Flash Report for 1st quarter Ended March 31, 2022 (on a consolidated basis) [Japan GAAP]

May 12, 2022

Name: Nakanishi Inc.　Stock listing: Tokyo Stock Exchange : JASDAQ
Code Number: 7716　URL: http://www.nsk-nakanishi.co.jp
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Scheduled date to submit Securities Report: May 13, 2022
Scheduled date to begin dividend payments: -
Supplementary materials to quarterly financial statements: Not 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, 2022)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
1st quarter ended March 31, 2022	11,981	5.7%	3,886	5.7%	4,374	6.3%
1st quarter ended March 31, 2021	11,337	55.4%	3,675	231.3%	4,113	641.2%

	Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
1st quarter ended March 31, 2022	3,142	2.2%	36.50	36.41
1st quarter ended March 31, 2021	3,074	595.3%	35.48	35.41

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, 2022　4,156 million (10.4%)
   1st quarter ended March 31, 2021　3,764 million (－%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of March 31, 2022	95,593	84,853	88.5%
As of December 31, 2021	94,460	82,919	87.5%

Note: Owners' equity　As of March 31, 2022　84,615 million
　As of December 31, 2021　82,683 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended December 31, 2021	—	17.00	—	20.00	37.00
Year ending December 31, 2022	—				
Year ending December 31, 2022 (forecast)		20.00	—	20.00	40.00

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, 2022)

	Millions of yen								Earnings per share (yen)
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		
2nd quarter	23,026	0.1%	6,546	-14.4%	7,095	-4.4%	5,062	-5.7%	58.75
Full year	45,788	2.1%	12,606	-8.3%	13,587	-2.6%	9,621	-4.8%	111.66

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.: 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, 2022: 94,259,400 shares

As of December 31, 2021: 94,259,400 shares

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

As of March 31, 2022: 8,336,032 shares

As of December 31, 2021: 8,094,386 shares

Average number of shares during the period

1st quarter ended March 31, 2022: 86,098,948 shares

1st quarter ended March 31, 2021: 86,656,741 shares

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

Table of Contents

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the world economy during 1st quarter, CPI has increased thanks to demand increases by prompt economic recover after pandemic. Unease of energy supply has increased due to the Russian invasion of Ukraine. So uncertainty for future was increasing.

In Japanese economy, economic activities were very low because raw material prices increased and to procure components was difficult.

Under these circumstances, all 3 segments sales increased. Operating income increased as well.

As a result, the Group sales were ¥11,981,938 thousand (+5.7% year on year), operating income was ¥3,886,343 thousand (+5.7%), ordinary income was ¥4,374,157 thousand (+6.3%) and income attributable to owners of parent for the quarter was ¥3,142,622 thousand (+2.2%).

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 Products)

In Dental Products, Domestic sales decreased because the reaction that clinics received subsidy from government last year.

However North America, Europe and Asia sales increased. Total dental sales increased. Segment profit was almost the same.

As a result, sales were ¥ 10,095,404 thousand (+2.9%) and segment profit was ¥ 4,097,557 thousand (-0.7%).

(Industrial Products)

In Industrial Products, Sales in all areas such as Domestic, North America, Europe and Asia increased. Segment profit increased as well.

As a result, sales were ¥1,092,854 thousand (+28.9%) and segment profit was ¥375,331 thousand (+25.5%).

(Surgical Products)

In Surgical Products Europe and Asia sales decreased but Domestic and North America sales increased. Total sales increased. Segment profit increased as well.

As a result, sales were ¥793,679 thousand (+16.6%) and segment profit was ¥409,453 thousand (+27.3%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 1st quarter were ¥95,593,174 thousand and increased by ¥1,132,254 thousand compared with the end of the previous fiscal year. The main reasons were that Notes and accounts receivable - trade by ¥776,951 thousand and Construction in progress by ¥722,340 thousand.

Total liabilities were ¥10,740,060 thousand and decreased by ¥801,385 thousand compared with the end of the previous fiscal year. The main reason was Income taxes payable decreased by ¥1,171,937 thousand.

Net asset was ¥84,853,113 thousand and increased by ¥1,933,640 compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥1,419,322 thousand and Foreign currency translation adjustment by ¥1,343,401 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 February 9, 2022.

The following table shows our forecasts of business performance for the fiscal year 2022.

First-half period

	The amount	%
Sales	¥23,026 million	0.1
Operating income	¥6,546 million	-14.4
Ordinary profit	¥7,095 million	-4.4
Net income attributable to owners of parent	¥5,062 million	-5.7

Full year

	The amount	%
Sales	¥45,788 million	2.1
Operating income	¥12,606 million	-8.3
Ordinary profit	¥13,587 million	-2.6
Net income attributable to owners of parent	¥9,621 million	-4.8

(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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	35,984,340	34,094,934
Notes and accounts receivable - trade	5,348,771	6,125,723
Securities	1,422,099	1,327,874
Money held in trust	4,341,163	4,356,398
Merchandise and finished goods	5,822,666	6,275,909
Work in process	3,286,853	3,361,370
Raw materials and supplies	2,623,642	3,147,551
Other	1,382,650	1,611,367
Allowance for doubtful accounts	-60,452	-76,559
Total current assets	60,151,734	60,224,569
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,431,241	15,455,880
Machinery, equipment and vehicles	7,486,174	7,637,032
Tools, furniture and fixtures	5,205,578	5,292,314
Land	2,033,155	2,071,886
Construction in progress	962,539	1,684,879
Accumulated depreciation	-15,825,871	-16,194,322
Total property, plant and equipment	15,292,817	15,947,671
Intangible assets		
Software	377,341	352,428
Software in progress	320,598	632,538
Goodwill	108,442	98,536
Other	538,570	524,484
Total intangible assets	1,344,953	1,607,988
Investments and other assets		
Investment securities	8,692,157	8,269,533
Shares of subsidiaries and associates	4,866,102	5,118,896
Insurance funds	2,122,292	2,130,837
Deferred tax assets	940,349	1,207,062
Other	1,051,965	1,088,111
Allowance for doubtful accounts	-1,452	-1,497
Total investments and other assets	17,671,414	17,812,944
Total non-current assets	34,309,185	35,368,604
Total assets	94,460,919	95,593,174

(Thousands of yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,009,312	1,612,544
Short-term borrowings	100,000	100,000
Income taxes payable	2,529,830	1,357,893
Provision for bonuses	909,596	966,641
Other	6,045,854	5,650,871
Total current liabilities	10,594,594	9,687,950
Non-current liabilities		
Retirement benefit liability	342,260	344,702
Deferred tax liabilities	412,271	523,481
Other	192,319	183,925
Total non-current liabilities	946,851	1,052,109
Total liabilities	11,541,446	10,740,060
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	84,765,333	86,184,656
Treasury shares	-6,793,803	-7,293,785
Total shareholders' equity	80,019,961	80,939,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,843,974	1,513,420
Foreign currency translation adjustment	819,197	2,162,599
Total accumulated other comprehensive income	2,663,172	3,676,020
Share acquisition rights	232,552	232,552
Non-controlling interests	3,786	5,238
Total net assets	82,919,473	84,853,113
Total liabilities and net assets	94,460,919	95,593,174

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Thousands of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net sales	11,337,537	11,981,938
Cost of sales	4,608,552	4,634,051
Gross profit	6,728,984	7,347,886
Selling, general and administrative expenses	3,053,029	3,461,543
Operating profit	3,675,954	3,886,343
Non-operating income		
Interest income	17,341	17,734
Dividend income	2	3
Gain on investments in money held in trust	123,012	–
Subsidy income	32,133	35,927
Share of profit of entities accounted for using equity method	56,399	25,752
Foreign exchange gains	187,398	447,068
Miscellaneous income	25,072	60,943
Total non-operating income	441,360	587,428
Non-operating expenses		
Interest expenses	962	288
Loss on investments in money held in trust	–	83,782
Commission expenses	–	2,535
Miscellaneous losses	2,638	13,007
Total non-operating expenses	3,601	99,614
Ordinary profit	4,113,714	4,374,157
Extraordinary income		
Gain on sale of non-current assets	–	64,320
Gain on sale of investment securities	17,087	–
Total extraordinary income	17,087	64,320
Extraordinary losses		
Loss on sale of non-current assets	–	31,069
Loss on retirement of non-current assets	183	951
Total extraordinary losses	183	32,020
Profit before income taxes	4,130,617	4,406,457
Income taxes - current	1,202,322	1,284,509
Income taxes - deferred	-146,776	-21,105
Total income taxes	1,055,546	1,263,404
Profit	3,075,071	3,143,053
Profit attributable to non-controlling interests	258	430
Profit attributable to owners of parent	3,074,812	3,142,622

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	3,075,071	3,143,053
Other comprehensive income		
Valuation difference on available-for-sale securities	59,682	-330,553
Foreign currency translation adjustment	629,947	1,344,422
Total other comprehensive income	689,629	1,013,868
Comprehensive income	3,764,701	4,156,922
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,764,499	4,155,470
Comprehensive income attributable to non-controlling interests	201	1,451

(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, 2021 (From January 1, 2020 to March 31, 2021)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental products	Industrial products	Surgical Products	Reportable segments		
Sales						
Revenues from external customers	9,809,333	847,629	680,573	11,337,537	–	11,337,537
Transactions with other segments	–	–	–	–	–	–
Net sales	9,809,333	847,629	680,573	11,337,537	–	11,337,537
Operating profit (loss)	4,127,351	299,177	321,557	4,748,085	-1,072,131	3,675,954

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, 2022 (From January 1, 2022 to March 31, 2022)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental products	Industrial products	Surgical Products	Reportable segments		
Sales						
Revenues from external customers	10,095,404	1,092,854	793,679	11,981,938	–	11,981,938
Transactions with other segments	–	–	–	–	–	–
Net sales	10,095,404	1,092,854	793,679	11,981,938	–	11,981,938
Operating profit (loss)	4,097,557	375,331	409,453	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.

Change of segment

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

And other segment was divided into dental products segment and industrial product segment and surgical product segment. The divided figures were added to the three segments.

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