
Goodwill	2,696,223	2,711,351
Other	398,977	381,013
Total intangible assets	4,073,168	4,041,203
Investments and other assets		
Investment securities	6,853,855	6,477,145
Shares of subsidiaries and associates	6,055,110	6,175,111
Insurance funds	1,843,468	1,750,080
Retirement benefit asset	7,152	–
Deferred tax assets	1,923,315	1,812,716
Other	1,221,819	1,181,239
Allowance for doubtful accounts	-1,532	-1,563
Total investments and other assets	17,903,188	17,394,729
Total non-current assets	39,604,863	39,030,938
Total assets	102,154,460	103,008,799

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,535,530	1,836,225
Short-term borrowings	100,000	2,100,000
Current portion of long-term borrowings	21,843	22,499
Income taxes payable	2,764,786	1,373,497
Provision for bonuses	983,394	891,465
Other	4,441,744	3,160,522
Total current liabilities	9,847,300	9,384,210
Non-current liabilities		
Long-term borrowings	358,957	364,127
Retirement benefit liability	162,065	163,508
Deferred tax liabilities	579,708	570,760
Other	183,772	169,724
Total non-current liabilities	1,284,503	1,268,120
Total liabilities	11,131,804	10,652,331
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	93,628,490	94,855,711
Treasury shares	-9,293,944	-9,793,759
Total shareholders' equity	86,382,977	87,110,382
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,403,982	1,276,089
Foreign currency translation adjustment	2,950,583	3,684,138
Total accumulated other comprehensive income	4,354,565	4,960,227
Share acquisition rights	278,685	278,685
Non-controlling interests	6,427	7,172
Total net assets	91,022,656	92,356,468
Total liabilities and net assets	102,154,460	103,008,799

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	11,981,938	13,615,683
Cost of sales	4,634,051	4,807,109
Gross profit	7,347,886	8,808,573
Selling, general and administrative expenses	3,461,543	4,766,669
Operating profit	3,886,343	4,041,903
Non-operating income		
Interest income	17,734	61,156
Dividend income	3	4
Surrender value of insurance policies	–	11,285
Subsidy income	35,927	40,201
Share of profit of entities accounted for using equity method	25,752	155,774
Foreign exchange gains	447,068	227,512
Miscellaneous income	60,943	78,189
Total non-operating income	587,428	574,123
Non-operating expenses		
Interest expenses	288	1,256
Loss on investments in money held in trust	83,782	3,166
Commission expenses	2,535	2,028
Miscellaneous losses	13,007	12,536
Total non-operating expenses	99,614	18,987
Ordinary profit	4,374,157	4,597,039
Extraordinary income		
Gain on sale of non-current assets	64,320	1,990
Total extraordinary income	64,320	1,990
Extraordinary losses		
Loss on sale of non-current assets	31,069	188
Loss on retirement of non-current assets	951	2,936
Total extraordinary losses	32,020	3,124
Profit before income taxes	4,406,457	4,595,905
Income taxes - current	1,284,509	1,134,530
Income taxes - deferred	-21,105	155,760
Total income taxes	1,263,404	1,290,290
Profit	3,143,053	3,305,614
Profit attributable to non-controlling interests	430	522
Profit attributable to owners of parent	3,142,622	3,305,092

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	3,143,053	3,305,614
Other comprehensive income		
Valuation difference on available-for-sale securities	-330,553	-127,893
Foreign currency translation adjustment	1,344,422	733,778
Total other comprehensive income	1,013,868	605,885
Comprehensive income	4,156,922	3,911,499
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,155,470	3,910,754
Comprehensive income attributable to non-controlling interests	1,451	745

(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, 2022 (From January 1, 2022 to March 31, 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	10,095,404	793,679	1,092,854	11,981,938	–	11,981,938
Transactions with other segments	–	–	–	–	–	–
Net sales	10,095,404	793,679	1,092,854	11,981,938	–	11,981,938
Operating profit (loss)	4,097,557	409,453	375,331	4,882,342	-995,999	3,886,343

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, 2023 (From January 1, 2023 to March 31, 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	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)	4,427,112	395,340	464,215	5,286,668	-1,244,764	4,041,903

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.