



Briefing Material

for 2nd quarter ended Jun. 30, 2021

Aug. 20, 2021

NAKANISHI INC.

Disclaimer

The information presented in these materials contains forward-looking statements about future business performance. These statements by definition involve risks and uncertainties and are not intended to guarantee future performance. Actual results in the future may differ from expectations and the projections presented in these materials due to changes in the global economy and fluctuations in foreign currency exchange rates and so on.

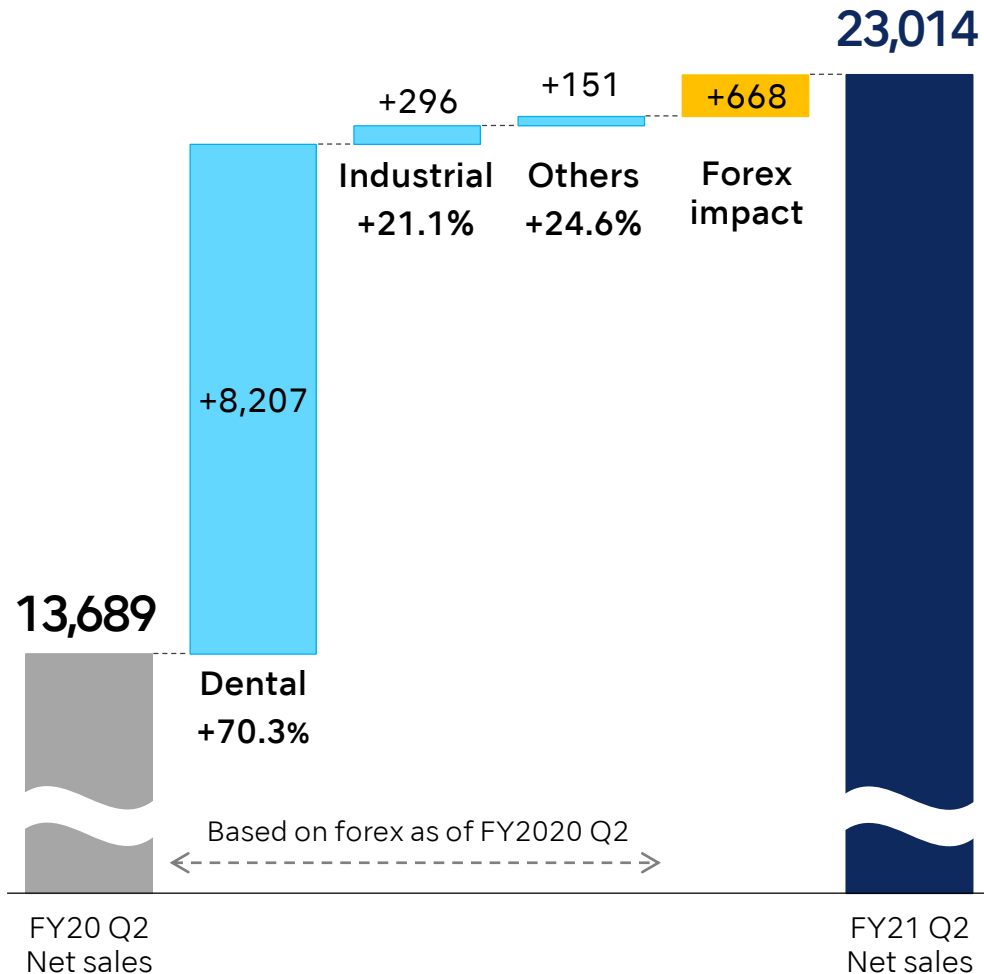
Consolidated Financial Results for FY2021 Q2	3
Consolidated Financial Forecast for FY2021 (Revised on August 6 th)	11
Overviews of Each Segments and Future Initiative	14

FY2021 Q2 Consolidated Financial Results

M of JPY	FY2021 Q2 Actual	FY2020 Q2 Actual	YoY Comparison	FY2021 Forecast <small>Upward revision on May 7th</small>	Ratio to the Forecast
Net sales	23,014	13,689	+68.1 %	19,792	+16.3 %
Gross Profits	13,914	7,846	+77.3 %	11,895	+17.0 %
Ratio to net sales	60.5 %	57.3 %	+3.2 pt	60.1 %	+0.4 pt
Operating Income	7,646	2,392	+219.6 %	5,685	+34.5 %
Ratio to net sales	33.2 %	17.5 %	+15.7 pt	28.7 %	+4.5 pt
Ordinary Income	7,423	2,490	+198.1 %	6,183	+20.1 %
Ratio to net sales	32.3 %	18.2 %	+14.1 pt	31.2 %	+1.0 pt
Profit attributable to owners of parents	5,366	1,858	+188.7 %	4,579	+17.2 %
Ratio to net sales	23.3 %	13.6 %	+9.7 pt	23.1 %	+0.2 pt
E P S (JPY)	61.93	21.45	—	52.85	—
Currency rate					
Against the US dollar (JPY)	107.74	108.43	-0.69	105.00	+2.74
Against the EURO (JPY)	129.96	119.85	+10.11	123.00	+6.96

- **Forex impact:** Net sales +668M of JPY (vs FY2020 Q2 Actual) , +1,115M of JPY (vs FY2021 Q2 Forecast)
- **Forex sensibility:** Fluctuations in annual sales due to the depreciation of the yen (per one yen)
 Against USD: Increase of 80M of JPY Against EURO: Increase of 78M of JPY

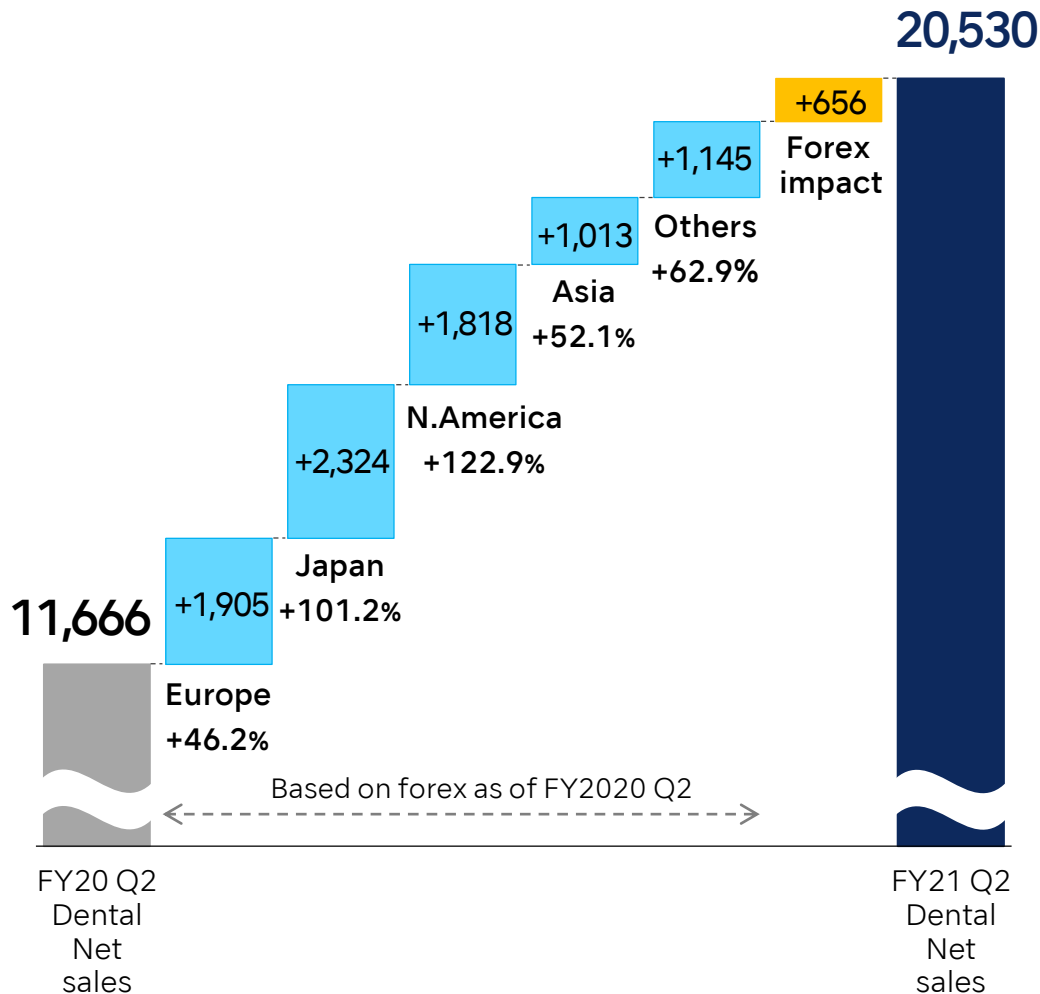
M of JPY



► Net sales by business segment

	FY2020 Q2 Actual	FY2021 Q2 Actual	Change
Dental	11,666	19,874	+8,207
Industrial	1,406	1,702	+296
Others	616	768	+151
Forex impact	-	+668	+668
Total	13,689	23,014	+9,324

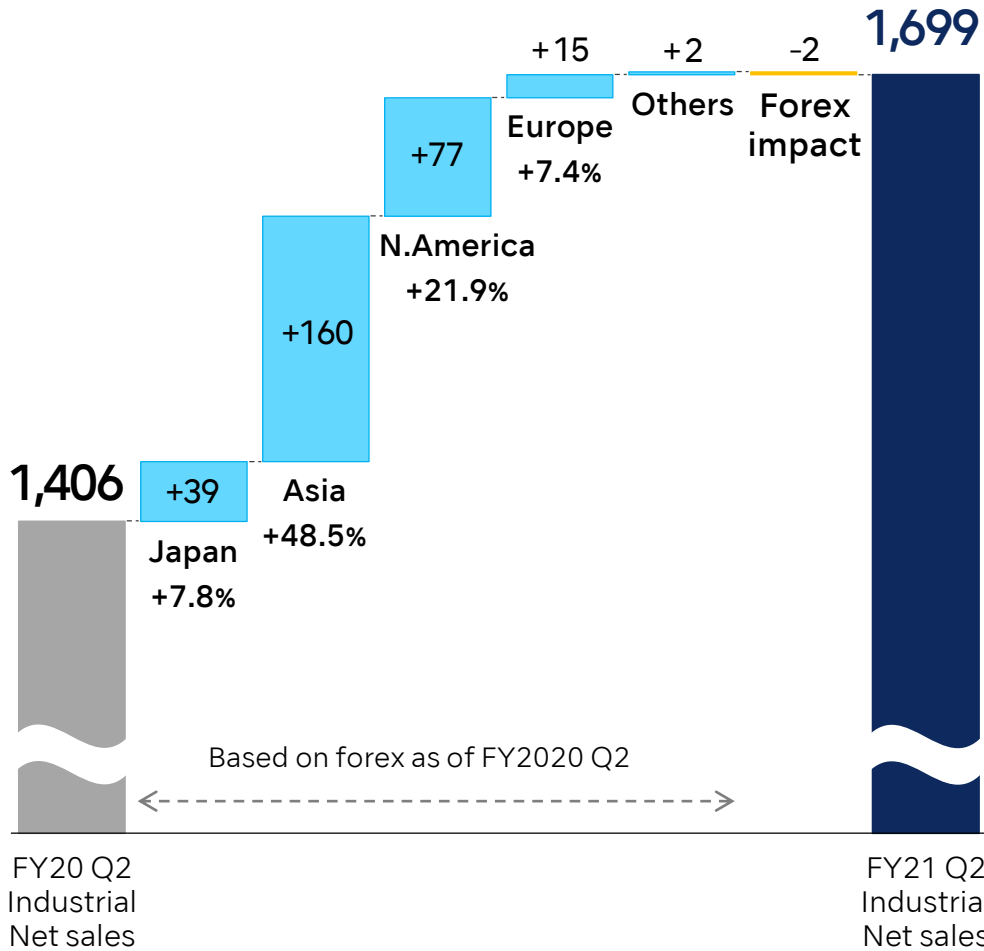
M of JPY



► Net sales of Dental segment by region

	FY2020 Q2 Actual	FY2021 Q2 Actual	Change
Europe	4,123	6,029	+1,905
Japan	2,296	4,621	+2,324
North America	1,479	3,298	+1,818
Asia	1,944	2,958	+1,013
Others	1,821	2,966	+1,145
Forex impact	-	+656	+656
Total	11,666	20,530	+8,864

M of JPY

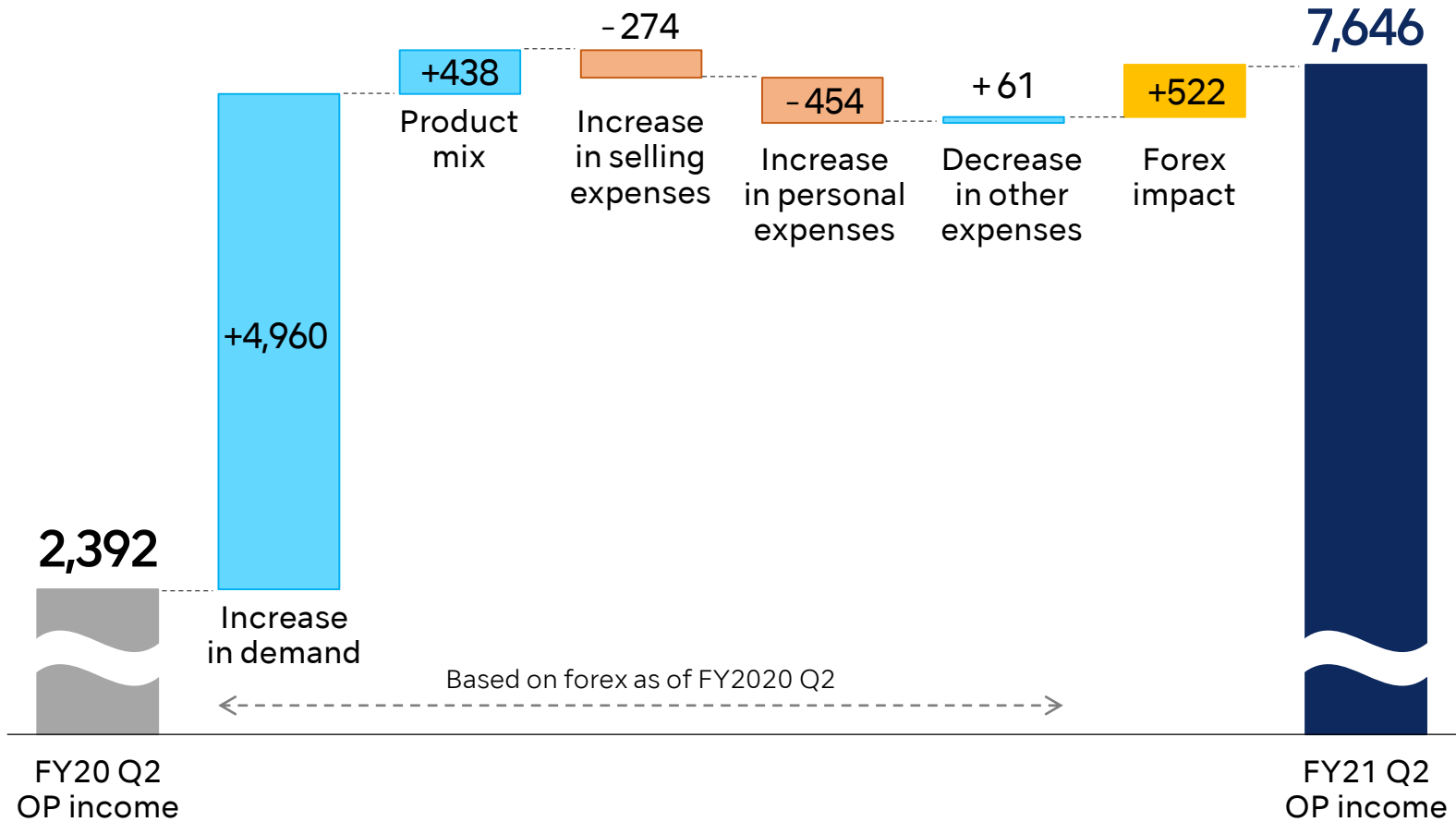


► Net sales of Industrial segment by region

	FY2020 Q2 Actual	FY2021 Q2 Actual	Change
Japan	505	544	+39
Asia	330	490	+160
North America	355	433	+77
Europe	214	230	+15
Others	0	3	+2
Forex impact	-	-2	-2
Total	1,406	1,699	+293

M of JPY

< Exchange rate >
 USD : 108.43JPY → 107.74JPY
 EURO : 119.85JPY → 129.96JPY



M of JPY	As of June 30, 2021	As of Dec.31, 2020	Change	Note
Total assets	89,933	82,470	+7,462	· Cash and deposits +6,461
- Notes and accounts receivable-trade	5,791	5,158	+633	
- Inventories	10,503	10,604	-100	· Merchandise and finished goods +269 · Work in process -141 · Raw materials and supplies -227
Liabilities	8,727	6,198	+2,528	· Accounts payable-trade +377 · Other current liabilities +1,887
- Loans payable	100	100	—	
Net assets	81,206	76,272	+4,934	
- Retained earnings	81,502	77,435	+4,067	
Return on equity	13.0 %	8.7 %	+4.3 Pt	FY2020 Q2: 5.1%
Return on assets	17.7 %	10.8 %	+6.9 Pt	FY2020 Q2: 6.4%

	FY2021 Q2 Actual	FY2020 Q2 Actual	Change	Note
Capital Investments	575	611	-36	
Depreciation Expenses	853	838	+14	

M of JPY

		Japan	Export sub total	Europe	North America	Asia	Others	Total	
Dental	FY2020 Q2 Actual	2,296	9,370	4,123	1,479	1,944	1,821	11,666	
	FY2021 Q2 Actual	4,621	15,909	6,496	3,287	3,130	2,995	20,530	
	YoY	Amount	+2,324	+6,539	+2,372	+1,807	+1,185	+1,173	+8,864
		Ratio	+101.2%	+69.8%	+57.5%	+122.1%	+61.0%	+64.4%	+76.0%
Industrial	FY2020 Q2 Actual	505	901	214	355	330	0	1,406	
	FY2021 Q2 Actual	544	1,155	230	430	490	3	1,699	
	YoY	Amount	+39	+254	+15	+75	+160	+2	+293
		Ratio	+7.8%	+28.2%	+7.4%	+21.1%	+48.5%	+296.0%	+20.9%
Others	FY2020 Q2 Actual	394	222	64	95	56	5	616	
	FY2021 Q2 Actual	438	345	132	122	77	11	783	
	YoY	Amount	+43	+122	+68	+26	+21	+6	+166
		Ratio	+11.1%	+55.3%	+106.0%	+27.9%	+38.8%	+106.9%	+27.0%
Total	FY2020 Q2 Actual	3,196	10,493	4,402	1,931	2,331	1,828	13,689	
	FY2021 Q2 Actual	5,604	17,409	6,859	3,840	3,698	3,010	23,014	
	YoY	Amount	+2,408	+6,916	+2,457	+1,909	+1,367	+1,182	+9,324
		Ratio	+75.3%	+65.9%	+55.8%	+98.9%	+58.7%	+64.7%	+68.1%

Consolidated Financial Forecast for FY2021

M of JPY	FY2021 Forecast <small>Upward revision on Aug. 6th.</small>	FY2020 Actual	Change	Note
Net Sales	41,661	33,055	+26.0 %	
Gross Profits	25,597	19,731	+29.7 %	
Ratio to net sales	61.4 %	59.7 %	+1.8 Pt	
Operating Income	13,001	8,542	+52.2 %	
Ratio to net sales	31.2 %	25.8 %	+5.4 pt	
Ordinary Income	12,988	8,627	+50.5 %	
Ratio to net sales	31.2 %	26.1 %	+5.1 pt	
Profit attributable to owners of parents	9,338	6,455	+44.7 %	
Ratio to net sales	22.4 %	19.5 %	+2.9 pt	
E P S (JPY)	108.52	74.49	—	
Capital Investments	2,250	1,163	+1,087	
Depreciation Expenses	1,781	1,759	+22	
Assumed Currency rate				
Against the US dollar (JPY)	105.00	106.67	-1.67 (Stronger JPY)	Forex sensibility: Annual net sales can fluctuate 54M of JPY per one JPY.
Against the EURO (JPY)	125.00	122.01	+2.99 (Weaker JPY)	Forex sensibility: Annual net sales can fluctuate 86M of JPY per one JPY.

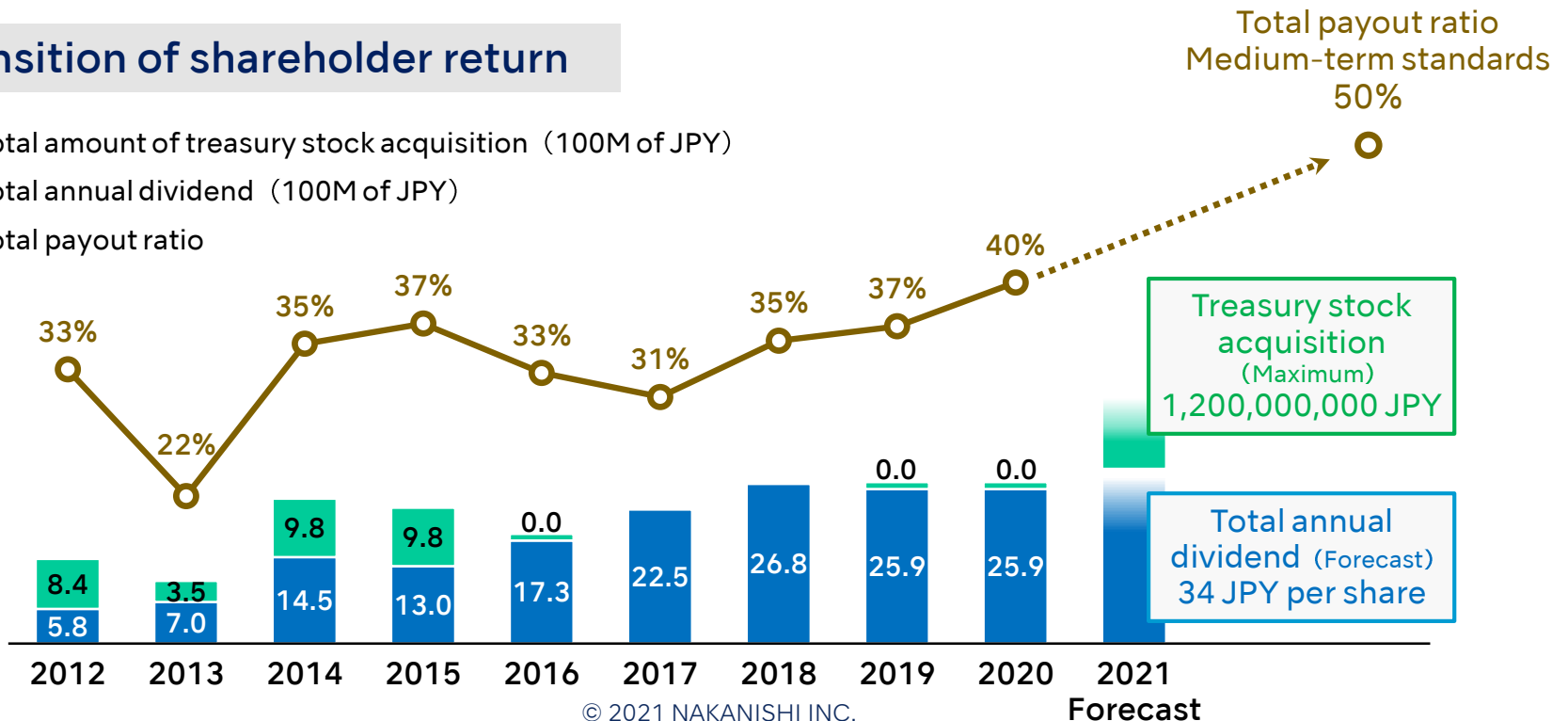
Shareholder return policy

We position the return of profits to our shareholders as one of the important management issues; therefore, we plan to enhance business foundation and promote investment in growth areas properly and proactively, as well as to return profits to shareholders in a well-balanced manner.

We endeavor to perform flexible acquisition of treasury stock and stable and continuous dividend increase with considering retained earnings required for future growth investment, and setting the standard for medium-term profit return as a total return ratio of 50%.

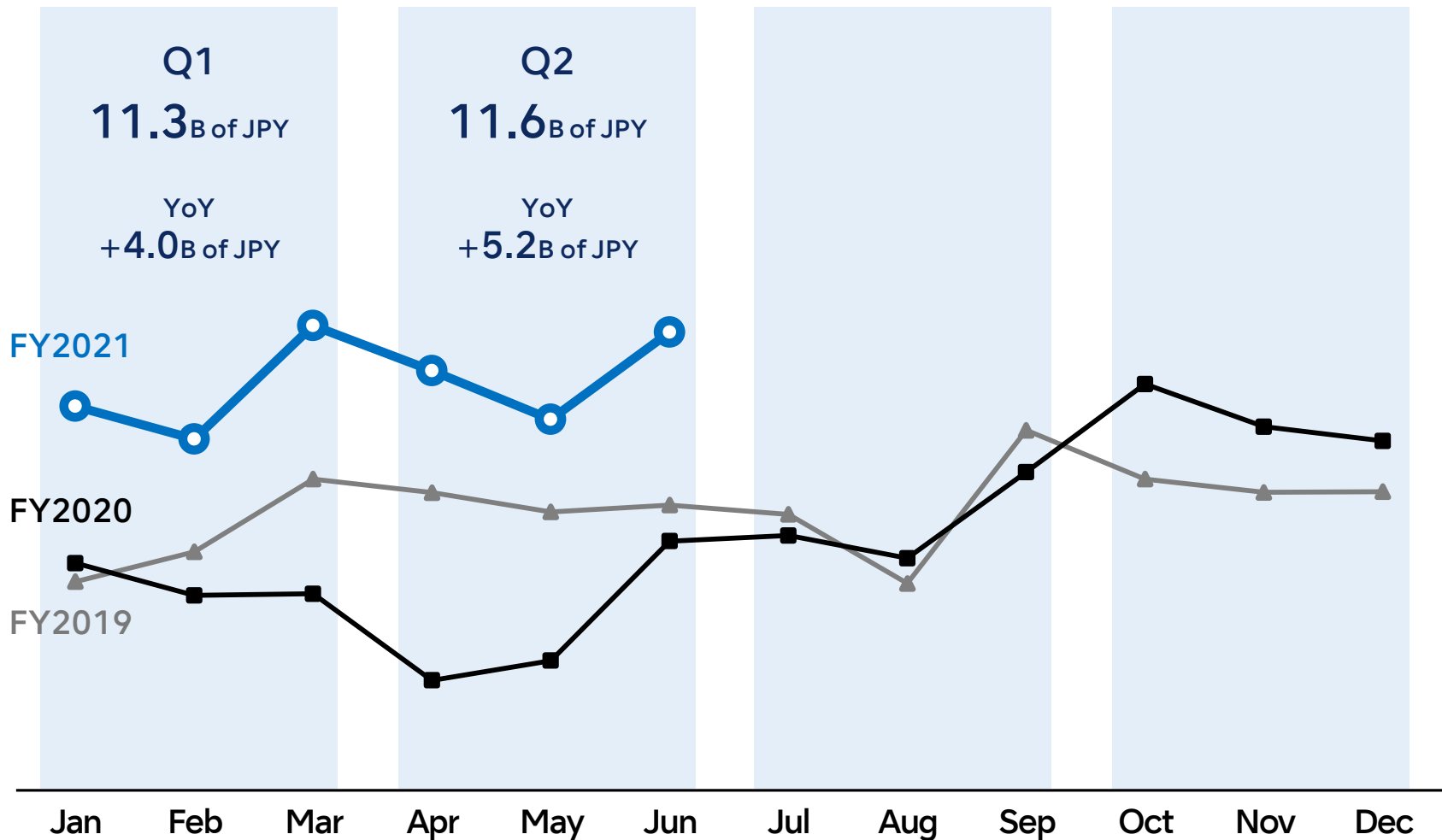
Transition of shareholder return

- Total amount of treasury stock acquisition (100M of JPY)
- Total annual dividend (100M of JPY)
- Total payout ratio



Overviews of Each Segments and Future Initiative

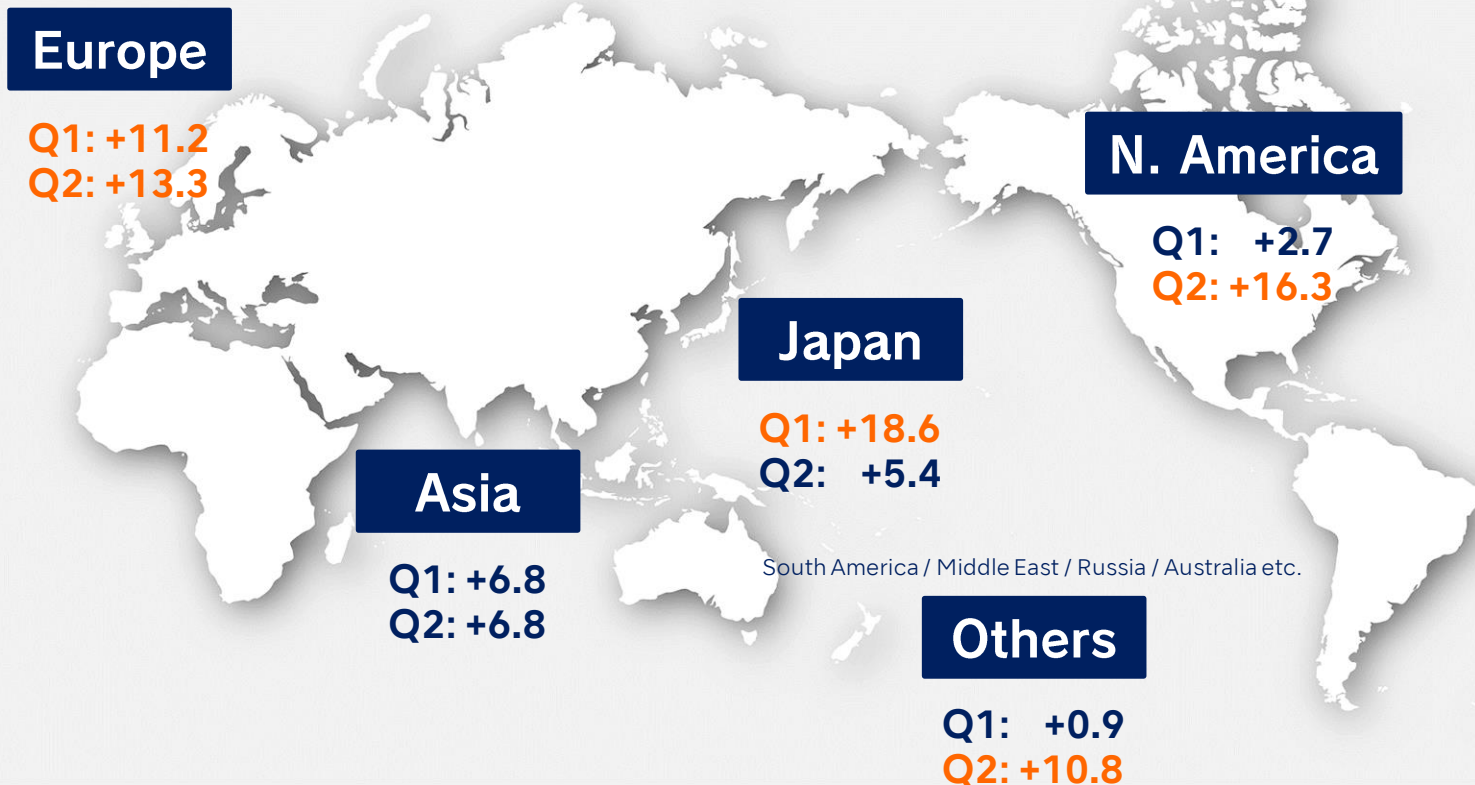
A baseline of global sales rose due to expansion of global market share and needs for infection prevention measures (purchase of sterilizers and additional handpieces) in the field of dental practices.



- Q1** : Increased in sales due to domestic special demand by subsidy and sales expansion in the European market.
- Q2** : Increased in sales due to the continuous strong European market and sales recovery in North America and developing countries.

Net sales by regions (VS FY2020 Actual for each quarter)

Unit: 100M of JPY



Trend of dental products market

Growing needs for
infection prevention
measures worldwide

Demand recovery for
implant treatment and
preventive dentistry



Basic strategy of FY2021

**Expand sales of main
product handpieces
and sterilizers**

**Expand sales of
preventive dentistry
products and implant
treatment devices**

Increase production aiming at net sales of 50 billion JPY as stated in our Medium term Management Plan "NV2025"

- Start construction (schedule) November 2021
- Completion (schedule) June 2022
- Total amount of investment: About 1.8 billion JPY



[A1: Current Production Plant] 12,000m² + [A1+: New Production Plant] 5,500m²

Overview of 1st half

Measures for 2nd half

Europe

Net sales
6.49_B JPY
 YoY
+57.5%

- Although activity restrictions continued, sales of local subsidiaries increased significantly capturing strong demand at most.
- OEM Business also recovered significantly.

Market outlook



- Expand sales of "Surgic Pro2", which is a new device for implant treatment, to each European countries, as well as our main product handpieces.

Japan

Net sales
4.62_B JPY
 YoY
+101.2%

- The sales decrease expected after April was eased since a part of the subsidy for preventing the spread of infection was extended.
- The recovery of OEM business became clear and it contributed to a significant increase in sales in this term.

Market outlook



- A reactional decline in demand from 2H is assumed since the subsidies from the government has ended.
- Expand sales of sterilizers and our main product handpieces for dentistry.

Overview of 1st half

Measures for 2nd half

North America

Net sales
3.28_B JPY
 YoY
+122.1%

- Sales of own brand were strong, which led significant growth in net sales of local subsidiaries.
- Inventory adjustments by major OEMs have progressed, and orders have recovered steadily.

Market outlook



- Capture demand of shifting to the electric motors at most.
- Enhance approaching to dental universities and DSO, and promote expanding market share.

Asia

Net sales
3.13_B JPY
 YoY
+61.0%

- -Sales of Chinese subsidiary grew steadily and sales increased significantly due to the end of the COVID-19 pandemic.
- -Sales of Korean subsidiary grew steadily.
- Sales recovered by capturing reactionary demand from refraining from buying although the influence of the COVID-19 pandemic remains in Asian countries.

Market outlook



- Further enhancements of the sales system of Chinese subsidiary, and promote developing and expanding the agency network.
- Assume the market remains to be severe condition in the Asian countries due to the spread of the Delta variant.

		Overview of 1 st half	Measures for 2 nd half	
Middle East	Net sales 2.99_B JPY YoY +64.4%	<ul style="list-style-type: none"> Sales increased due to additional orders from the acquired bid and capturing rebound demand from refraining from buying. 	Market outlook 	<ul style="list-style-type: none"> Some dental exhibitions are to be resumed. Attend them while keep performing online activities.
South America		<ul style="list-style-type: none"> Increased advantages of the brand in the local market due to withdrawal of competitors. Sales recovered significantly due to the first purchase by new agents. 	Market outlook 	<ul style="list-style-type: none"> Promote sales expansion of our main product handpieces and implant related products.
Russia		<ul style="list-style-type: none"> The dental market has been normalized and sales increased although the impact of the COVID-19 pandemic remained. 	Market outlook 	<ul style="list-style-type: none"> Solidify the No. 1 share in the region by localizing Moscow office and enhancing after-sales service.
Australia		<ul style="list-style-type: none"> The government's tax incentives have been successful, and the willingness to make capital investment in dental clinics has increased. Sales increased by capturing those demands. 	Market outlook 	<ul style="list-style-type: none"> Promote sales expansion of handpieces, sterilizers, and implant related products.

Aim for further expand of market share
by expanding sales of highly competitive new products

Surgical micromoter system

Surgic Pro2

On sale
in Europe



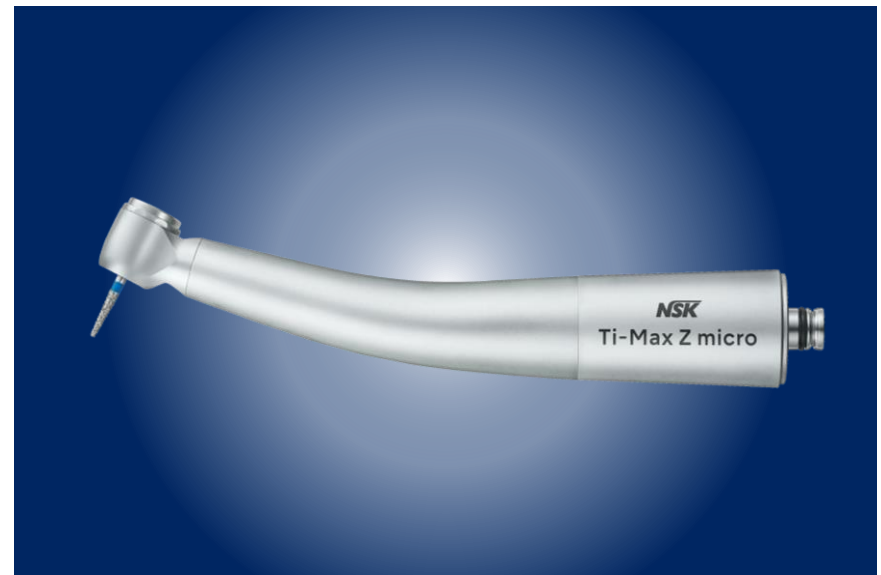
- *New product: world-class implant treatment device
- *Improved functionality and safety with smaller and lighter design
- *Start full promotion, marketing and sales in Europe

This product is a flagship product, and dominates the top sales in the product lineup. It is planned to be promoted in other regions than Europe.

Dental handpiece

Ti-Max Z micro

Available in Sep.
in Europe



- *This is a flagship model of titanium body
- *Realizes high torque with it's small head
- *Also equipped with our original infection prevention systems "Clean Head System"

It is planned to be launched in September for European market.

**Demand in the manufacturing industry recovered,
and sales grew after April**

Overview of FY2021 1H

- Strong orders from Asian markets, especially from China
Capital investment in 5G-related area and automobile industry is strong
- Market conditions have improved except from China after April, and sales have increased in all regions, including Japan, North America, and Europe etc.

Measures for FY2021 2H

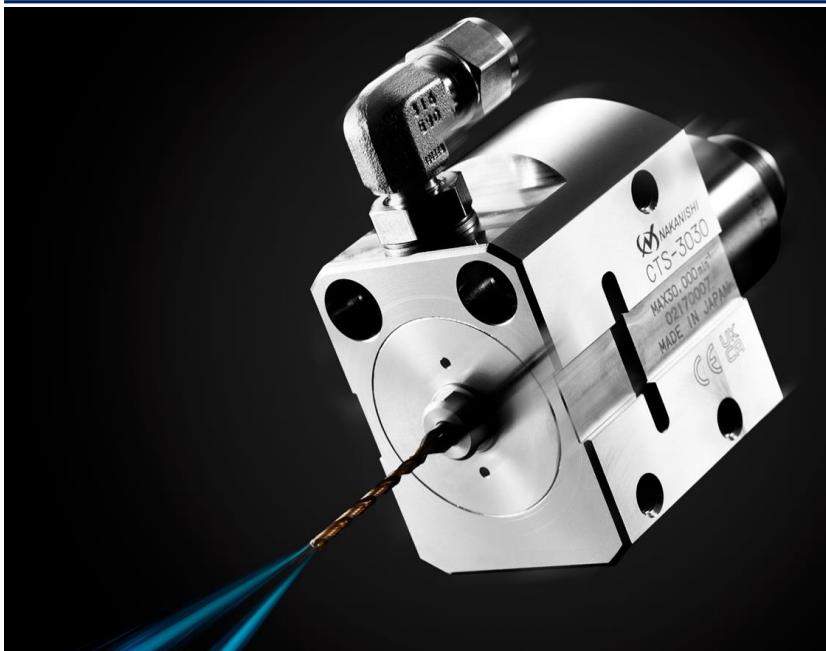
- Develop sales activities proactively towards mainly manufacturing industry, where the willingness for making capital investments is recovering
- Launch new products "CTS-3030" and "Sonic Cutter ZERO"

New Products

Coolant Through Spindle

CTS-3030

Launched
on Jul.



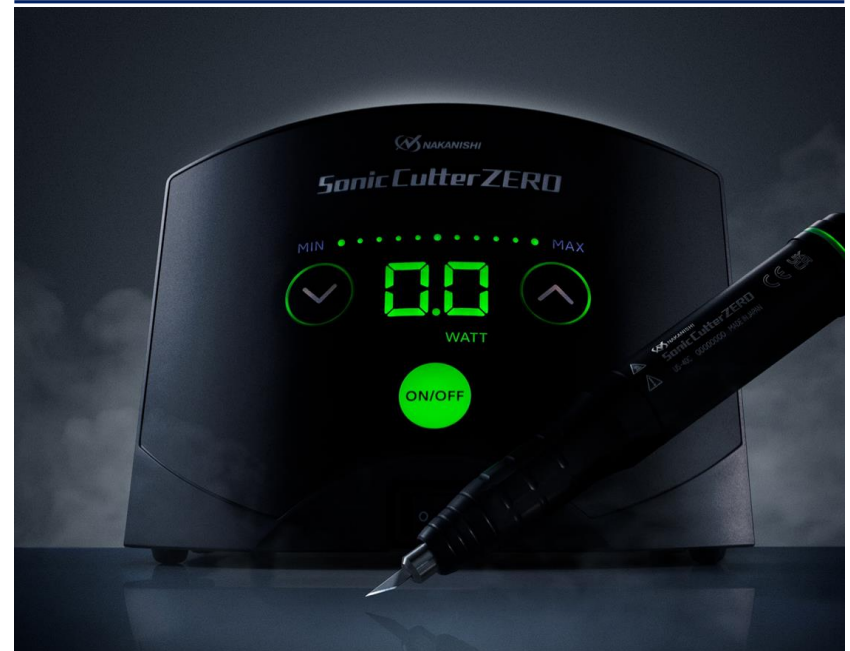
A new product of a compact and high-speed rotary spindle, which can eject coolant from the tip of a drill during processing.

Time required for drilling process can be reduced significantly with a spindle motor unit that can be mounted on a small CNC lathe.

Ultrasonic cutter

Sonic Cutter ZERO

Launched
on Aug.



A new product of high-performance cutter that utilizes the amplitude of ultrasonic waves.

It exhibits its power when cutting, forming a window, and deburring of various thin materials such as cloth, plastic, and urethane.

**Market conditions have improved significantly,
although the effects of the COVID-19 pandemic remain**

Overview of FY2021 1H

- Japan :** Double-digit increase in sales compared to the same period of the previous year due to the success of sales promotion of existing customers and strengthening of sales to orthopedics.
- Europe :** The recovery of especially Italy and Spain were remarkable. Sales of both unit body and disposables increased.
- N.America :** Acquisition of large-scale project by strengthening customer relations such as holding hands-on course. Sales reached more than triple than that one from the same period of the previous year.
- Asia :** Sales was recovered by capturing rebound demand from refraining from buying while the impact of the COVID-19 pandemic remained.

Measures for FY2021 2H

- Japan :** Promote customer development with the popular new product "P300 Attachment".
- Europe :** Promote sales activities with a view to full-scale recovery in each European market with keeping close communication with local agents.
- N.America :** Aim for further expansion of sales by enhancing sales activities to general hospitals and developing sales partners.
- Asia :** Aim for sales expansion with especially sales activities of new products although demand recovery remain to be slow except for China.

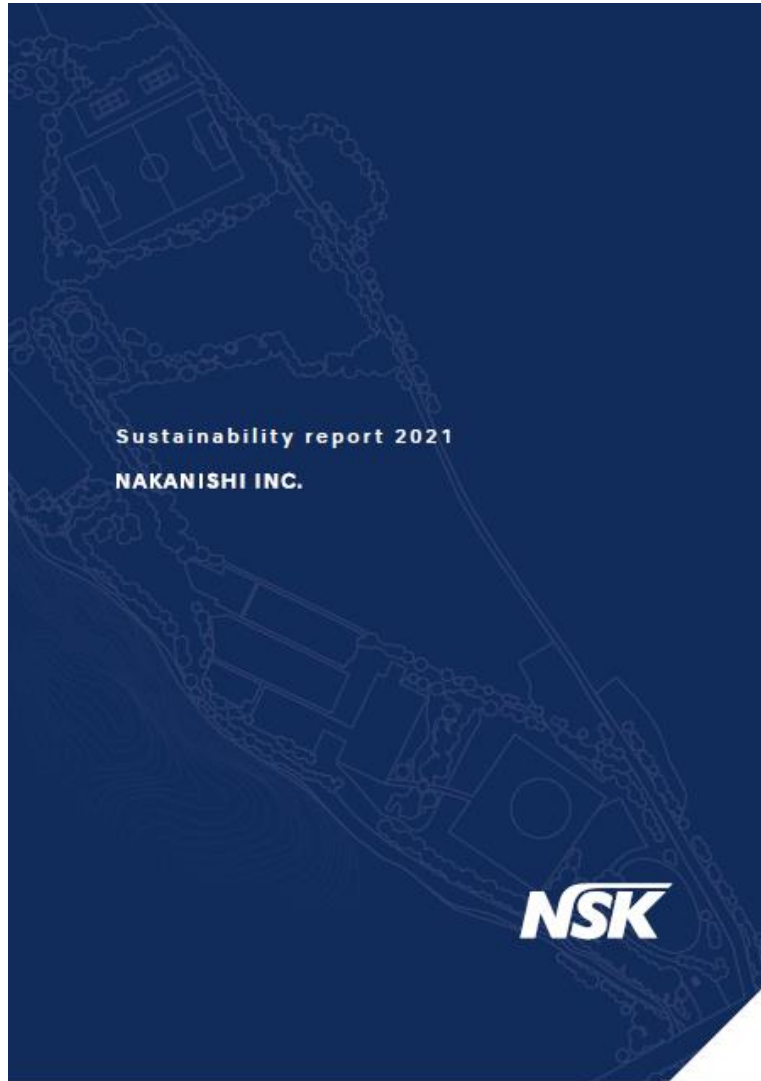
Enhance customer contact through product training sessions



Hands-on course at
The University of Kansas in the U.S.A.



Endoscopic spine surgery Cadaver Workshop at
Khoo Tech Puat Hospital in Singapore



We have issued "Sustainability Report 2021".
Please refer to our ESG initiatives.

<https://en.nakanishi-inc.jp/sustainability/report/>

NSK