

Flash Report for Fiscal year Ended December 31, 2020 (on a consolidated basis) [Japan GAAP]

February 12, 2021

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: March 30, 2021

Scheduled date to begin dividend payments: March 31, 2021

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, 2020)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
Fiscal year ended December 31, 2020	33,055	-6.7%	8,542	-8.1%	8,627	-12.3%
Fiscal year ended December 31, 2019	35,418	-3.1%	9,299	-4.3%	9,841	-7.8%

	Income attributable to owners of parent		Earnings per share (yen)	Diluted EPS (yen)
	Fiscal year ended December 31, 2020	6,455	-9.1%	74.49
Fiscal year ended December 31, 2019	7,102	-6.4%	81.97	81.80

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:

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

Fiscal year ended December 31, 2019 8,108 million (25.4%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of December 31, 2020	82,470	76,272	92.3%
As of December 31, 2019	77,536	72,499	93.2%

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

As of December 31, 2019 72,289 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
Year ended December 31, 2019	—	14.00	—	16.00	30.00
Year ended December 31, 2020	—	15.00	—	15.00	30.00
Year ending December 31, 2021 (forecast)		15.00	—	15.00	30.00

3. Business Performance Forecasts for the Current Term (January 1 to December 31, 2020)

	Millions of yen								
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)
First-half period	17,119	25.1%	4,114	71.9%	4,235	70.1%	3,081	65.8%	35.56
Full year	35,100	6.2%	8,546	0.1%	8,879	2.9%	6,450	-0.1%	74.45

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

4. Others

(1) Changes in the scope of consolidation during the period

Inclusion: NSK America Holdings inc.

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, 2020: 94,259,400 shares

As of December 31, 2019: 94,259,400 shares

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

As of December 31, 2020: 7,602,642 shares

As of December 31, 2019: 7,614,570 shares

Average number of shares during the period

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

Fiscal year ended December 31, 2019: 86,644,825 shares

* This flash report is out of scope of audit.

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1. Qualitative Information on Financial Results

(1) Explanation of Results of Operations

In the world economy during this fiscal year, economy all over the world is going down dramatically due to the lockdown by coronavirus pandemic from April to June. The economy recovered just a little from July to September. However there was some lockdown in some countries and areas from October to December. The uncertainty for future is increasing.

In Japanese economy, the economy recovered temporary but economic activities were very low, especially food service industry and travel industry due to increasing the number of the cases.

About our main customers, clinics and hospitals, they started operations from July to September but there were some restrictions about sales activities like visiting in person. About industrial customers, the demand for investment kept decreasing at the end of this fiscal year.

Under these circumstances, our company tried to recover the decrease of sales from April to June. About from October and December, Sales, Operating income, Ordinary profit and Profit attributable to owners of parent increased. But total sales and all profit decreased compared with last year.

As a result, the Group sales were ¥33,055,477 thousand (-6.7% year on year), operating income was ¥8,542,150 thousand (-8.1%), ordinary income was ¥8,627,762 thousand (-12.3%) and income attributable to owners of parent for the quarter was ¥6,455,054 thousand (-9.1%).

The following is a breakdown of business performance by segment.

(Dental Products)

In Dental Products, domestic sales increased thanks to subsidy from government etc., but Europe, North America and Asia sales decreased because of lockdown, postponement and cancel of exhibitions, closure of dental clinics and slowdown of economic activities by coronavirus pandemic etc. Total dental sales decreased. Segment income decreased as well.

As a result, sales were ¥29,025,567 thousand (-5.2%), and segment income was ¥11,422,197 thousand (-6.7%).

(Industrial Products)

In Industrial Products, Domestic, Europe, North America and Asia, almost all areas, sales decreased because of lockdown and slowdown of economic activities by coronavirus pandemic. Total industrial sales decreased. Segment income decreased as well.

As a result, sales were ¥2,740,679 thousand (-19.0%), and segment income was ¥971,027 thousand (-22.9%).

(Other Businesses)

In Other Businesses, which are repair services, sales were ¥1,289,230 thousand (-8.9%), and segment income was ¥121,538 thousand (-10.9%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of Fiscal year were ¥82,470,741 thousand and increased by ¥4,933,851 thousand compared with the end of the previous fiscal year. The main increases were Cash and deposits ¥3,806,102 thousand and Shares of subsidiaries and associates ¥ 2,870,068 thousand.

Total liabilities were ¥6,198,665 thousand and increased by ¥1,161,045 thousand compared with the end of the previous fiscal year. The main increase was Income taxes payable ¥1,187,615 thousand.

Net asset was ¥76,272,075 thousand and increased by ¥3,772,806 compared with the end of the previous fiscal year. The main increases was Retained earnings ¥3,768,886 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 ¥30,044,771 thousand, up ¥5,374,970 thousand from the previous term-end.

Net cash provided by operating activities was ¥9,183,986 thousand, compared with ¥7,021,964 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 ¥9,062,851 thousand, which outweighed income taxes paid of ¥1,713,792 thousand.

Net cash provided by investing activities was ¥-1,380,698 thousand, compared with ¥ -4,321,986 thousand a year earlier. The main expenditure were Purchase of shares of subsidiaries and associates ¥2,666,750 thousand and Purchase of tangible fixed assets ¥862,775 thousand. The main proceed was Proceeds from sales and redemption of investment securities ¥1,235,495 thousand.

Net cash provided used in financing activities was ¥-2,685,794 thousand, compared with ¥-2,772,322 thousand a year earlier. The main expenditure was Cash dividends paid ¥2,685,736 thousand.

(4) Future Outlook

Regarding the future outlook, it is expected that unclear business circumstances will continue because of low economy activities by the impact about lockdown etc.

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 2021, we have assumed an exchange rate of ¥100 to U.S. dollar and ¥120 to Euro.

The following table shows our forecasts of business performance for the fiscal year 2021.

	The amount	%
Sales	¥35,100 million	6.2
Operating income	¥8,546 million	0.1
Ordinary profit	¥8,879 million	2.9
Net income attributable to owners of parent	¥6,450 million	-0.1

(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, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	28,432,235	32,238,337
Notes and accounts receivable-trade	5,184,673	5,158,047
Securities	942,853	1,433,277
Money held in trust	4,003,802	4,129,321
Merchandise and finished goods	4,549,919	4,487,638
Work in process	3,585,640	3,506,289
Raw materials and supplies	2,402,554	2,610,225
Other	1,085,808	870,939
Allowance for doubtful accounts	-88,340	-90,537
Current assets	50,099,147	54,343,539
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,188,340	15,302,136
Machinery, equipment and vehicles	6,142,198	6,681,859
Tools, furniture and fixtures	4,682,643	4,970,635
Land	1,994,942	1,989,815
Construction in progress	384,891	219,356
Accumulated depreciation	-12,729,714	-14,273,115
Property, plant and equipment	15,663,301	14,890,687
Intangible assets		
Software	395,800	346,531
Software in progress	135,128	373,414
Goodwill	200,031	161,259
Other	235,203	224,275
Intangible assets	966,163	1,105,481
Investments and other assets		
Investment securities	8,297,337	6,292,232
Shares of subsidiaries and associates	64,128	2,870,068
Insurance funds	2,157,386	2,179,870
Retirement benefit asset	14	0
Deferred tax assets	125,665	145,102
Other	387,453	645,150
Allowance for doubtful accounts	-223,709	-1,393
Investments and other assets	10,808,276	12,131,032
Non-current assets	27,437,741	28,127,201
Assets	77,536,889	82,470,741

(Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable-trade	762,096	806,981
Short-term borrowings	100,000	100,000
Income taxes payable	475,483	1,663,099
Provision for bonuses	368,900	385,000
Other	2,408,061	2,458,292
Current liabilities	4,114,541	5,413,373
Non-current liabilities		
Retirement benefit liability	311,383	313,704
Deferred tax liabilities	405,866	273,079
Other	205,828	198,508
Non-current liabilities	923,078	785,292
Liabilities	5,037,620	6,198,665
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,171,507	1,180,482
Retained earnings	73,666,853	77,435,739
Treasury shares	-5,602,470	-5,593,711
Shareholders' equity	70,103,839	73,890,460
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,600,239	2,284,166
Foreign currency translation adjustment	-414,731	-94,595
Valuation and translation adjustments	2,185,508	2,189,571
Share acquisition rights	207,481	189,688
Non-controlling interests	2,440	2,355
Net assets	72,499,269	76,272,075
Liabilities and net assets	77,536,889	82,470,741

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

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	35,418,516	33,055,477
Cost of sales	13,655,688	13,324,152
Gross profit (loss)	21,762,827	19,731,324
Selling, general and administrative expenses	12,463,649	11,189,174
Operating profit (loss)	9,299,178	8,542,150
Non-operating income		
Interest income	263,863	87,272
Dividend income	45,195	45,453
Gain on investments in money held in trust	283,357	57,854
Subsidy income	56,017	83,503
Reversal of allowance for doubtful accounts	1,512	1,256
Miscellaneous income	162,376	172,912
Non-operating income	812,323	448,252
Non-operating expenses		
Interest expenses	8,700	3,814
Commission expenses	3,425	3,467
Share of loss of entities accounted for using equity method	–	17,745
Foreign exchange losses	193,382	293,478
Miscellaneous loss	64,744	44,134
Non-operating expenses	270,253	362,640
Ordinary profit (loss)	9,841,247	8,627,762
Extraordinary income		
Gain on sales of non-current assets	–	1,867
Gain on sales of investment securities	40,184	503,821
Extraordinary income	40,184	505,688
Extraordinary losses		
Loss on sales of non-current assets	606	444
Loss on retirement of non-current assets	16,039	3,405
Loss on valuation of investment securities	–	66,750
Extraordinary losses	16,646	70,600
Profit (loss) before income taxes	9,864,785	9,062,851
Income taxes-current	2,478,508	2,841,160
Income taxes-deferred	283,071	-233,961
Income taxes	2,761,580	2,607,199
Profit (loss)	7,103,205	6,455,652
Profit (loss) attributable to non-controlling	652	597

interests

Profit (loss) attributable to owners of parent	7,102,553	6,455,054
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(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit (loss)	7,103,205	6,455,652
Other comprehensive income		
Valuation difference on available-for-sale securities	1,451,282	-316,072
Foreign currency translation adjustment	-445,511	319,453
Other comprehensive income	1,005,770	3,380
Comprehensive income	8,108,975	6,459,032
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,108,435	6,459,118
Comprehensive income attributable to non-controlling interests	539	-85

(3) Consolidated Statements of Changes in Net Assets
Fiscal year ended December 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Shareholders' equity
Net assets	867,948	1,171,507	69,336,935	-5,602,392	65,773,998
Changes of items during period					
Dividends of surplus			-2,772,634		-2,772,634
Profit (loss) attributable to owners of parent			7,102,553		7,102,553
Disposal of treasury shares				-77	-77
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,329,918	-77	4,329,840
Net assets	867,948	1,171,507	73,666,853	-5,602,470	70,103,839

	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	1,148,957	30,668	1,179,625	172,757	1,816	67,128,197
Changes of items during period						
Dividends of surplus						-2,772,634
Profit (loss) attributable to owners of parent						7,102,553
Disposal of treasury shares						-77
Net changes in items other than shareholders' equity	1,451,282	-445,399	1,005,882	34,723	624	1,041,230
Total changes during period	1,451,282	-445,399	1,005,882	34,723	624	5,371,071
Net assets	2,600,239	-414,731	2,185,508	207,481	2,440	72,499,269

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

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	9,864,785	9,062,851
Depreciation	1,684,387	1,759,152
Amortization of goodwill	67,873	49,624
Increase (decrease) in allowance for doubtful accounts	-10,998	3,145
Increase (decrease) in provision for bonuses	-72,100	16,100
Increase (decrease) in retirement benefit liability	46,705	-1,648
Interest and dividend income	-309,059	-132,725
Interest expenses	8,700	3,814
Share of loss (profit) of entities accounted for using equity method	–	17,745
Loss (gain) on investments in money held in trust	-283,357	-57,854
Loss (gain) on sales of investment securities	-40,184	-503,821
Loss (gain) on valuation of investment securities	–	66,750
Loss (gain) on sales of property, plant and equipment	606	-1,422
Loss on retirement of property, plant and equipment	16,039	3,405
Subsidy income	-56,017	-83,503
Decrease (increase) in trade receivables	-207,923	40,057
Decrease (increase) in inventories	-1,141,903	-104,446
Increase (decrease) in trade payables	-118,971	29,041
Foreign exchange losses (gains)	-87,932	180,723
Other	745,430	346,270
Subtotal	10,106,082	10,693,259
Interest and dividends received	307,561	124,828
Interest paid	-8,702	-3,812
Income taxes paid	-3,438,993	-1,713,792
Subsidies received	56,017	83,503
Net cash provided by (used in) operating activities	7,021,964	9,183,986

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from investing activities		
Purchase of securities	-187,326	-
Proceeds from sales and redemption of securities	111,000	180,190
Purchase of property, plant and equipment	-1,185,014	-862,775
Proceeds from sales of property, plant and equipment	1,075	1,563
Purchase of intangible assets	-267,686	-328,962
Purchase of investment securities	-1,959,840	-
Proceeds from sales and redemption of investment securities	107,790	1,235,495
Purchase of shares of Affiliated company	-	-2,666,750
Purchase of investments in non-consolidated subsidiary	-	-10,013
Payments into time deposits	-13,575,514	-5,023,724
Proceeds from withdrawal of time deposits	12,649,608	6,566,625
Purchase of insurance funds	-32,600	-20,828
Other	16,523	-451,518
Net cash provided by (used in) investing activities	-4,321,986	-1,380,698
Cash flows from financing activities		
Proceeds from exercise of subscription rights to shares	-	12
Purchase of treasury shares	-77	-69
Dividends paid	-2,772,245	-2,685,736
Net cash provided by (used in) financing activities	-2,772,322	-2,685,794
Effect of exchange rate change on cash and cash equivalents	-177,704	257,476
Net increase (decrease) in cash and cash equivalents	-250,049	5,374,970
Cash and cash equivalents	24,919,850	24,669,800
Cash and cash equivalents	24,669,800	30,044,771

(5) Notes to Consolidated Financial Statements
(Notes to Going Concern Assumption)
Not applicable.

(Segment Information)

【Segment Information】

Fiscal year ended December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Thousands of yen)

	Reportable segments				Reconciling items	Per consolidated financial statements
	Dental products	Industrial products	Others	Reportable segments		
Sales						
Revenues from external customers	30,622,270	3,381,568	1,414,677	35,418,516	–	35,418,516
Transactions with other segments	–	–	–	–	–	–
Net sales	30,622,270	3,381,568	1,414,677	35,418,516	–	35,418,516
Operating profit (loss)	12,246,659	1,258,787	136,350	13,641,797	-4,342,619	9,299,178

- Notes:
1. Adjustments to segment income chiefly comprise general administrative and testing/research expenses not attributable to reportable segments.
 2. Segment income is reconciled with operating income as recorded in the consolidated statements of income.

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 income chiefly comprise general administrative and testing/research expenses not attributable to reportable segments.
 2. Segment income is reconciled with operating income as recorded in the consolidated statements of income.