

Flash Report for 2nd quarter Ended June 30, 2024 (on a consolidated basis) [Japan GAAP]

Aug 9, 2024

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

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

Representative: Eiichi Nakanishi, President and Group CEO

Inquiries: Daisuke Suzuki, Corporate Vice President, Finance & Accounting Tel: +81-289-64-3380

Scheduled date to submit Securities Report: Aug 9, 2024

Scheduled date to begin dividend payments: Sep 17, 2024

Supplementary materials to quarterly financial statements: Applicable

Quarterly 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 2nd quarter period (January 1 to June 30, 2024)

(1) Operating Results

	Millions of yen					
	Net sales		EBITDA		Operating income	
2nd quarter ended June 30, 2024	38,557	36.4%	11,051	17.8%	8,287	3.1%
2nd quarter ended June 30, 2023	28,259	15.5%	9,379	3.4%	8,038	-1.1%

	Millions of yen					
	Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
2nd quarter ended June 30, 2024	10,522	-4.7%	7,026	-11.9%	82.88	82.63
2nd quarter ended June 30, 2023	11,039	16.3%	7,972	18.1%	93.74	93.44

- 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:
 - 2nd quarter ended June 30, 2024 15,043 million (38.9%)
 - 2nd quarter ended June 30, 2023 10,831 million (20.3%)
 3. EBITDA (Operating income + Depreciation + Goodwill amortization)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of June 30, 2024	156,758	124,035	78.9%
As of December 31, 2023	140,768	113,164	80.1%
Note: Owners' equity As of June 30, 2024	123,658 million		
As of December 31, 2023	112,823 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	—	26.00			
Year ending December 31, 2024 (forecast)			—	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		
Full year	75,208	26.0	13,427	-5.8	14,635	-14.9	9,652	-57.7	113.85

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 June 30, 2024: 93,418,200 shares

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

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

As of June 30, 2024: 8,961,050 shares

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

Average number of shares during the period

2nd quarter ended June 30, 2024: 84,784,694 shares

2nd quarter ended June 30, 2023: 85,045,065 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 2nd 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 and operating income increased. But ordinary income and income attributable to owners of parent for the quarter decreased.

As a result, the Group sales were ¥ 38,557,243 thousand (+36.4% year on year), EBITDA ¥ 11,051,843 thousand (+17.8%), operating income was ¥ 8,287,179 thousand (+3.1%), ordinary income was ¥10,522,351 thousand (-4.7%) and income attributable to owners of parent for the quarter was ¥ 7,026,596 thousand (-11.9%).

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, Europe and Asia sales increased. Total Dental segment sales increased. Segment EBITDA and segment operating income increased.

As a result, sales were ¥23,335,326 thousand (+3.9%), segment EBITDA was ¥10,237,831 thousand (+4.2%) and segment operating income was ¥9,235,018 thousand (2.0%).

(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 ¥9,933,219 thousand, segment EBITDA was ¥1,585,360 thousand and segment operating income was ¥400,517 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 ¥2,022,635 thousand (+13.7%), segment EBITDA was ¥1,106,459 thousand (+19.2%) and segment operating income was ¥1,051,914 thousand (+18.3%).

(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 ¥3,266,062 thousand (-19.0%), segment EBITDA was ¥703,212 thousand (-24.5%) and segment operating income was ¥415,122 thousand (-38.1%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 2nd quarter were ¥156,758,458 thousand and increased by ¥15,989,816 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥7,606,855 thousand and Buildings and structures increased by ¥4,836,472.

Total liabilities were ¥32,722,694 thousand and increased by ¥5,118,875 thousand compared with the end of the previous fiscal year. The main reason was that Long-term borrowings, which includes Current portion of long-term borrowings, increased by ¥2,770,044 thousand.

Net asset was ¥124,035,763 thousand and increased by ¥10,870,940 thousand compared with the end of the previous fiscal year. The main reasons were that Foreign currency translation adjustment increased by ¥7,574,493 thousand and Retained earnings increased by ¥4,808,931 thousand.

(3) Explanation of Cash flows

The balance of cash and cash equivalents on a consolidated basis as of the end of 2nd quarter was ¥30,132,742 thousand, up ¥4,159,934 thousand from the previous term-end.

Net cash provided by operating activities was ¥7,287,851 thousand, compared with ¥4,102,962 thousand a year earlier. The main factor here was an increase of cash due to the recording of income before income taxes and minority interests of ¥10,476,847 thousand, which outweighed income taxes paid of ¥2,815,742 thousand.

Net cash provided by investing activities was ¥-3,931,282 thousand, compared with ¥-2,290,437 thousand a year earlier. The main expenditure was Purchase of tangible fixed assets ¥2,425,079 thousand.

Net cash provided used in financing activities was ¥-1,447,882 thousand, compared with ¥-946,067 thousand a year earlier. The main income was Proceeds from long-term borrowings ¥3,000,000 thousand. The main expenditure were Cash dividends paid ¥2,217,037 thousand and Purchase of treasury shares 1,999,859 thousand.

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

Our company will revise our business performance forecasts it released on February 13, 2024.

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

Full year

	The amount	%
Sales	¥75,208 million	26.0
EBITDA	¥19,013 million	7.4
Operating income	¥13,427 million	-5.8
Ordinary profit	¥14,635 million	-14.9
Net income attributable to owners of parent	¥9,652 million	-57.7

(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 June 30, 2024
Assets		
Current assets		
Cash and deposits	31,718,041	39,324,896
Notes receivable - trade	136,882	117,813
Accounts receivable - trade	8,321,641	9,295,975
Securities	927,272	1,305,778
Merchandise and finished goods	12,300,232	13,350,309
Work in process	5,916,190	6,561,415
Raw materials and supplies	5,800,362	6,354,149
Other	3,135,290	2,830,411
Allowance for doubtful accounts	-82,478	-95,831
Total current assets	68,173,435	79,044,919
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,053,960	23,890,432
Machinery, equipment and vehicles	11,090,021	11,230,492
Tools, furniture and fixtures	7,449,848	7,824,822
Land	2,594,819	2,742,574
Construction in progress	3,679,576	543,445
Accumulated depreciation	-20,767,549	-21,308,834
Total property, plant and equipment	23,100,677	24,922,933
Intangible assets		
Software	684,030	719,300
Software in progress	299,212	312,487
Goodwill	21,378,868	23,352,859
Customer-related intangible assets	8,189,652	8,965,602
Other	7,839,135	8,541,456
Total intangible assets	38,390,899	41,891,706
Investments and other assets		
Investment securities	6,520,238	6,919,454
Shares of subsidiaries and associates	449,419	542,611
Insurance funds	1,750,896	628,905
Retirement benefit asset	2,780	2,804
Deferred tax assets	948,549	758,246
Other	1,433,243	2,103,653
Allowance for doubtful accounts	-1,497	-56,777
Total investments and other assets	11,103,629	10,898,898
Total non-current assets	72,595,206	77,713,538
Total assets	140,768,641	156,758,458

(Thousands of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	2,153,937	2,690,712
Short-term borrowings	11,478,670	11,529,780
Current portion of long-term borrowings	9,965	1,011,020
Income taxes payable	2,123,634	2,743,507
Provision for bonuses	568,633	527,905
Other	5,165,980	5,669,741
Total current liabilities	21,500,820	24,172,666
Non-current liabilities		
Long-term borrowings	179,370	1,948,360
Retirement benefit liability	195,172	212,440
Deferred tax liabilities	5,175,573	5,663,226
Other	552,882	726,000
Total non-current liabilities	6,102,999	8,550,027
Total liabilities	27,603,819	32,722,694
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	3,708,703	2,583,551
Retained earnings	112,310,974	117,119,906
Treasury shares	-11,158,651	-12,024,873
Total shareholders' equity	105,728,975	108,546,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,607,616	2,050,229
Foreign currency translation adjustment	5,486,959	13,061,453
Total accumulated other comprehensive income	7,094,575	15,111,682
Share acquisition rights	330,967	366,852
Non-controlling interests	10,303	10,695
Total net assets	113,164,822	124,035,763
Total liabilities and net assets	140,768,641	156,758,458

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

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	28,259,425	38,557,243
Cost of sales	10,466,207	15,693,454
Gross profit	17,793,218	22,863,789
Selling, general and administrative expenses	9,754,354	14,576,609
Operating profit	8,038,863	8,287,179
Non-operating income		
Interest income	103,861	281,492
Dividend income	37,140	41,206
Surrender value of insurance policies	11,285	134,495
Subsidy income	40,201	53,218
Share of profit of entities accounted for using equity method	162,535	–
Foreign exchange gains	2,524,448	1,563,847
Miscellaneous income	147,732	204,053
Total non-operating income	3,027,205	2,278,312
Non-operating expenses		
Interest expenses	1,998	23,201
Loss on investments in money held in trust	3,188	490
Commission expenses	2,029	2,345
Miscellaneous losses	19,249	17,103
Total non-operating expenses	26,466	43,140
Ordinary profit	11,039,601	10,522,351
Extraordinary income		
Gain on sale of non-current assets	5,269	–
Total extraordinary income	5,269	–
Extraordinary losses		
Loss on sale of non-current assets	195	2,277
Loss on retirement of non-current assets	2,936	19,954
Expense on scrapping fixed assets	100,100	23,271
Total extraordinary losses	103,231	45,504
Profit before income taxes	10,941,639	10,476,847
Income taxes - current	2,869,987	3,536,187
Income taxes - deferred	97,761	-86,455
Total income taxes	2,967,748	3,449,732
Profit	7,973,890	7,027,115
Profit attributable to non-controlling interests	1,494	519
Profit attributable to owners of parent	7,972,396	7,026,596

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	7,973,890	7,027,115
Other comprehensive income		
Valuation difference on available-for-sale securities	-130,614	442,613
Foreign currency translation adjustment	2,988,289	7,574,130
Total other comprehensive income	2,857,674	8,016,743
Comprehensive income	10,831,565	15,043,858
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,828,713	15,043,467
Comprehensive income attributable to non-controlling interests	2,851	391

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	10,941,639	10,476,847
Depreciation	1,239,938	1,975,594
Amortization of goodwill	100,614	789,069
Expense on scrapping fixed assets	100,100	23,271
Increase (decrease) in allowance for doubtful accounts	-25,590	57,697
Increase (decrease) in provision for bonuses	-505,394	-40,728
Increase (decrease) in retirement benefit liability	-229	1,910
Interest and dividend income	-141,002	-322,698
Interest expenses	1,998	23,201
Share of loss (profit) of entities accounted for using equity method	-162,535	-
Loss on retirement of non-current assets	2,936	19,948
Loss (gain) on sale of non-current assets	-5,074	2,277
Loss on retirement of intangible assets	-	6
Gain (gain) on investments in money held in trust	3,188	-
Surrender value of insurance policies	-11,285	-134,495
Subsidy income	-40,201	-53,218
Decrease (increase) in trade receivables	-942,713	-133,737
Decrease (increase) in inventories	-1,339,952	-939,939
Increase (decrease) in trade payables	-190,391	-202,851
Foreign exchange losses (gains)	-2,272,826	-1,698,304
Other, net	48,075	-82,790
Subtotal	6,801,296	9,761,061
Interest and dividends received	541,333	312,078
Interest paid	-2,130	-22,763
Income taxes paid	-3,277,738	-2,815,742
Subsidies received	40,201	53,218
Net cash provided by (used in) operating activities	4,102,962	7,287,851

(Thousands of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from investing activities		
Purchase of property, plant and equipment	-2,989,215	-2,425,079
Proceeds from sale of property, plant and equipment	5,306	15,368
Payments for scrapping fixed assets	-100,100	–
Purchase of intangible assets	-116,915	-182,405
Proceeds from sale and redemption of investment securities	408,807	456,832
Purchase of shares of subsidiaries and associates	-16,876	–
Payments into time deposits	-2,170,698	-3,439,673
Proceeds from withdrawal of time deposits	493,500	407,228
Purchase of insurance funds	-7,213	-51,008
Proceeds from cancellation of insurance funds	110,352	1,311,126
Proceeds from cancellation of money held in trust	2,093,108	–
Other, net	-493	-23,669
Net cash provided by (used in) investing activities	-2,290,437	-3,931,282
Cash flows from financing activities		
Proceeds from short-term borrowings	2,000,000	10,530
Proceeds from long-term borrowings	–	3,000,000
Repayments of long-term borrowings	-402,688	-250,000
Dividends paid	-2,043,463	-2,217,037
Purchase of treasury shares	-499,914	-1,999,859
Proceeds from sale of treasury shares	–	8,485
Net cash provided by (used in) financing activities	-946,067	-1,447,882
Effect of exchange rate change on cash and cash equivalents	2,408,310	2,251,247
Net increase (decrease) in cash and cash equivalents	3,274,767	4,159,934
Cash and cash equivalents at beginning of period	31,648,571	25,972,808
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	82,767	–
Cash and cash equivalents at end of period	35,006,105	30,132,742

(4) 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】

2nd quarter ended June 30, 2023 (From January 1, 2023 to June 30, 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	22,448,932	–	1,779,394	4,031,098	28,259,425	–	28,259,425
Transactions with other segments	–	–	–	–	–	–	–
Net sales	22,448,932	–	1,779,394	4,031,098	28,259,425	–	28,259,425
Operating profit (loss)	9,057,119	-5,448	888,937	670,379	10,610,988	-2,572,124	8,038,863

- 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.

2nd quarter ended June 30, 2024 (From January 1, 2024 to June 30, 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	23,335,326	9,933,219	2,022,635	3,266,062	38,557,243	–	38,557,243
Transactions with other segments	126,286		–	–	126,286	-126,286	–
Net sales	23,461,613	9,933,219	2,022,635	3,266,062	38,683,530	-126,286	38,557,243
Operating profit (loss)	9,235,018	400,517	1,051,914	415,122	11,102,573	-2,815,394	8,287,179

- 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.