Flash Report for Fiscal year Ended December 31, 2021 (on a consolidated basis) [Japan GAAP]

February 9, 2022

Name: Nakanishi Inc. Stock listing: Tokyo Stock Exchange : JASDAQ
Code Number: 7716 URL: http://www.nsk-nakanishi.co.jp
Representative: Eiichi Nakanishi, President and Group CEO
Inquiries: Daisuke Suzuki, Corporate Vice President & Group CFO Tel: +81-289-64-3380
Scheduled date to submit Securities Report: March 30, 2022
Scheduled date to begin dividend payments: March 31, 2022
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, 2021)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
Fiscal year ended December 31, 2021	44,857	35.7%	13,750	61.0%	13,951	61.7%
Fiscal year ended December 31, 2020	33,055	-6.7%	8,542	-8.1%	8,627	-12.3%

	Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
Fiscal year ended December 31, 2021	10,102	56.5%	116.73	116.47
Fiscal year ended December 31, 2020	6,455	-9.1%	74.49	74.34

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, 2021 10,577 million (63.8%)

Fiscal year ended December 31, 2020 6,459 million (-20.3%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of December 31, 2021	94,460	82,919	87.5%
As of December 31, 2020	82,470	76,272	92.3%

Note: Owners' equity As of December 31, 2021 82,683 million
As of December 31, 2020 76,080 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended December 31, 2020	—	15.00	—	15.00	30.00
Year ending December 31, 2021	—	17.00	—	20.00	37.00
Year ending December 31, 2022 (forecast)	—	20.00	—	20.00	40.00

3. Business Performance Forecasts for the Current Term (January 1 to December 31, 2022)

	Millions of yen								
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)
First-half period	19,749	-14.2%	4,789	-37.4%	4,849	-34.7%	3,418	-36.3%	39.68
Full year	41,244	-8.1%	10,678	-22.3%	11,122	-20.3%	7,824	-22.5%	90.81

Notes: 1. Percentage figures represent year-on-year comparisons.

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 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, 2021: 94,259,400 shares
As of December 31, 2020: 94,259,400 shares

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

As of December 31, 2021: 8,094,386 shares
As of December 31, 2020: 7,602,642 shares

Average number of shares during the period

Fiscal year ended December 31, 2021: 86,546,716 shares
Fiscal year ended December 31, 2020: 86,653,772 shares

* This flash report is out of scope of audit

.

Table of Contents

1. Qualitative Information on Financial Results 4
(1) Explanation of Results of Operations 4
(2) Explanation of Financial Position 4
(3) Explanation of Cash flows 5
(4) Future Outlook 5
2. Consolidated Financial Statements and Principal Notes 6
(1) Consolidated Balance Sheets 6
(2) Consolidated Statements of Income and Comprehensive Income 8
(Consolidated Statements of Income) 8
(Consolidated Statements of Comprehensive Income) 9
(3) Consolidated Statements of Changes in Net Assets 10
(4) Consolidated Statements of Cash Flows 12
(5) Notes to Consolidated Financial Statements 14
(Notes to Going Concern Assumption) 14
(Segment Information) 15

1. Qualitative Information on Financial Results

(1) Explanation of Results of Operations

In the world economy during the fiscal year, many countries and areas have been doing proactive financial and monetary activities so economy all over the world was trend to expand. However resource prices such as crude oil increased and supply chains delayed due to the high rapid demand. So uncertainty for future was increasing.

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

Under these circumstances, in Dental product segment, which is our main segment, Domestic sales in 1st quarter were good but it's been steady gradually but other areas sales increased. Industrial product segment and Other businesses sales increased as well. Total sales increased by 35.7%.

On the other hand, freight increased because sales increased and cost increased but Selling, general and administrative expenses increased by 21.1%. Operating income increased by 61.0%.

As a result, the Group sales were ¥44,857,730 thousand (+35.7% year on year), operating income was ¥13,750,434 thousand (+61.0%), ordinary income was ¥13,951,666 thousand (+61.7%) and income attributable to owners of parent was ¥ 10,102,609 thousand (+56.5 %).

The following is a breakdown of business performance by segment.

(Dental Products)

In Dental Products, in 1st quarter Domestic sales increased dramatically thanks to subsidy from government etc. but it's been steady gradually. Europe, North America and Asia sales increased as well. Total dental sales increased dramatically. Segment profit increased as well.

As a result, sales were ¥39,645,299 thousand (+36.6%) and segment profit was ¥16,724,982 thousand (+46.4%).

(Industrial Products)

In Industrial Products, Asia sales increased dramatically (+58.0%). Domestic, Europe and North America sales increased as well. Total industrial sales increased. Segment profit increased as well.

As a result, sales were ¥3,664,362 thousand (+33.7%) and segment profit was ¥1,342,793 thousand (+38.3%).

(Other Businesses)

In Other Businesses, which are repair services, sales were ¥1,548,069 thousand (+20.1%) and segment profit was ¥ 169,726 thousand (+39.6%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of Fiscal year were ¥ 94,460,919 thousand and increased by ¥11,990,178 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥3,746,002 thousand and Investment securities increased by ¥2,399,924 thousand.

Total liabilities were ¥11,541,446 thousand and increased by ¥5,342,780 thousand compared with the end of the previous fiscal year. The main reason were Other in current liabilities increased by ¥3,587,561 thousand and Income taxes payable increased by ¥866,731.

Net asset was ¥82,919,473 thousand and increased by ¥6,647,397 compared with the end of the previous fiscal year. The main reason were that Retained earnings increased by ¥7,329,593 thousand and Treasury shares increased by ¥1,200,092 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 ¥34,887,816 thousand, up ¥4,843,045 thousand from the previous term-end.

Net cash provided by operating activities was ¥11,970,529 thousand, compared with ¥9,183,986 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 ¥13,937,629 thousand, which outweighed income taxes paid of ¥3,605,900 thousand.

Net cash provided by investing activities was ¥-4,146,968 thousand, compared with ¥ -1,380,698 thousand a year earlier. The main expenditure were Purchase of investment securities ¥4,341,680 thousand and Purchase of tangible fixed assets ¥1,768,897 thousand.

Net cash provided used in financing activities was ¥-3,973,487 thousand, compared with ¥-2,685,794 thousand a year earlier. The main expenditure were Cash dividends paid ¥2,773,394 thousand and Purchase of treasury shares ¥1,200,092 thousand.

(4) Future Outlook

Regarding the future outlook, it is expected that unclear business circumstances will continue because prices like crude oil are increasing 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 2022, we have assumed an exchange rate of ¥106 to U.S. dollar and ¥123 to Euro.

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

	The amount	%
Sales	¥41,244 million	-8.1
Operating income	¥10,678 million	-22.3
Ordinary profit	¥11,122 million	-20.3
Net income attributable to owners of parent	¥7,824 million	-22.5

(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, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	32,238,337	35,984,340
Notes and accounts receivable - trade	5,158,047	5,348,771
Securities	1,433,277	1,422,099
Money held in trust	4,129,321	4,341,163
Merchandise and finished goods	4,487,638	5,822,666
Work in process	3,506,289	3,286,853
Raw materials and supplies	2,610,225	2,623,642
Other	870,939	1,382,650
Allowance for doubtful accounts	-90,537	-60,452
Total current assets	54,343,539	60,151,734
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,302,136	15,431,241
Machinery, equipment and vehicles	6,681,859	7,486,174
Tools, furniture and fixtures	4,970,635	5,205,578
Land	1,989,815	2,033,155
Construction in progress	219,356	962,539
Accumulated depreciation	-14,273,115	-15,825,871
Total property, plant and equipment	14,890,687	15,292,817
Intangible assets		
Software	346,531	377,341
Software in progress	373,414	320,598
Goodwill	161,259	108,442
Other	224,275	538,570
Total intangible assets	1,105,481	1,344,953
Investments and other assets		
Investment securities	6,292,232	8,692,157
Shares of subsidiaries and associates	2,870,068	4,866,102
Insurance funds	2,179,870	2,122,292
Retirement benefit asset	0	–
Deferred tax assets	145,102	940,349
Other	645,150	1,051,965
Allowance for doubtful accounts	-1,393	-1,452
Total investments and other assets	12,131,032	17,671,414
Total non-current assets	28,127,201	34,309,185
Total assets	82,470,741	94,460,919

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	806,981	1,009,312
Short-term borrowings	100,000	100,000
Income taxes payable	1,663,099	2,529,830
Provision for bonuses	385,000	909,596
Other	2,458,292	6,045,854
Total current liabilities	5,413,373	10,594,594
Non-current liabilities		
Retirement benefit liability	313,704	342,260
Deferred tax liabilities	273,079	412,271
Other	198,508	192,319
Total non-current liabilities	785,292	946,851
Total liabilities	6,198,665	11,541,446
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	77,435,739	84,765,333
Treasury shares	-5,593,711	-6,793,803
Total shareholders' equity	73,890,460	80,019,961
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,284,166	1,843,974
Foreign currency translation adjustment	-94,595	819,197
Total accumulated other comprehensive income	2,189,571	2,663,172
Share acquisition rights	189,688	232,552
Non-controlling interests	2,355	3,786
Total net assets	76,272,075	82,919,473
Total liabilities and net assets	82,470,741	94,460,919

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	33,055,477	44,857,730
Cost of sales	13,324,152	17,562,599
Gross profit	19,731,324	27,295,131
Selling, general and administrative expenses	11,189,174	13,544,697
Operating profit	8,542,150	13,750,434
Non-operating income		
Interest income	87,272	79,082
Dividend income	45,453	46,278
Gain on investments in money held in trust	57,854	160,465
Subsidy income	83,503	32,133
Reversal of allowance for doubtful accounts	1,256	–
Share of profit of entities accounted for using equity method	–	284,155
Miscellaneous income	172,912	154,114
Total non-operating income	448,252	756,230
Non-operating expenses		
Interest expenses	3,814	3,382
Commission expenses	3,467	9,829
Provision of allowance for doubtful accounts	–	58
Share of loss of entities accounted for using equity method	17,745	–
Foreign exchange losses	293,478	496,402
Miscellaneous losses	44,134	45,324
Total non-operating expenses	362,640	554,997
Ordinary profit	8,627,762	13,951,666
Extraordinary income		
Gain on sale of non-current assets	1,867	–
Gain on sale of investment securities	503,821	17,087
Total extraordinary income	505,688	17,087
Extraordinary losses		
Loss on sale of non-current assets	444	–
Loss on retirement of non-current assets	3,405	31,124
Loss on valuation of investment securities	66,750	–
Total extraordinary losses	70,600	31,124
Profit before income taxes	9,062,851	13,937,629
Income taxes - current	2,841,160	4,439,352
Income taxes - deferred	-233,961	-605,668
Total income taxes	2,607,199	3,833,684
Profit	6,455,652	10,103,944
Profit attributable to non-controlling interests	597	1,335
Profit attributable to owners of parent	6,455,054	10,102,609

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	6,455,652	10,103,944
Other comprehensive income		
Valuation difference on available-for-sale securities	-316,072	-440,192
Foreign currency translation adjustment	319,453	913,888
Total other comprehensive income	3,380	473,696
Comprehensive income	6,459,032	10,577,641
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,459,118	10,576,209
Comprehensive income attributable to non-controlling interests	-85	1,431

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	867,948	1,171,507	73,666,853	-5,602,470	70,103,839
Changes of items during period					
Dividends of surplus			-2,686,168		-2,686,168
Profit (loss) attributable to owners of parent			6,455,054		6,455,054
Purchase of treasury shares				-69	-69
Disposal of treasury shares		8,975		8,829	17,804
Net changes of items other than shareholders' equity					
Total changes of items during period	–	8,975	3,768,886	8,759	3,786,620
Net assets	867,948	1,180,482	77,435,739	-5,593,711	73,890,460

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Valuation and translation adjustments			
Net assets	2,600,239	-414,731	2,185,508	207,481	2,440	72,499,269
Changes of items during period						
Dividends of surplus						-2,686,168
Profit (loss) attributable to owners of parent						6,455,054
Purchase of treasury shares						-69
Disposal of treasury shares						17,804
Net changes of items other than shareholders' equity	-316,072	320,136	4,063	-17,792	-85	-13,814
Total changes of items during period	-316,072	320,136	4,063	-17,792	-85	3,772,806
Net assets	2,284,166	-94,595	2,189,571	189,688	2,355	76,272,075

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	867,948	1,180,482	77,435,739	-5,593,711	73,890,460
Changes of items during period					
Dividends of surplus			-2,773,015		-2,773,015
Profit (loss) attributable to owners of parent			10,102,609		10,102,609
Purchase of treasury shares				-1,200,092	-1,200,092
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	7,329,593	-1,200,092	6,129,501
Net assets	867,948	1,180,482	84,765,333	-6,793,803	80,019,961

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Valuation and translation adjustments			
Net assets	2,284,166	-94,595	2,189,571	189,688	2,355	76,272,075
Changes of items during period						
Dividends of surplus						-2,773,015
Profit (loss) attributable to owners of parent						10,102,609
Purchase of treasury shares						-1,200,092
Net changes of items other than shareholders' equity	-440,192	913,792	473,600	42,864	1,431	517,896
Total changes of items during period	-440,192	913,792	473,600	42,864	1,431	6,647,397
Net assets	1,843,974	819,197	2,663,172	232,552	3,786	82,919,473

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	9,062,851	13,937,629
Depreciation	1,759,152	1,807,907
Amortization of goodwill	49,624	54,561
Increase (decrease) in allowance for doubtful accounts	3,145	-33,477
Increase (decrease) in provision for bonuses	16,100	524,596
Increase (decrease) in retirement benefit liability	-1,648	25,317
Interest and dividend income	-132,725	-125,361
Interest expenses	3,814	3,382
Share of loss (profit) of entities accounted for using equity method	17,745	-284,155
Loss (gain) on investments in money held in trust	-57,854	-160,465
Loss (gain) on sale of investment securities	-503,821	-17,087
Loss (gain) on valuation of investment securities	66,750	–
Loss (gain) on sale of property, plant and equipment	-1,422	–
Loss on retirement of property, plant and equipment	3,405	31,124
Subsidy income	-83,503	-32,133
Decrease (increase) in trade receivables	40,057	-2,404
Decrease (increase) in inventories	-104,446	-837,027
Increase (decrease) in trade payables	29,041	-70,825
Foreign exchange losses (gains)	180,723	-1,125,915
Other, net	346,270	1,631,950
Subtotal	10,693,259	15,327,616
Interest and dividends received	124,828	220,063
Interest paid	-3,812	-3,382
Income taxes paid	-1,713,792	-3,605,900
Subsidies received	83,503	32,133
Net cash provided by (used in) operating activities	9,183,986	11,970,529

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from investing activities		
Proceeds from sale and redemption of securities	180,190	700,000
Purchase of property, plant and equipment	-862,775	-1,768,897
Proceeds from sale of property, plant and equipment	1,563	–
Purchase of intangible assets	-328,962	-582,958
Purchase of investment securities	–	-4,341,680
Proceeds from sale and redemption of investment securities	1,235,495	945,291
Purchase of shares of Affiliated company	-2,666,750	–
Purchase of investments in non-consolidated subsidiary	-10,013	–
Payments into time deposits	-5,023,724	-4,369,139
Proceeds from withdrawal of time deposits	6,566,625	5,602,868
Purchase of insurance funds	-20,828	-38,810
Proceeds from cancellation of insurance funds	–	98,226
Other, net	-451,518	-391,867
Net cash provided by (used in) investing activities	-1,380,698	-4,146,968
Cash flows from financing activities		
Proceeds from exercise of subscription rights to shares	12	–
Purchase of treasury shares	-69	-1,200,092
Dividends paid	-2,685,736	-2,773,394
Net cash provided by (used in) financing activities	-2,685,794	-3,973,487
Effect of exchange rate change on cash and cash equivalents	257,476	992,971
Net increase (decrease) in cash and cash equivalents	5,374,970	4,843,045
Cash and cash equivalents at beginning of period	24,669,800	30,044,771
Cash and cash equivalents at end of period	30,044,771	34,887,816

(5) Notes to Consolidated Financial Statements

(Notes to Going Concern Assumption)

Not applicable.

(Segment Information)

【Segment Information】

Fiscal year ended December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Thousands of yen)

	Reportable segments				Reconciling items	Per consolidated financial statements
	Dental products	Industrial products	Others	Reportable segments		
Sales						
Revenues from external customers	29,025,567	2,740,679	1,289,230	33,055,477	–	33,055,477
Transactions with other segments	–	–	–	–	–	–
Net sales	29,025,567	2,740,679	1,289,230	33,055,477	–	33,055,477
Operating profit (loss)	11,422,197	971,027	121,538	12,514,763	-3,972,612	8,542,150

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, 2021 (From January 1, 2021 to December 31, 2021)

(Thousands of yen)

	Reportable segments				Reconciling items	Per consolidated financial statements
	Dental products	Industrial products	Others	Reportable segments		
Sales						
Revenues from external customers	39,645,299	3,664,362	1,548,069	44,857,730	–	44,857,730
Transactions with other segments	–	–	–	–	–	–
Net sales	39,645,299	3,664,362	1,548,069	44,857,730	–	44,857,730
Operating profit (loss)	16,724,982	1,342,793	169,726	18,237,501	-4,487,067	13,750,434

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.