

# Briefing Material

for the year ended Dec. 31, 2021

Feb. 18, 2022

**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.

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# **FY2021 Consolidated Financial Results**

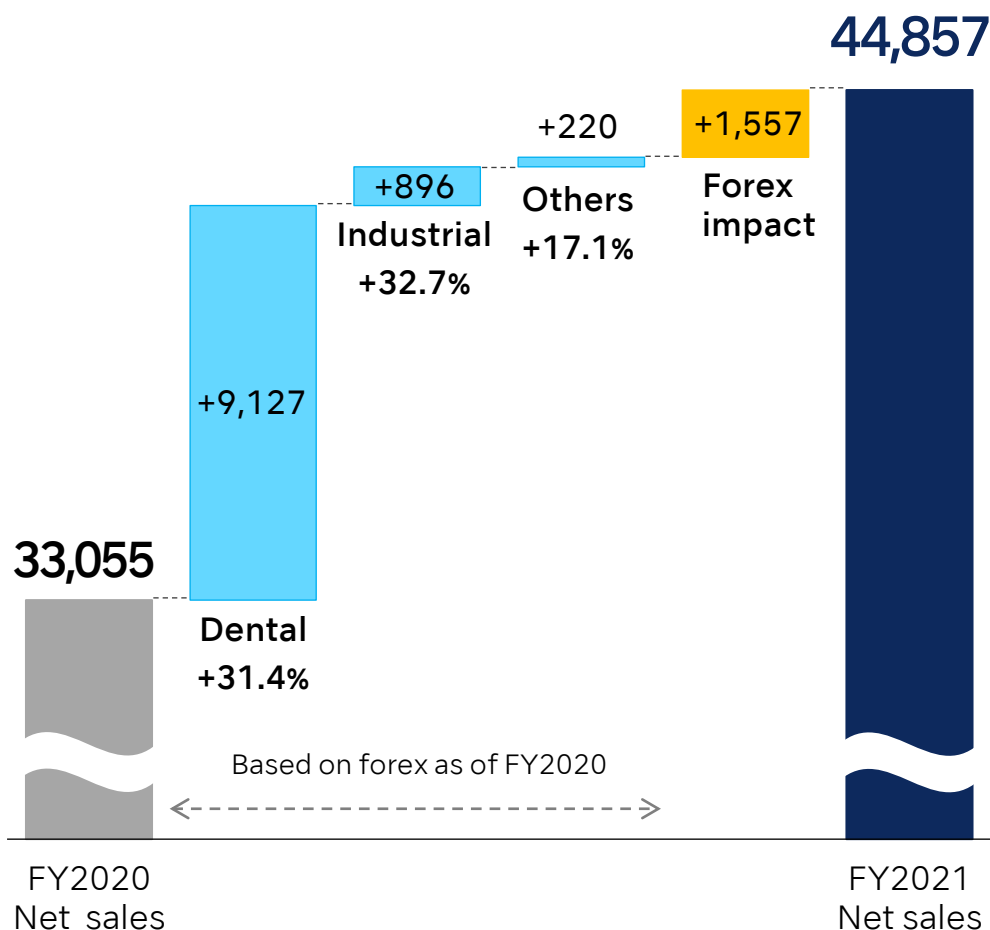
M of JPY		FY2021 Actual	FY2020 Actual	YoY Comparison	FY2021 Forecast Upward revision on Aug. 6	Ratio to the Forecast
Net Sales		44,857	33,055	+35.7 %	41,661	+7.7 %
Gross Profits		27,295	19,731	+38.3 %	25,597	+6.6 %
Ratio to net sales		60.8 %	59.7 %	+1.2 pt	61.4 %	-0.6 pt
Operating Income		13,750	8,542	+61.0 %	13,001	+5.8 %
Ratio to net sales		30.7 %	25.8 %	+4.8 pt	31.2 %	-0.6 pt
Ordinary Income		13,951	8,627	+61.7 %	12,988	+7.4 %
Ratio to net sales		31.1 %	26.1 %	+5.0 pt	31.2 %	-0.1 pt
Profit attributable to owners of parents		10,102	6,455	+56.5 %	9,338	+8.2 %
Ratio to net sales		22.5 %	19.5 %	+3.0 pt	22.4 %	+0.1 pt
E	P S (JPY)	116.73	74.49	—	108.52	—

## Currency rate

Against the US dollar	(JPY)	109.84	106.67	+3.17 (weaker JPY)	105.00	+4.84 (weaker JPY)
Against the EURO	(JPY)	130.08	122.01	+8.07 (weaker JPY)	125.00	+5.08 (weaker JPY)

- Forex impact: Net sales +1,557M of JPY (vs FY2020 Actual), +2,522M of JPY (vs FY2021 Forecast)
- Forex sensitivity: Fluctuation in annual net sales due to the depreciation of the yen (per one yen)  
Against USD: Increase of 84M of JPY    Against EURO: Increase of 79M of JPY

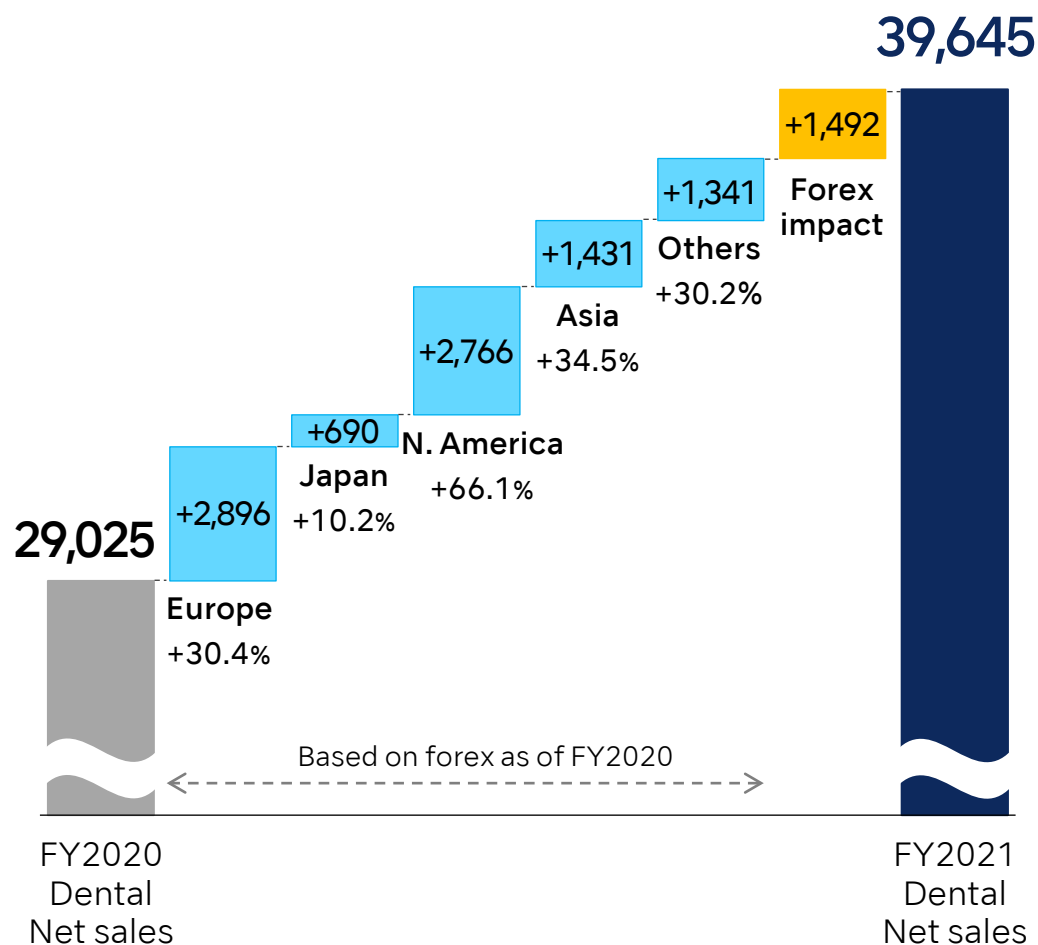
M of JPY



## ► Net sales by business segment

	FY2020 Actual	FY2021 Actual	Change
Dental	29,025	38,152	+9,127
Industrial	2,740	3,637	+896
Others	1,289	1,510	+220
Forex impact	-	+1,557	+1,557
Total	33,055	44,857	+11,802

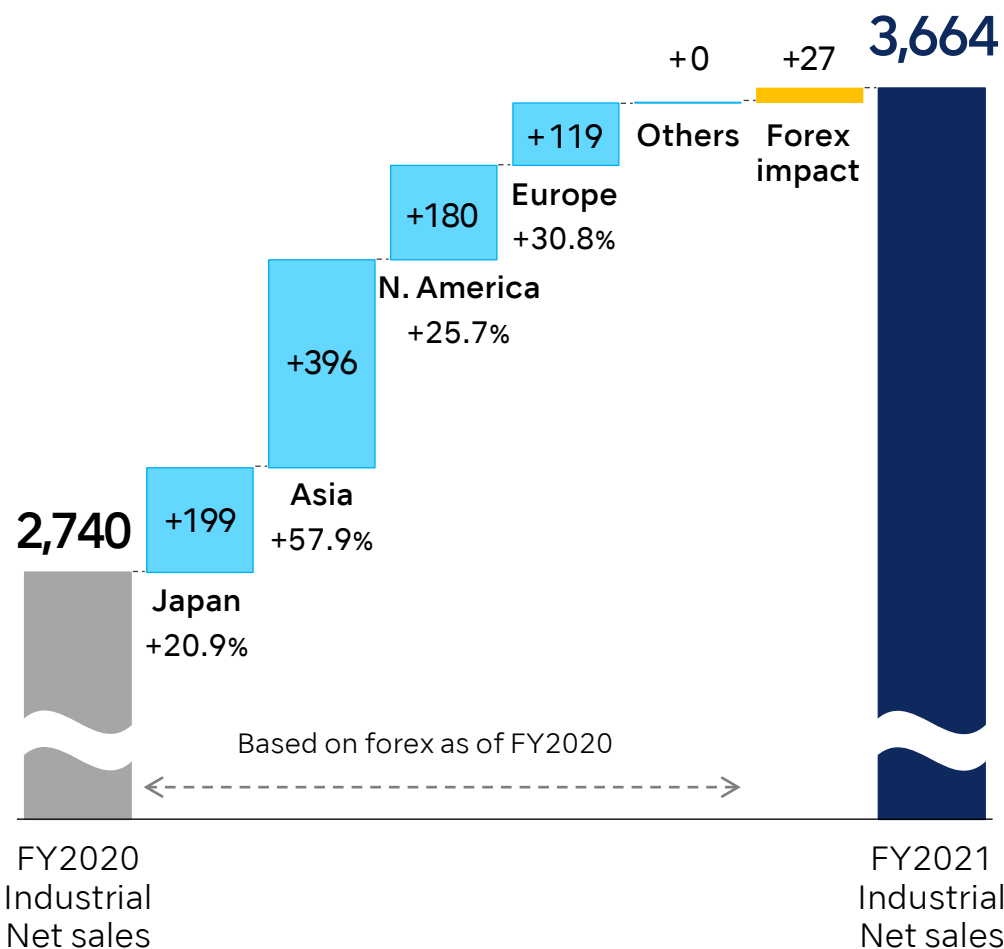
M of JPY



## ► Net sales of Dental segment by region

	FY2020 Actual	FY2021 Actual	Change
Europe	9,519	12,415	+2,896
Japan	6,735	7,426	+690
North America	4,183	6,950	+2,766
Asia	4,147	5,578	+1,431
Others	4,440	5,781	+1,341
Forex impact	-	+1,492	+1,492
<b>Total</b>	<b>29,025</b>	<b>39,645</b>	<b>+10,619</b>

M of JPY



## ► Net sales of Industrial segment by region

	FY2020 Actual	FY2021 Actual	Change
Japan	958	1,158	+199
Asia	684	1,080	+396
North America	704	885	+180
Europe	387	506	+119
Others	6	6	+0
Forex impact	-	+27	+27
Total	2,740	3,664	+923

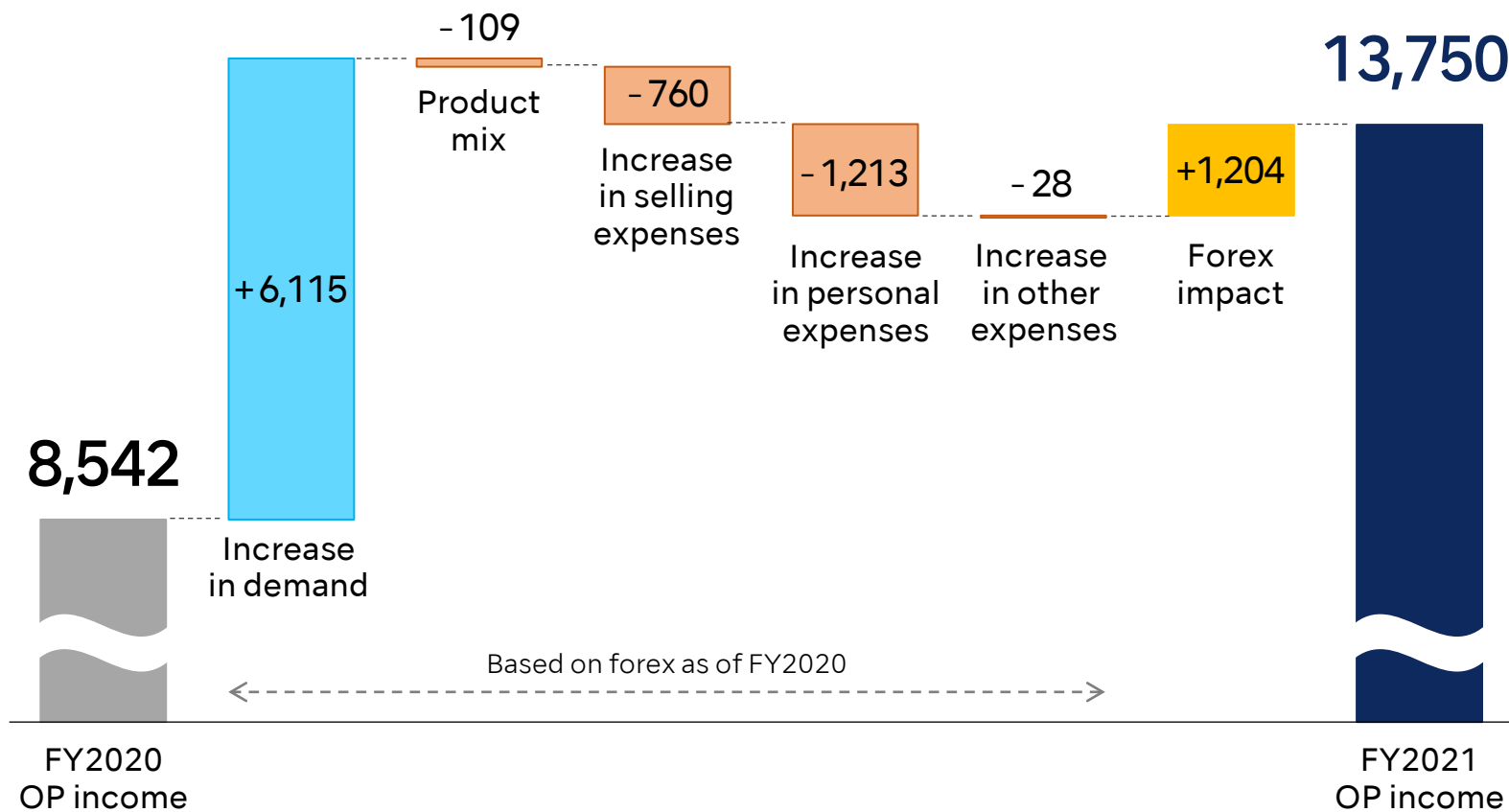
M of JPY

Exchange rate

FY2020 average FY2021 average

USD: 106.67JPY → 109.84JPY

EURO: 122.01JPY → 130.08JPY





M of JPY

	As of Dec. 31, 2021	As of Dec. 31, 2020	Change	Note
<b>Total assets</b>	<b>94,460</b>	<b>82,470</b>	+11,990	- Cash and deposits +3,746
- Notes and accounts receivable-trade	5,348	5,158	+190	
- Inventories	11,733	10,604	+1,129	- Merchandise and finished goods +1,335 - Work in process -219 - Raw materials and supplies +13
<b>Liabilities</b>	<b>11,541</b>	<b>6,198</b>	+5,342	- Accounts payable +202 - Other current liabilities +3,587
- Loans payable	100	100	—	
<b>Net assets</b>	<b>82,919</b>	<b>76,272</b>	+6,647	
- Retained earnings	84,765	77,435	+7,329	
<b>Return on equity (ROE)</b>	<b>12.7 %</b>	<b>8.7 %</b>	+4.0 pt	
<b>Return on assets (ROA)</b>	<b>15.8 %</b>	<b>10.8 %</b>	+5.0 pt	

	As of Dec. 31, 2021	As of Dec. 31, 2020	Change	Note
Capital Investments	2,415	1,163	+1,252	
Depreciation expenses	1,807	1,759	+48	

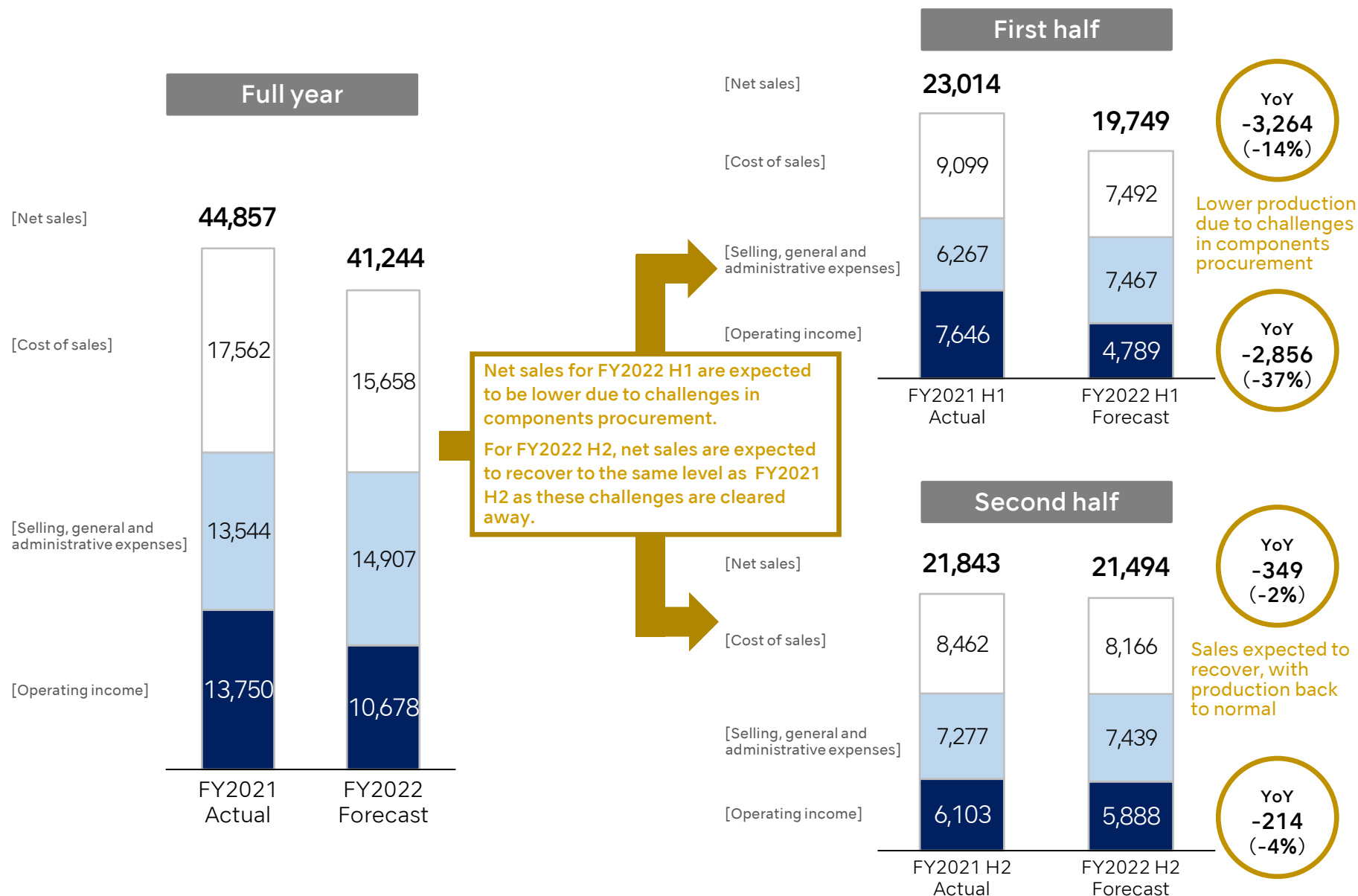
M of JPY

		Japan	Export sub total	Europe	North America	Asia	Others	Total
Dental	FY2020 Actual	6,735	22,289	9,519	4,183	4,147	4,440	29,025
	FY2021 Actual	7,426	32,219	13,234	7,139	5,933	5,911	39,645
	YoY	Amount	+690	+9,929	+3,715	+2,956	+1,786	+10,619
		Ratio	+10.2 %	+44.5 %	+39.0 %	+70.7 %	+43.1 %	+36.6 %
Industrial	FY2020 Actual	958	1,782	387	704	684	6	2,740
	FY2021 Actual	1,158	2,506	506	911	1,081	6	3,664
	YoY	Amount	+199	+723	+119	+207	+396	+923
		Ratio	+20.9 %	+40.6 %	+30.8 %	+29.4 %	+58.0 %	+33.7 %
Others	FY2020 Actual	791	497	155	202	124	16	1,289
	FY2021 Actual	855	693	269	232	166	25	1,548
	YoY	Amount	+63	+195	+114	+30	+41	+258
		Ratio	+8.0 %	+39.3 %	+73.5 %	+15.1 %	+33.7 %	+20.1 %
Total	FY2020 Actual	8,485	24,569	10,061	5,090	4,955	4,462	33,055
	FY2021 Actual	9,439	35,418	14,010	8,284	7,180	5,943	44,857
	YoY	Amount	+953	+10,848	+3,948	+3,193	+1,480	+11,802
		Ratio	+11.2 %	+44.2 %	+39.2 %	+62.7 %	+44.9 %	+35.7 %

# Consolidated Financial Forecast for FY2022

M of JPY

	FY2022 Forecast	FY2021 Actual	Change	Note
<b>Net Sales</b>	<b>41,244</b>	<b>44,857</b>	-8.1 %	
<b>Gross Profits</b>	<b>25,585</b>	<b>27,295</b>	-6.3 %	
Ratio to net sales	62.0 %	60.8 %	+1.2 pt	
<b>Operating Income</b>	<b>10,678</b>	<b>13,750</b>	-22.3 %	
Ratio to net sales	25.9 %	30.7 %	-4.8 pt	
<b>Ordinary Income</b>	<b>11,122</b>	<b>13,951</b>	-20.3 %	
Ratio to net sales	27.0 %	31.1 %	-4.1 pt	
<b>Profit attributable to owners of parents</b>	<b>7,824</b>	<b>10,102</b>	-22.5 %	
Ratio to net sales	19.0 %	22.5 %	-3.6 pt	
<b>E P S (JPY)</b>	<b>90.81</b>	<b>116.73</b>	—	
<b>Capital Investments</b>	<b>4,016</b>	<b>2,415</b>	+1,600	FY2022: New plant A1+: 1,988
<b>Depreciation Expenses</b>	<b>2,036</b>	<b>1,807</b>	+228	
<b>Assumed Currency rate</b>				
Against the US dollar (JPY)	109.00	109.84	-0.84 (stronger JPY)	Forex sensitivity: Annual net sales can fluctuate 94M of JPY per one JPY.
Against the EURO (JPY)	123.00	130.08	-7.08 (stronger JPY)	Forex sensitivity: Annual net sales can fluctuate 69M of JPY per one JPY.



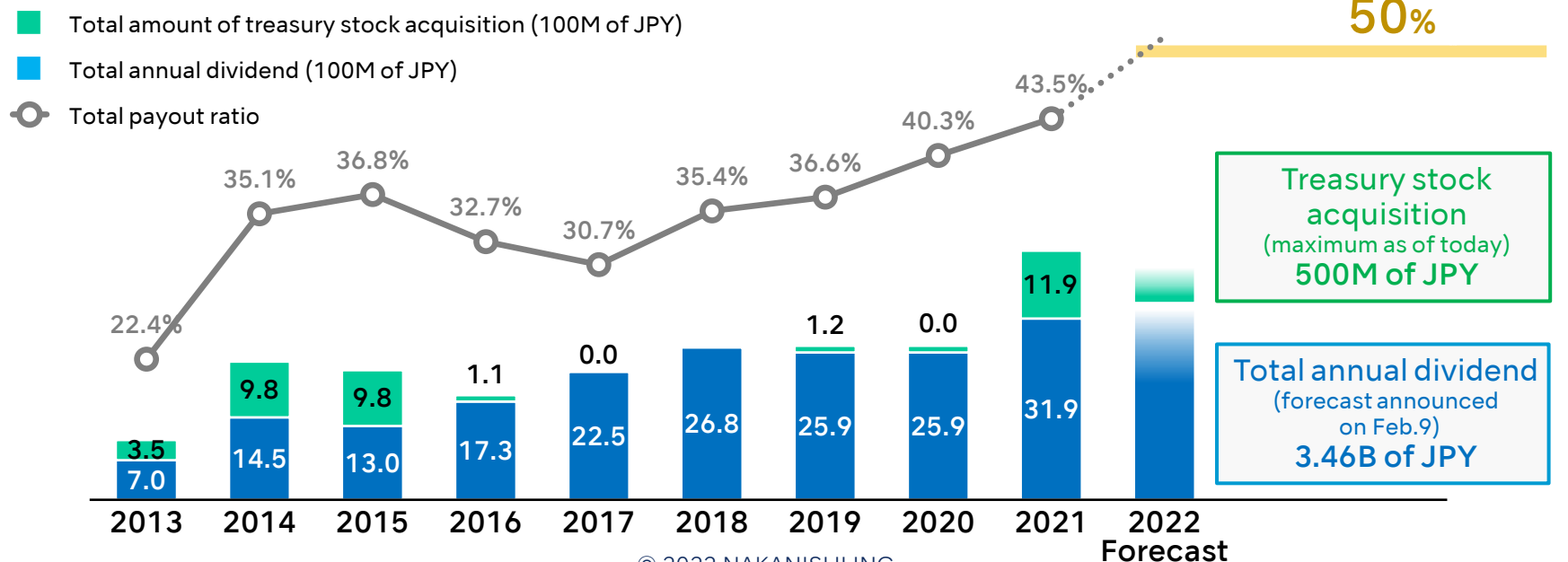
## Shareholder return policy

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%.

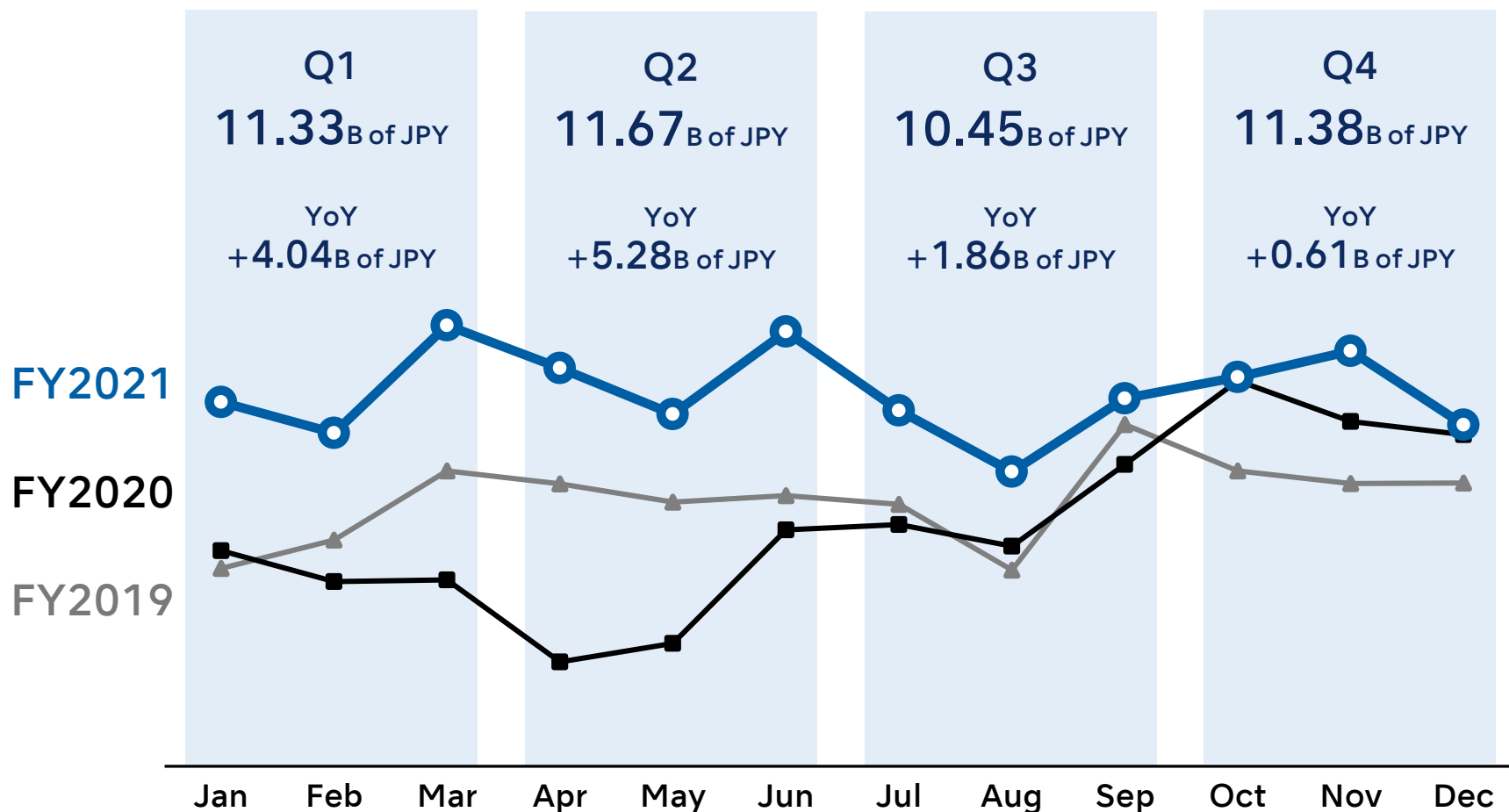
## Transition of shareholder return

\* Calculated with the 5-for-1 stock split in Apr. 2014 and the 3-for-1 stock split in Apr. 2018 considered



# Overviews of Each Segment and Future Initiatives

## FY2021 closed with second-half net sales exceeding the strong FY2020 H2 results





- H1:** Sales increased across all regions, with significant growth in Japan, Europe and North America in particular.
- H2:** Sales decreased in Japan due to the termination of subsidies, while overseas sales remained strong in Europe, North America, etc.

## YoY change in net sales by region

Unit: 100M of JPY

### Europe

H1: +24.5  
H2: +14.9

### N. America

H1: +19.0  
H2: +12.8

### Japan

H1: +24.0  
H2: -14.5

### Asia

H1: +13.6  
H2: +8.5

South America, Russia,  
Middle East, Australia, etc.

### Others

H1: +11.8  
H2: +2.9

Mid term Management Plan "NV2025" (6 year plan for FY2020 to FY2025) is being carried out in order to realize our long-term vision  
**"To be The Leading Excellent Global Medical Device Company"**

## Mid term Management Plan "NV 2025"

### Basic policy and priority measures

1. Strategic expansion in Dental global market
2. Growing new business for customer needs in super population ageing
3. Establish infrastructure for speedy product development and leading cost competitiveness

### Profit objectives for FY2025

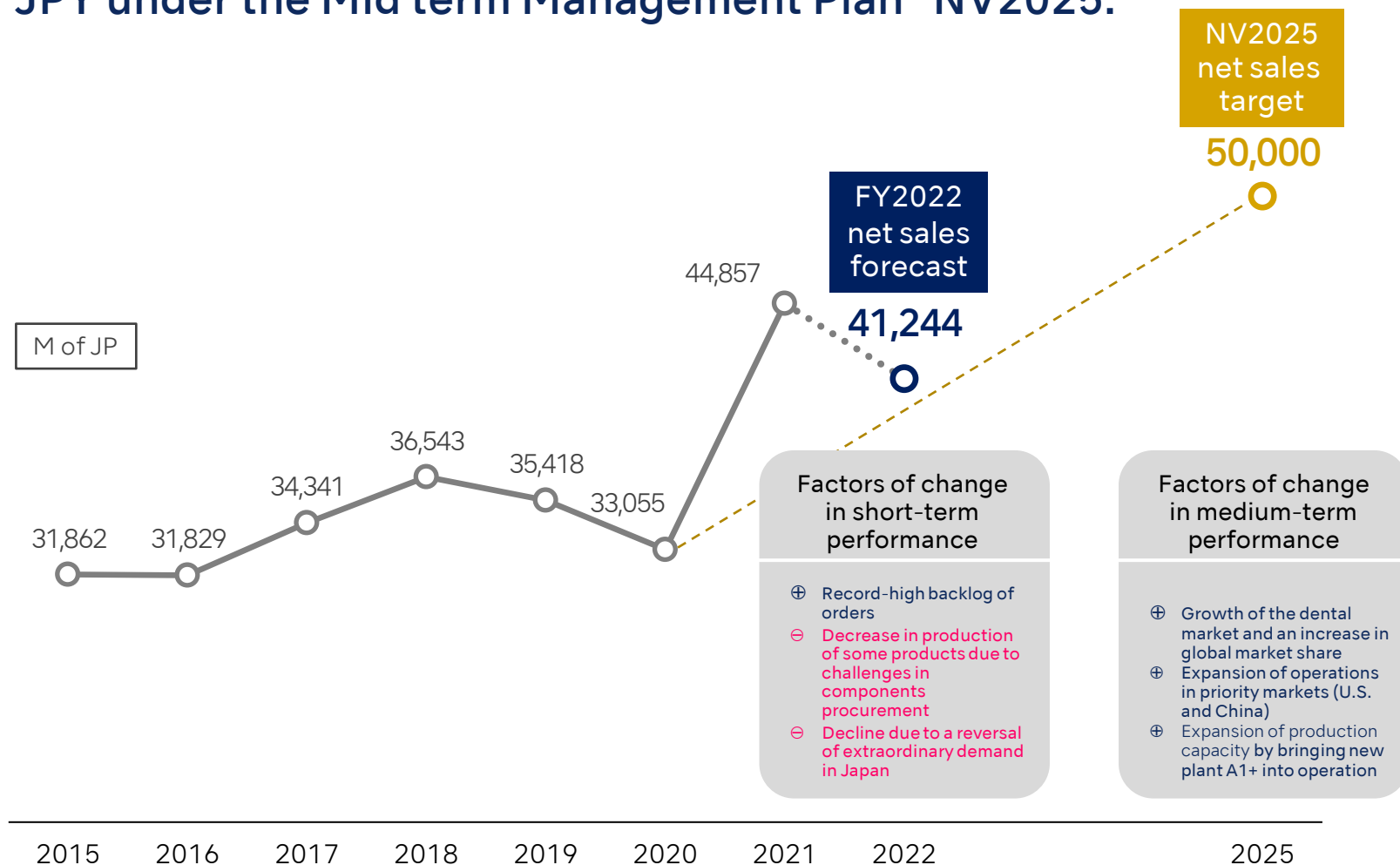
Net sales: 50B of JPY  
 Operating Profit Ratio: 28%

## Progress in FY2021

1. Renewed record-high results and achieved an increase in global market share
2. Achieved significant sales growth in the Chinese market
3. Achieved significant sales growth and an increase in share in the U.S. market
4. Began construction of the new plant A1+ for production capacity expansion
5. Accelerating sustainability management

The base line of global sales rose due to expansion of global market share amid the COVID-19 pandemic.  
 Worked to enhance production capacity and continued measures to address on-going supply chain disruptions

FY2022 topline forecast is in line with the net sales target of 50B of JPY under the Mid term Management Plan "NV2025."



## Forecast of market trends in FY2022

### - Demand -

Increase in demand backed by global implementation of infection prevention measures

### - Supply -

Continued challenges in procuring semiconductors, electronic components, etc.



## Basic strategy for FY2022

**Consolidate our position as the world's leading brand by enhancing the lineup of handpieces, implant related products and oral hygiene products, while also enhancing our sales capabilities and brand power**

## Overview of FY2021

## Measures for FY2022

### Europe

**Net sales**  
**13.23<sub>B</sub> JPY**  
**YoY**  
**+39.0%**

- Strong demand for handpieces continued, as new sterilization protocols, adopted since the COVID-19 outbreak, require more use of handpieces.
- Share of our own brand in Europe showed strong growth. We won contracts with dental colleges, an area that had been dominated by competitors.
- OEM Business grew significantly.

### Market outlook



- Expand the sales of handpieces for dental treatment and "Surgic Pro2," a device for implant treatment.
- Develop and strengthen NSK Dental Nordic, a new Nordic sales center.

### Japan

**Net sales**  
**7.42<sub>B</sub> JPY**  
**YoY**  
**+10.2%**

- As extraordinary demand peaked out with the termination of government subsidies, sales for H2 declined as expected, but full-year results turned out to be about the same as FY2020.
- Sales in OEM Business showed significant growth, largely contributing to increased sales in Japan.

### Market outlook



- Sales are expected to decline significantly due to the reverse of the extraordinary demand in FY2021.
- Continue the measures to promote sales expansion of handpieces, our main product line, as well as preventive dentistry products and "Surgic Pro2," a new device for implant treatment.

## Overview of FY2021

## Measures for FY2022

### North America

Net sales

**7.13<sub>B</sub> JPY**

YoY

**+70.7%**

- Sales of both our own brand and OEM businesses were strong.
- Sales increased significantly as we captured demand of shifting to electric motors.

### Market outlook



- The shift to electric motors is expected to continue. Capture demand related to electric motors, an area where NAKANISHI has strengths, to a maximum extent.
- Strengthen sales promotion to dental colleges and DSOs\*, a segment that we have yet to tap.

\* DSOs: Dental Service Organizations

### Asia

Net sales

**5.93<sub>B</sub> JPY**

YoY





**+43.1%**

- Sales in China grew significantly as the enhancement of our Chinese subsidiary and the buildup of our local sales agency network progressed.
- Sales in South Korea also largely increased as sales to South Korea and OEM supply were both strong.
- Sales to Southeast Asian countries were sluggish.

### Market outlook



- Continue the strengthening of the sales system and the enhancement of sale agency network. Closely watch the direction of the measures by the Chinese government to support products made in China.
- After the significant growth in FY2021, sales in the South Korean market are expected to largely decline as the strong demand peaks out and reverses.
- The Southeast Asian market, hard hit by the pandemic, is expected to recover.

Overview of FY2021			Measures for FY2022	
Middle East	<b>Net sales</b> <b>5.91</b> B JPY  <b>YoY</b> <b>+33.1%</b>	<ul style="list-style-type: none"> <li>Sales improved as we captured the pent-up demand resulting from cautious purchasing behaviors found earlier in the pandemic.</li> </ul>	<b>Market outlook</b> 	<ul style="list-style-type: none"> <li>Strengthen efforts to win contracts with governments, colleges and large-scale dental clinics, a segment where demand is recovering.</li> </ul>
South America		<ul style="list-style-type: none"> <li>With our market presence further increased due to competitors' withdrawal from the market, sales increased significantly.</li> </ul>	<b>Market outlook</b> 	<ul style="list-style-type: none"> <li>Expand the sales of handpieces, our main product line, and implant related products.</li> </ul>
Russia		<ul style="list-style-type: none"> <li>Sales increased as demand remained solid despite the COVID-19 pandemic.</li> </ul>	<b>Market outlook</b> 	<ul style="list-style-type: none"> <li>Expand the sales of handpieces and enhance after-sales service by our local subsidiary as demand is expected to decline after the reversal of strong trend.</li> </ul>
Australia		<ul style="list-style-type: none"> <li>Sales grew benefitting from the tailwinds of government measures providing preferential tax breaks.</li> </ul>	<b>Market outlook</b> 	<ul style="list-style-type: none"> <li>Expand the sales of handpieces and implant related products as demand is expected to decline due to the reversal of extraordinary demand in FY2021.</li> </ul>



## Global dental trade shows are beginning to reopen



2021/09/09~  
**EXPO DENTAL  
2021 (Italy)**



2021/10/11~  
**ADA 2021 (U.S.)**



2021/09/22~  
**International  
Dental Show  
2021 (Germany)**



2022/01/27~  
**Yankee Dental  
Congress (U.S.)**



2021/09/27~  
**Dental Expo  
Moscow (Russia)**



2022/02/01~  
**AEEDC (UAE)**



## Overview of FY2021

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**Achieved record-high orders and higher sales in all markets, backed by strong capital investment in the manufacturing sector.**

- **Japan:** Sales increased as we won capital investment projects, which were booming during the year, particularly those related to semiconductors.
- **Europe:** Demand improved and inquiries increased. Sales grew, particularly for motor spindles.
- **N. America:** Sales grew strongly for application deployment projects for factory automation.
- **Asia:** In China, where capital investment projects remained strong, we won a large number of contracts.

## Measures for FY2022

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**With demand trending upward, orders are expected to remain high. Overall performance, however, depends on how the situation will develop with regard to components procurement.**

- **Japan:** Further explore opportunities in automotive-related industries and continue the enhancement of digital marketing tools.
- **Europe:** Market is expected to be strong, leading to a large number of inquiries. Continue our components procurement efforts to ensure timely product supply.
- **N. America:** Further expand operations by consolidating our local subsidiary and enhancing the sales agency network.
- **Asia:** Capital investment in 5G and related areas remains strong. Continue vigorous sales activities.

## Expand sales of the new products launched by the end of FY2021

### New micro grinders

### New motor spindles

Launched in Aug. 2020

Launched in Aug. 2021

Launched in Jul. 2020

Launched in Jul. 2021



Ultrasonic polisher  
**Sheenus ZERO**

Ultrasonic cutter  
**Sonic Cutter ZERO**

Electro-static discharge spindle  
**NR33-6000ATC-ESD**

Coolant through spindle  
**CTS - 3030**

## Overview of FY2021

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The number of surgeries that decreased due to COVID-19 was on a recovery path. Sales grew as we captured increasing demand.

- **Japan:** Sales increased for both the unit body and disposables due to successful sales follow-up efforts in the period that demand was recovering.
- **Europe:** Sales for disposables were strong, backed by the progress in the deployment of our devices in major hospitals in the region.
- **N. America:** Sales for the unit body grew due to successful sales expansion leveraging the channels of alliance partners.
- **Asia:** Sales for disposables grew, supported by our promotion campaigns targeting large-scale hospitals.

## Measures for FY2022

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Launch and expand the sales of our new product "P300AT" in North America, leveraging an alliance with partners.

- **Japan:** Strengthen sales promotion to otorhinolaryngology and other areas, in addition to spinal surgery, our main target.
- **Europe:** Aim to expand the sale of disposables to existing customers and to deploy our devices to major hospitals.
- **N. America:** Aim to expand the sale of our new product "P300AT" and to expand sales channels by leveraging the channels of alliance partners.
- **Asia:** Enhance the sales agency network and aim to increase our addressable market (the number of the unit body in operation)

## Enhance customer contact through product training sessions



**Otorhinolaryngology hands-on course  
at MAYO CLINIC HOSPITAL in the U.S.A.**



### Primado2

Electric bone cutting device that can be used in neuro, orthopedic surgeries etc.



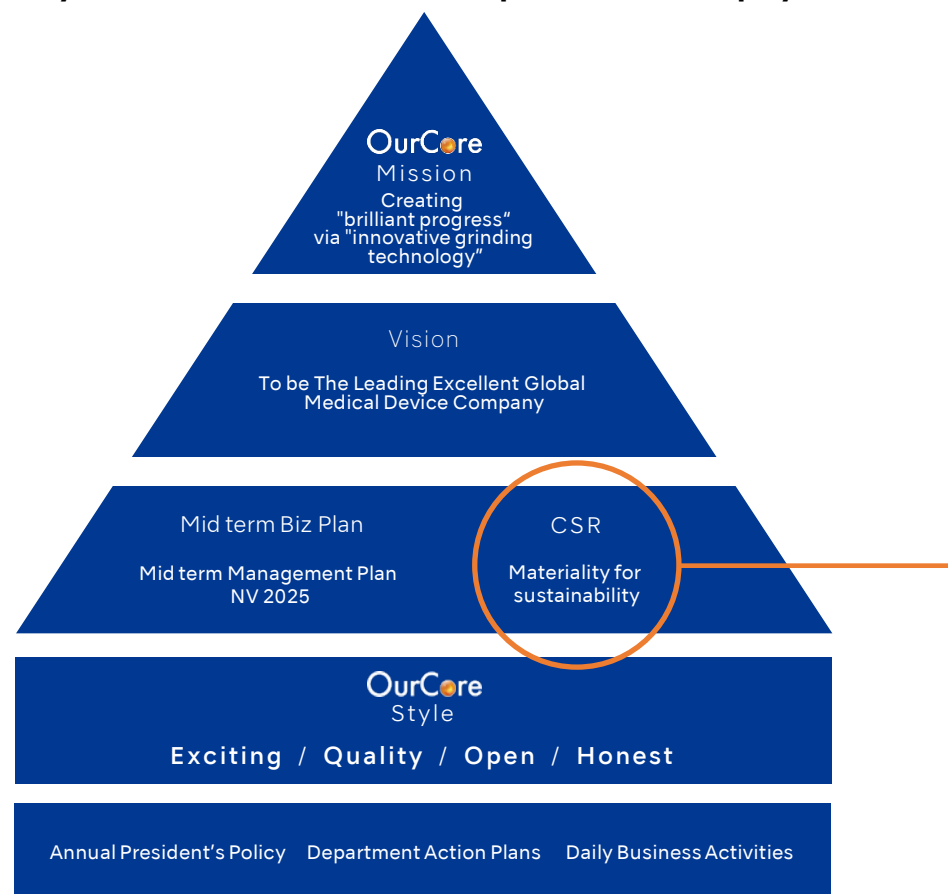
**"Primado2" series products  
used in the hands-on course**

We will implement concrete initiatives to address climate change, circular economy, human rights and other sustainability issues, with the goal of creating "brilliant progress" via "innovative grinding technology."

Sustainability  
Report 2021



## System of NAKANISHI's Corporate Philosophy



## Materiality for Sustainability

Materiality

Relevant SDGs

- Providing innovative and safe products**  
Contribute directly to health, welfare and industrial infrastructure through the provision of products and services
- Provide product knowledge and best clinical knowledge**  
Disseminate and share advanced clinical technologies through NSK Academy activities, etc.
- Extend product life through expanded service structure**  
Contribute by our reliable and durable quality to our customers
- Develop human resources for advanced manufacturing**  
Strengthen human resources as the most important business foundation for continuing to provide products and services
- Promote occupational safety and health & health and productivity management**  
Pursue workplaces for the creation of innovative products
- Create workplaces where diverse human resources can grow**  
Implement diversity and inclusion
- Respect our business partners around the world**  
Implement sincere and fair corporate activities
- Response to climate change and contribution to a recycling-oriented society**  
Contribute to reducing environmental impact through products, services and business processes





## Dual Defense™



## Our original infection prevention systems

For more than 30 years, we have been developing products that help both dentists and patients to engage in dental treatment with a sense of security, including our original infection prevention system, which is the first of its kind.

Relevant  
SDGs



Our materiality for sustainability

1. Proving innovative and safe products

## Ecological packaging



We have changed package material from plastics to recycled paper and reduced the size and weight of packages, as part of our efforts to reduce plastic waste and mitigate the environmental impact of logistics.

Relevant  
SDGs



Our materiality for sustainability

8. Response to climate change and contribution to a recycling-oriented society



## Product training sessions

We provide product training sessions to help users to deepen their understanding of our products and make the full use of their functions.

This initiative has contributed to improving customer satisfaction and advancing dental treatment technology.

Relevant  
SDGs



Our materiality for sustainability

2. Provide product knowledge and best clinical knowledge



## Zero CO2 manufacturing

We have changed all the electricity used at our head office and plant A1 to renewable energy (solar power and wind power). We will continue to take climate action while sustaining our business activities.

Relevant  
SDGs



Our materiality for sustainability

8. Response to climate change and contribution to a recycling-oriented society

***NSK***