Flash Report for 2nd quarter Ended June 30, 2022 (on a consolidated basis) [Japan GAAP]

August 9, 2022

Name: Nakanishi Inc. Stock listing: Tokyo Stock Exchange : Standard Market
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Scheduled date to submit Securities Report: August 10, 2022
Scheduled date to begin dividend payments: September 30, 2022
Supplementary materials to quarterly financial statements: Not 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 1st quarter period (January 1 to June 30, 2022)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
2nd quarter ended June 30, 2022	24,462	6.3%	8,129	6.3%	9,490	27.8%
2nd quarter ended June 30, 2021	23,014	68.1%	7,646	219.6%	7,423	198.1%

	Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
2nd quarter ended June 30, 2022	6,750	25.8%	78.52	78.33
2nd quarter ended June 30, 2021	5,366	188.7%	61.93	61.80

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, 2022 9,000 million (45.4%)

2nd quarter ended June 30, 2021 6,191 million (366.0%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of June 30, 2022	98,914	89,165	89.9%
As of December 31, 2021	94,460	82,919	87.5%

Note: Owners' equity As of June 30, 2022 88,880 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	—	22.00			
Year ending December 31, 2022 (forecast)			—	22.00	44.00

Notes: 1. Revisions to dividend payment forecasts during the period: Applicable

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)
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: 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.: 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, 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 June 30, 2022: 8,573,808 shares

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

Average number of shares during the period

2nd quarter ended June 30, 2022: 85,980,048 shares

2nd quarter ended June 30, 2021: 86,656,728 shares

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

Table of Contents

1. Qualitative Information on Quarterly Financial Results 4
(1) Explanation of Results of Operations 4
(2) Explanation of Financial Position 4
(3) Explanation of Cash flows 5
(4) Explanation of Forecast of Consolidated Financial Results and Other Forward-Looking Information 5
2. Consolidated Quarterly Financial Statements and Principal Notes 6
(1) Consolidated Quarterly Balance Sheets 6
(2) Consolidated Quarterly Statements of Income and Comprehensive Income 8
(Consolidated Quarterly Statements of Income) 8
(Consolidated Quarterly Statements of Comprehensive Income) 9
(3) Consolidated Statements of Cash Flows 10
(4) Notes to Consolidated Quarterly Financial Statements 12
(Notes to Going Concern Assumption) 12
(Notes to Significant Changes in the Amount of Shareholders' Equity) 12
(Changes in the scope of consolidation during the period) 12
(Segment Information) 13

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Results of Operations

In the world economy during 2nd 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 ¥24,462,214 thousand (+6.3% year on year), operating income was ¥8,129,454 thousand (+6.3%), ordinary income was ¥9,490,143 thousand (+27.8%) and income attributable to owners of parent for the quarter was ¥6,750,816 thousand (+25.8%).

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 because the reaction that clinics received subsidy from government last year and Asia sales decreased as well.

However North America sales increased dramatically and Europe sales increased as well. Total dental sales increased. Segment profit was almost the same.

As a result, sales were ¥20,530,662 thousand (+3.3%) and segment profit was ¥8,669,769 thousand (+2.6%).

(Surgical segment)

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

As a result, sales were ¥1,681,197 thousand (+24.4%) and segment profit was ¥885,149 thousand (+35.2%).

(Industrial segment)

In Industrial segment, Asia sales decreased but Domestic, North America and Europe sales increased. Total sales increased. Segment profit increased as well.

As a result, sales were ¥2,250,354 thousand (+25.7%) and segment profit was ¥774,127 thousand (+17.3%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 2nd quarter were ¥98,914,335 thousand and increased by ¥4,453,416 thousand compared with the end of the previous fiscal year. The main reasons were that Notes and accounts receivable - trade by ¥936,130 thousand, Raw materials and supplies by ¥926,809 thousand and Construction in progress by ¥844,692 thousand.

Total liabilities were ¥9,748,950 thousand and decreased by ¥1,792,495 thousand compared with the end of the previous fiscal year. The main reason was Other in current liabilities decreased by ¥1,747,561 thousand.

Net asset was ¥89,165,385 thousand and increased by ¥6,245,912 compared with the end of the previous fiscal year. The main reasons were that Retained earnings increased by ¥5,027,516 thousand and Foreign currency translation adjustment by ¥2,687,050 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 ¥33,894,220 thousand, down ¥993,595 thousand from the previous term-end.

Net cash provided by operating activities was ¥2,805,211 thousand, compared with ¥7,108,837 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 ¥9,522,712 thousand, which outweighed income taxes paid of ¥2,900,252 thousand.

Net cash provided by investing activities was ¥-3,363,793 thousand, compared with ¥-626,001 thousand a year earlier. The main expenditure Purchase of shares of subsidiaries and associates ¥1,568,387 thousand and were Purchase of tangible fixed assets ¥1,457,281 thousand.

Net cash provided used in financing activities was ¥-2,800,225 thousand, compared with ¥ -1,300,166 thousand a year earlier. The main expenditure were Cash dividends paid ¥1,722,570 thousand and Purchase of treasury shares ¥1,077,655 thousand.

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

Currently we will not change the forecast announced on May 12, 2022

2. Consolidated Quarterly Financial Statements and Principal Notes

(1) Consolidated Quarterly Balance Sheets

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	35,984,340	35,969,202
Notes and accounts receivable - trade	5,348,771	6,284,901
Securities	1,422,099	1,364,868
Money held in trust	4,341,163	4,280,629
Merchandise and finished goods	5,822,666	5,918,559
Work in process	3,286,853	3,763,211
Raw materials and supplies	2,623,642	3,550,451
Other	1,382,650	1,719,187
Allowance for doubtful accounts	-60,452	-78,861
Total current assets	60,151,734	62,772,150
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,431,241	15,609,974
Machinery, equipment and vehicles	7,486,174	7,819,759
Tools, furniture and fixtures	5,205,578	5,507,859
Land	2,033,155	2,130,018
Construction in progress	962,539	1,807,231
Accumulated depreciation	-15,825,871	-16,672,360
Total property, plant and equipment	15,292,817	16,202,483
Intangible assets		
Software	377,341	730,320
Software in progress	320,598	152,078
Goodwill	108,442	85,098
Other	538,570	509,249
Total intangible assets	1,344,953	1,476,747
Investments and other assets		
Investment securities	8,692,157	8,312,339
Shares of subsidiaries and associates	4,866,102	5,694,177
Insurance funds	2,122,292	2,132,397
Retirement benefit asset	–	2,457
Deferred tax assets	940,349	1,189,233
Other	1,051,965	1,133,890
Allowance for doubtful accounts	-1,452	-1,541
Total investments and other assets	17,671,414	18,462,954
Total non-current assets	34,309,185	36,142,185
Total assets	94,460,919	98,914,335

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,009,312	1,412,515
Short-term borrowings	100,000	100,000
Income taxes payable	2,529,830	2,390,619
Provision for bonuses	909,596	437,648
Other	6,045,854	4,298,292
Total current liabilities	10,594,594	8,639,076
Non-current liabilities		
Retirement benefit liability	342,260	357,267
Deferred tax liabilities	412,271	563,581
Other	192,319	189,024
Total non-current liabilities	946,851	1,109,873
Total liabilities	11,541,446	9,748,950
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	84,765,333	89,792,849
Treasury shares	-6,793,803	-7,871,458
Total shareholders' equity	80,019,961	83,969,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,843,974	1,404,389
Foreign currency translation adjustment	819,197	3,506,248
Total accumulated other comprehensive income	2,663,172	4,910,637
Share acquisition rights	232,552	278,685
Non-controlling interests	3,786	6,241
Total net assets	82,919,473	89,165,385
Total liabilities and net assets	94,460,919	98,914,335

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	23,014,252	24,462,214
Cost of sales	9,099,992	8,978,925
Gross profit	13,914,259	15,483,288
Selling, general and administrative expenses	6,267,598	7,353,834
Operating profit	7,646,660	8,129,454
Non-operating income		
Interest income	37,015	35,193
Dividend income	26,441	32,097
Gain on investments in money held in trust	134,427	–
Subsidy income	32,133	35,927
Share of profit of entities accounted for using equity method	199,717	–
Foreign exchange gains	–	1,480,792
Miscellaneous income	55,345	110,914
Total non-operating income	485,080	1,694,925
Non-operating expenses		
Interest expenses	1,771	774
Loss on investments in money held in trust	–	248,058
Commission expenses	–	5,417
Share of loss of entities accounted for using equity method	–	58,746
Foreign exchange losses	699,385	–
Miscellaneous losses	7,257	21,239
Total non-operating expenses	708,414	334,236
Ordinary profit	7,423,326	9,490,143
Extraordinary income		
Gain on sale of non-current assets	–	65,888
Gain on sale of investment securities	17,087	–
Total extraordinary income	17,087	65,888
Extraordinary losses		
Loss on sale of non-current assets	–	31,826
Loss on retirement of non-current assets	313	1,492
Total extraordinary losses	313	33,319
Profit before income taxes	7,440,099	9,522,712
Income taxes - current	2,253,848	2,741,843
Income taxes - deferred	-181,241	28,707
Total income taxes	2,072,606	2,770,550
Profit	5,367,493	6,752,161
Profit attributable to non-controlling interests	562	1,345
Profit attributable to owners of parent	5,366,930	6,750,816

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	5,367,493	6,752,161
Other comprehensive income		
Valuation difference on available-for-sale securities	-45,036	-439,585
Foreign currency translation adjustment	868,776	2,688,159
Total other comprehensive income	823,740	2,248,573
Comprehensive income	6,191,233	9,000,735
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,190,356	8,998,281
Comprehensive income attributable to non-controlling interests	876	2,454

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	7,440,099	9,522,712
Depreciation	853,028	918,407
Amortization of goodwill	27,302	27,302
Increase (decrease) in allowance for doubtful accounts	-24,488	12,254
Increase (decrease) in provision for bonuses	28,000	-471,948
Increase (decrease) in retirement benefit liability	-8,065	487
Interest and dividend income	-63,457	-67,290
Interest expenses	1,771	774
Share of loss (profit) of entities accounted for using equity method	-199,717	58,746
Loss (gain) on sale of investment securities	-17,087	–
Loss on retirement of non-current assets	313	1,492
Loss (gain) on sale of non-current assets	–	-34,061
Gain (gain) on investments in money held in trust	-134,427	248,058
Subsidy income	-32,133	-35,927
Decrease (increase) in trade receivables	-450,832	-465,159
Decrease (increase) in inventories	321,737	-807,590
Increase (decrease) in trade payables	157,058	-54,308
Foreign exchange losses (gains)	-761,239	-2,605,381
Other, net	1,800,793	-720,974
Subtotal	8,938,655	5,527,595
Interest and dividends received	166,918	142,747
Interest paid	-1,802	-804
Income taxes paid	-2,027,066	-2,900,252
Subsidies received	32,133	35,927
Net cash provided by (used in) operating activities	7,108,837	2,805,211
Cash flows from investing activities		
Purchase of property, plant and equipment	-336,255	-1,457,281
Proceeds from sale of property, plant and equipment	–	61,820
Purchase of intangible assets	-109,966	-284,504
Purchase of investment securities	-444,340	–
Proceeds from sale and redemption of investment securities	551,101	726,707
Purchase of shares of subsidiaries and associates	–	-1,568,387
Payments into time deposits	-2,888,263	-3,006,312
Proceeds from withdrawal of time deposits	2,603,446	2,167,067
Purchase of insurance funds	-6,741	-6,741
Other, net	5,018	3,838
Net cash provided by (used in) investing activities	-626,001	-3,363,793

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from financing activities		
Dividends paid	-1,300,074	-1,722,570
Purchase of treasury shares	-92	-1,077,655
Net cash provided by (used in) financing activities	-1,300,166	-2,800,225
Effect of exchange rate change on cash and cash equivalents	877,422	2,365,212
Net increase (decrease) in cash and cash equivalents	6,060,092	-993,595
Cash and cash equivalents at beginning of period	30,044,771	34,887,816
Cash and cash equivalents at end of period	36,104,863	33,894,220

(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, 2021 (From January 1, 2021 to June 30, 2021)

(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	19,872,108	1,351,441	1,790,702	23,014,252	–	23,014,252
Transactions with other segments	–	–	–	–	–	–
Net sales	19,872,108	1,351,441	1,790,702	23,014,252	–	23,014,252
Operating profit (loss)	8,452,160	654,795	660,201	9,767,158	-2,120,497	7,646,660

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, 2022 (From January 1, 2022 to June 30, 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	20,530,662	1,681,197	2,250,354	24,462,214	–	24,462,214
Transactions with other segments	–	–	–	–	–	–
Net sales	20,530,662	1,681,197	2,250,354	24,462,214	–	24,462,214
Operating profit (loss)	8,669,769	885,149	774,127	10,329,046	-2,199,591	8,129,454

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 segment is showing because the figures are big. Surgical segment was included in dental segment in the past.

And other segment was divided into dental segment and industrial segment and surgical 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.