

Flash Report for 1st quarter Ended March 31, 2021 (on a consolidated basis) [Japan GAAP]

May 7, 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: May 10, 2021

Scheduled date to begin dividend payments: -

Supplementary materials to quarterly financial statements: Not available

Quarterly earnings results briefing: Not available

(All amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for 1st quarter period (January 1 to March 31, 2021)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
1st quarter ended March 31, 2021	11,337	55.4%	3,675	231.3%	4,113	641.2%
1st quarter ended March 31, 2010	7,296	-11.8%	1,109	-38.7%	555	-74.0%

	Income attributable to owners of parent		Earnings per share (yen)		Diluted EPS (yen)	
	1st quarter ended March 31, 2021	3,074	595.3%	35.48		35.41
1st quarter ended March 31, 2020	442	-72.6%	5.10		5.09	

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, 2021 3,764 million (–%)

1st quarter ended March 31, 2020 -704 million (–%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of March 31, 2021	85,695	78,736	91.7%
As of December 31, 2020	82,470	76,272	92.3%

Note: Owners' equity As of March 31, 2021 78,544 million
As of December 31, 2020 76,080 million

2. Dividends

	Cash dividends per share (yen)				
	1st quarter	2nd quarter	1st quarter	Year-end	Annual
Year ended December 31, 2020	—	15.00	—	15.00	30.00
Year ending December 31, 2021	—				
Year ending December 31, 2021 (forecast)		17.00	—	17.00	34.00

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

3. Business Performance Forecasts for the Current Term (January 1 to December 31, 2021)

	Millions of yen									
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		Earnings per share (yen)	
First-half period	19,792	44.6%	5,685	137.6%	6,183	148.3%	4,579	146.4%	52.85	
Full year	37,559	13.6%	9,987	16.9%	10,700	24.0%	7,859	21.8%	90.70	

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 March 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 March 31, 2021: 7,602,686 shares

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

Average number of shares during the period

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

1st quarter ended March 31, 2020: 86,644,793 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 1st quarter, many countries and areas have been doing proactive financial and monetary activities so economy all over the world was recovering, especially in the US and China. However in Europe and other countries, consumption was still low and uncertainty for future was increasing due to re-lockdown by coronavirus pandemic.

In Japanese economy, some manufacturer were recovering but economic activities were very low, especially food service industry and travel industry due to re-state of emergency.

Under these circumstances, in Dental product segment, which is our main segment, Domestic sales increased dramatically thanks to subsidy from government etc. and other areas sales increased as well.

On the other hand, Selling, general and administrative expenses increased just a little because freight increased but advertisement and travel expenses decreased.

As a result, the Group sales were ¥11,337,537 thousand (+55.4% year on year), operating income was ¥3,675,954 thousand (+213.3%), ordinary income was ¥4,113,714 thousand (+641.2%) and income attributable to owners of parent for the quarter was ¥3,074,812 thousand (+595.3%).

The following is a breakdown of business performance by segment.

(Dental Products)

In Dental Products, Domestic sales increased dramatically thanks to subsidy from government etc., and Europe, North America and Asia sales increased as well. Total dental sales increased. Segment income increased as well.

As a result, sales were ¥10,146,915 thousand (+63.6%) and segment income was ¥ 4,397,269 thousand (+133.2%).

(Industrial Products)

In Industrial Products, Domestic, Europe and North America sales decreased but Asia sales increased dramatically. Total industrial sales increased. Segment income increased as well.

As a result, sales were ¥801,731 thousand (+7.3%) and segment income was ¥284,781 thousand (+5.2%).

(Other Businesses)

In Other Businesses, which are repair services, sales were ¥388,890 thousand (+12.6%) and segment income was ¥66,035 thousand (+95.6%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 1st quarter were ¥ 85,695,247 thousand and increased by ¥ 3,224,506 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥2,272,838 thousand and Notes and accounts receivable - trade increased by ¥ 635,103 thousand.

Total liabilities were ¥6,958,414 thousand and increased by ¥759,748 thousand compared with the end of the previous fiscal year. The main reason were that Income taxes payable decreased by ¥422,030 thousand and Other in current liabilities increased by ¥607,532 thousand and Accounts payable - trade increased by ¥334,555 thousand.

Net asset was ¥ 78,736,833 thousand and increased by ¥ 2,464,757 compared with the end of the previous fiscal year. The main reason were that Retained earnings increased by ¥1,774,961 thousand and Foreign currency translation adjustment ¥630,004 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 12, 2021.

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

First-half period

	The amount	%
Sales	¥19,792 million	44.
Operating income	¥5,685 million	137.6
Ordinary profit	¥6,183 million	148.3
Net income attributable to owners of parent	¥4,579 million	146.4

Full year

	The amount	%
Sales	¥37,559 million	13.6
Operating income	¥9,987 million	16.9
Ordinary profit	¥10,700 million	24.0
Net income attributable to owners of parent	¥7,859 million	21.8

(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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	32,238,337	34,511,176
Notes and accounts receivable - trade	5,158,047	5,793,151
Securities	1,433,277	1,491,589
Money held in trust	4,129,321	4,301,021
Merchandise and finished goods	4,487,638	4,655,903
Work in process	3,506,289	3,370,942
Raw materials and supplies	2,610,225	2,418,605
Other	870,939	747,764
Allowance for doubtful accounts	-90,537	-69,408
Total current assets	54,343,539	57,220,745
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,302,136	15,377,316
Machinery, equipment and vehicles	6,681,859	6,783,179
Tools, furniture and fixtures	4,970,635	5,095,796
Land	1,989,815	2,018,689
Construction in progress	219,356	180,873
Accumulated depreciation	-14,273,115	-14,667,274
Total property, plant and equipment	14,890,687	14,788,581
Intangible assets		
Software	346,531	430,275
Software in progress	373,414	265,381
Goodwill	161,259	148,523
Other	224,275	213,727
Total intangible assets	1,105,481	1,057,907
Investments and other assets		
Investment securities	6,292,232	6,393,235
Shares of subsidiaries and associates	2,870,068	3,123,611
Insurance funds	2,179,870	2,189,727
Retirement benefit asset	0	-
Deferred tax assets	145,102	268,702
Other	645,150	654,146
Allowance for doubtful accounts	-1,393	-1,411
Total investments and other assets	12,131,032	12,628,012
Total non-current assets	28,127,201	28,474,501
Total assets	82,470,741	85,695,247

(Thousands of yen)

	As of December 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	806,981	1,141,536
Short-term borrowings	100,000	100,000
Income taxes payable	1,663,099	1,241,068
Provision for bonuses	385,000	616,500
Other	2,458,292	3,065,825
Total current liabilities	5,413,373	6,164,930
Non-current liabilities		
Retirement benefit liability	313,704	313,153
Deferred tax liabilities	273,079	288,934
Other	198,508	191,397
Total non-current liabilities	785,292	793,484
Total liabilities	6,198,665	6,958,414
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	77,435,739	79,210,701
Treasury shares	-5,593,711	-5,593,803
Total shareholders' equity	73,890,460	75,665,328
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,284,166	2,343,849
Foreign currency translation adjustment	-94,595	535,408
Total accumulated other comprehensive income	2,189,571	2,879,258
Share acquisition rights	189,688	189,688
Non-controlling interests	2,355	2,556
Total net assets	76,272,075	78,736,833
Total liabilities and net assets	82,470,741	85,695,247

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

(Thousands of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Net sales	7,296,533	11,337,537
Cost of sales	3,176,994	4,608,552
Gross profit	4,119,538	6,728,984
Selling, general and administrative expenses	3,010,019	3,053,029
Operating profit	1,109,519	3,675,954
Non-operating income		
Interest income	39,985	17,341
Dividend income	3	2
Gain on investments in money held in trust	–	123,012
Subsidy income	31,018	32,133
Share of profit of entities accounted for using equity method	–	56,399
Foreign exchange gains	–	187,398
Miscellaneous income	50,817	25,072
Total non-operating income	121,825	441,360
Non-operating expenses		
Interest expenses	3,977	962
Loss on investments in money held in trust	255,817	–
Foreign exchange losses	411,424	–
Miscellaneous loss	5,082	2,638
Total non-operating expenses	676,301	3,601
Ordinary profit	555,043	4,113,714
Extraordinary income		
Gain on sales of investment securities	–	17,087
Total extraordinary income	–	17,087
Extraordinary losses		
Loss on retirement of non-current assets	0	183
Total extraordinary losses	0	183
Profit before income taxes	555,043	4,130,617
Income taxes - current	321,695	1,202,322
Income taxes - deferred	-209,077	-146,776
Total income taxes	112,618	1,055,546
Profit	442,424	3,075,071
Profit attributable to non-controlling interests	203	258
Profit attributable to owners of parent	442,220	3,074,812

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Three months ended March 31, 2020	Three months ended March 31, 2021
Profit	442,424	3,075,071
Other comprehensive income		
Valuation difference on available-for-sale securities	-594,854	59,682
Foreign currency translation adjustment	-551,973	629,947
Total other comprehensive income	-1,146,827	689,629
Comprehensive income	-704,402	3,764,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	-704,015	3,764,499
Comprehensive income attributable to non-controlling interests	-386	201

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

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental products	Industrial products	Others	Reportable segments		
Sales						
Revenues from external customers	6,203,856	747,243	345,433	7,296,533	–	7,296,533
Transactions with other segments	–	–	–	–	–	–
Net sales	6,203,856	747,243	345,433	7,296,533	–	7,296,533
Operating profit (loss)	1,885,717	270,685	33,762	2,190,165	-1,080,646	1,109,519

- 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.

1st quarter ended March 31, 2021 (From January 1, 2021 to March 31, 2021)

(Thousands of yen)

	Reportable segments				Reconciling items	Per quarterly consolidated financial statements
	Dental products	Industrial products	Others	Reportable segments		
Sales						
Revenues from external customers	10,146,915	801,731	388,890	11,337,537	–	11,337,537
Transactions with other segments	–	–	–	–	–	–
Net sales	10,146,915	801,731	388,890	11,337,537	–	11,337,537
Operating profit (loss)	4,397,269	284,781	66,035	4,748,085	-1,072,131	3,675,954

- 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.