

Flash Report for 2nd quarter Ended June 30, 2021 (on a consolidated basis) [Japan GAAP]

August 6, 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: June 10, 2021

Scheduled date to begin dividend payments: September 29, 2021

Supplementary materials to quarterly financial statements: Not available

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, 2021)

(1) Operating Results

	Millions of yen					
	Net sales		Operating income		Ordinary income	
1st quarter ended June 30, 2021	23,014	68.1%	7,646	219.6%	7,423	198.1%
1st quarter ended June 30, 2020	13,689	-20.7%	2,392	-40.7%	2,490	-41.0%

	Income attributable to owners of parent		Earnings per share (yen)		Diluted EPS (yen)	
	1st quarter ended June 30, 2021	5,366	188.7%	61.93		61.80
1st quarter ended June 30, 2020	1,858	-38.6%	21.45		21.41	

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:

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

2nd quarter ended June 30, 2020 1,328 million (-58.8%)

(2) Financial Position

	Millions of yen		
	Total assets	Net assets	Equity ratio
As of June 30, 2021	89,933	81,206	90.0%
As of December 31, 2020	82,470	76,272	92.3%

Note: Owners' equity As of June 30, 2021 80,970 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	—				
Year ending December 31, 2021 (forecast)		17.00	—	17.00	34.00

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, 2021)

	Millions of yen								Earnings per share (yen)
	Net sales		Operating income		Ordinary income		Income attributable to owners of parent		
Full year	41,661	26.0%	13,001	52.2%	12,988	50.5%	9,338	44.7%	108.52

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 June 30, 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 June 30, 2021: 7,602,686 shares

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

Average number of shares during the period

1st quarter ended June 30, 2021: 86,656,728 shares

1st quarter ended June 30, 2020: 86,650,727 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 2nd quarter, many countries and areas have been doing proactive financial and monetary activities so economy all over the world was trend to expand, especially in the US and China. However uncertainty for future was increasing due to coronavirus re-pandemic.

In Japanese economy, some manufacturer were recovering but economic activities were very low, especially food service industry and travel industry due to many times states 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 ¥23,014,252 thousand (+68.1% year on year), operating income was ¥7,646,660 thousand (+219.6%), ordinary income was ¥7,423,326 thousand (+198.1%) and income attributable to owners of parent for the quarter was ¥5,366,930 thousand (+188.7%).

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 ¥ 20,530,928 thousand (+76.0%) and segment income was ¥ 9,013,945 thousand (+134.2 %).

(Industrial Products)

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

As a result, sales were ¥ 1,699,932 thousand (+20.9%) and segment income was ¥ 633,125 thousand (+27.3%).

(Other Businesses)

In Other Businesses, which are repair services, sales were ¥783,391 thousand (+27.0%) and segment income was ¥120,087 thousand (+123.5%).

(2) Explanation of Financial Position

(Assets, liabilities and net asset)

Total assets at the end of 2nd quarter were ¥89,933,280 thousand and increased by ¥7,462,539 thousand compared with the end of the previous fiscal year. The main reasons were that Cash and deposits increased by ¥6,461,052 thousand and Notes and accounts receivable - trade increased by ¥633,035 thousand.

Total liabilities were ¥8,727,051 thousand and increased by ¥2,528,385 thousand compared with the end of the previous fiscal year. The main reason were Other in current liabilities increased by ¥1,887,271 thousand and Accounts payable - trade increased by ¥377,587 thousand.

Net asset was ¥ 81,206,228 thousand and increased by ¥4,934,153 compared with the end of the previous fiscal year. The main reason were that Retained earnings increased by ¥4,067,079 thousand and Foreign currency translation adjustment ¥868,462 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 ¥36,104,863 thousand, up ¥6,060,092 thousand from the previous term-end.

Net cash provided by operating activities was ¥7,108,837 thousand, compared with ¥2,837,675 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 ¥7,440,099 thousand, which outweighed income taxes paid of ¥2,027,066 thousand.

Net cash provided by investing activities was ¥-626,001 thousand, compared with ¥ 1,513,675 thousand a year earlier. The main expenditure were Purchase of investment securities ¥444,340 thousand and Purchase of tangible fixed assets ¥336,255 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 ¥-1,300,166 thousand, compared with ¥-1,386,324 thousand a year earlier. The main expenditure was Cash dividends paid ¥1,300,074 thousand.

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

Our company will revise our business performance forecasts it released on May 7, 2021.

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

Full year

	The amount	%
Sales	¥41,661 million	29.7
Operating income	¥13,001 million	52.2
Ordinary profit	¥12,988 million	50.5
Net income attributable to owners of parent	¥9,338 million	44.7

(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 June 30, 2021
Assets		
Current assets		
Cash and deposits	32,238,337	38,699,390
Notes and accounts receivable - trade	5,158,047	5,791,083
Securities	1,433,277	1,490,880
Money held in trust	4,129,321	4,340,410
Merchandise and finished goods	4,487,638	4,756,859
Work in process	3,506,289	3,364,318
Raw materials and supplies	2,610,225	2,382,725
Other	870,939	819,468
Allowance for doubtful accounts	-90,537	-69,422
Total current assets	54,343,539	61,575,714
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,302,136	15,405,439
Machinery, equipment and vehicles	6,681,859	7,010,579
Tools, furniture and fixtures	4,970,635	5,136,448
Land	1,989,815	2,023,320
Construction in progress	219,356	241,371
Accumulated depreciation	-14,273,115	-15,051,102
Total property, plant and equipment	14,890,687	14,766,058
Intangible assets		
Software	346,531	401,408
Software in progress	373,414	282,387
Goodwill	161,259	138,000
Other	224,275	217,910
Total intangible assets	1,105,481	1,039,707
Investments and other assets		
Investment securities	6,292,232	6,211,610
Shares of subsidiaries and associates	2,870,068	3,147,878
Insurance funds	2,179,870	2,189,727
Retirement benefit asset	0	184
Deferred tax assets	145,102	344,670
Other	645,150	659,188
Allowance for doubtful accounts	-1,393	-1,460
Total investments and other assets	12,131,032	12,551,800
Total non-current assets	28,127,201	28,357,566
Total assets	82,470,741	89,933,280

(Thousands of yen)

	As of December 31, 2020	As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	806,981	1,184,568
Short-term borrowings	100,000	100,000
Income taxes payable	1,663,099	1,894,227
Provision for bonuses	385,000	413,000
Other	2,458,292	4,345,564
Total current liabilities	5,413,373	7,937,360
Non-current liabilities		
Retirement benefit liability	313,704	310,020
Deferred tax liabilities	273,079	283,964
Other	198,508	195,706
Total non-current liabilities	785,292	789,690
Total liabilities	6,198,665	8,727,051
Net assets		
Shareholders' equity		
Share capital	867,948	867,948
Capital surplus	1,180,482	1,180,482
Retained earnings	77,435,739	81,502,819
Treasury shares	-5,593,711	-5,593,803
Total shareholders' equity	73,890,460	77,957,446
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,284,166	2,239,129
Foreign currency translation adjustment	-94,595	773,867
Total accumulated other comprehensive income	2,189,571	3,012,997
Share acquisition rights	189,688	232,552
Non-controlling interests	2,355	3,231
Total net assets	76,272,075	81,206,228
Total liabilities and net assets	82,470,741	89,933,280

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

(Thousands of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Net sales	13,689,797	23,014,252
Cost of sales	5,843,702	9,099,992
Gross profit	7,846,094	13,914,259
Selling, general and administrative expenses	5,453,430	6,267,598
Operating profit	2,392,664	7,646,660
Non-operating income		
Interest income	59,676	37,015
Dividend income	23,857	26,441
Gain on investments in money held in trust	–	134,427
Subsidy income	31,018	32,133
Share of profit of entities accounted for using equity method	–	199,717
Miscellaneous income	91,566	55,345
Total non-operating income	206,118	485,080
Non-operating expenses		
Interest expenses	1,026	1,771
Loss on investments in money held in trust	61,664	–
Foreign exchange losses	28,701	699,385
Miscellaneous loss	17,216	7,257
Total non-operating expenses	108,608	708,414
Ordinary profit	2,490,173	7,423,326
Extraordinary income		
Gain on sales of non-current assets	1,047	–
Gain on sales of investment securities	–	17,087
Total extraordinary income	1,047	17,087
Extraordinary losses		
Loss on sales of non-current assets	48	–
Loss on retirement of non-current assets	484	313
Total extraordinary losses	533	313
Profit before income taxes	2,490,687	7,440,099
Income taxes - current	759,827	2,253,848
Income taxes - deferred	-128,228	-181,241
Total income taxes	631,598	2,072,606
Profit	1,859,088	5,367,493
Profit attributable to non-controlling interests	221	562
Profit attributable to owners of parent	1,858,867	5,366,930

(Consolidated Quarterly Statements of Comprehensive Income)

(Thousands of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Profit	1,859,088	5,367,493
Other comprehensive income		
Valuation difference on available-for-sale securities	-186,233	-45,036
Foreign currency translation adjustment	-344,323	868,776
Total other comprehensive income	-530,556	823,740
Comprehensive income	1,328,532	6,191,233
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,329,011	6,190,356
Comprehensive income attributable to non-controlling interests	-479	876

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended June 30, 2020	Six months ended June 30, 2021
Cash flows from operating activities		
Profit before income taxes	2,490,687	7,440,099
Depreciation	838,223	853,028
Amortization of goodwill	23,982	27,302
Increase (decrease) in allowance for doubtful accounts	-3,156	-24,488
Increase (decrease) in provision for bonuses	12,100	28,000
Increase (decrease) in retirement benefit liability	-8,204	-8,065
Interest and dividend income	-83,534	-63,457
Interest expenses	1,026	1,771
Share of loss (profit) of entities accounted for using equity method	-	-199,717
Loss (gain) on sales of investment securities	-	-17,087
Loss on retirement of non-current assets	484	313
Loss (gain) on sales of non-current assets	-998	-
Gain (gain) on investments in money held in trust	61,664	-134,427
Subsidy income	-31,018	-32,133
Decrease (increase) in trade receivables	1,032,047	-450,832
Decrease (increase) in inventories	-1,033,772	321,737
Increase (decrease) in trade payables	162,012	157,058
Foreign exchange losses (gains)	42,104	-761,239
Other, net	-183,904	1,800,793
Subtotal	3,319,745	8,938,655
Interest and dividends received	81,357	166,918
Interest paid	-1,053	-1,802
Income taxes paid	-593,391	-2,027,066
Subsidies received	31,018	32,133
Net cash provided by (used in) operating activities	2,837,675	7,108,837
Cash flows from investing activities		
Proceeds from sales and redemption of securities	133,703	-
Purchase of property, plant and equipment	-530,640	-336,255
Proceeds from sales of property, plant and equipment	1,047	-
Purchase of intangible assets	-162,570	-109,966
Purchase of investment securities	-	-444,340
Proceeds from sales and redemption of investment securities	336,480	551,101
Payments into time deposits	-2,530,273	-2,888,263
Proceeds from withdrawal of time deposits	4,268,699	2,603,446
Purchase of insurance funds	-15,761	-6,741
Other, net	12,991	5,018
Net cash provided by (used in) investing activities	1,513,675	-626,001
Cash flows from financing activities		
Dividends paid	-1,386,336	-1,300,074
Proceeds from exercise of subscription rights to shares	12	-
Purchase of treasury shares	-	-92
Net cash provided by (used in) financing activities	-1,386,324	-1,300,166

Effect of exchange rate change on cash and cash equivalents	-133,099	877,422
Net increase (decrease) in cash and cash equivalents	2,831,926	6,060,092
Cash and cash equivalents at beginning of period	24,669,800	30,044,771
Cash and cash equivalents at end of period	27,501,727	36,104,863

(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 June 31, 2020 (From January 1, 2020 to June 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	11,666,846	1,406,233	616,717	13,689,797	–	13,689,797
Transactions with other segments	–	–	–	–	–	–
Net sales	11,666,846	1,406,233	616,717	13,689,797	–	13,689,797
Operating profit (loss)	3,848,230	497,310	53,727	4,399,268	-2,006,604	2,392,664

- 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 June 31, 2021 (From January 1, 2021 to June 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	20,530,928	1,699,932	783,391	23,014,252	–	23,014,252
Transactions with other segments	–	–	–	–	–	–
Net sales	20,530,928	1,699,932	783,391	23,014,252	–	23,014,252
Operating profit (loss)	9,013,945	633,125	120,087	9,767,158	△2,120,497	7,646,660

- 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.