

# Briefing Material

for 1<sup>st</sup> quarter ended Mar. 31, 2022

May 12, 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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# Changes in reporting segments

## Key changes

1. "Surgical Business" was separated from the previous reporting segment "Dental Products" and individually established
2. Abolition of the previous reporting segment "Others (mainly included repair services)", which will be included in each new reporting segments

## Previous reporting segments

Dental Products

Industrial Products

Others

## New reporting segments (Starting from FY2022 Q1)

Rename

Dental Business

Development, production and sales of wide range of dental equipment, which cover such as restorative dentistry, periodontics, mobile dental care, oral surgery etc.

Separate

Surgical Business

Development, production and sales of bone grinding and cutting drills which can be used in areas of neurosurgery, spine surgery and orthopedic surgery.

Rename

Industrial Business

Development, production and sales of motors and spindles which can be used in high-precision processes in wide range of industrial areas such as automobile, aircraft, precision parts industries.

Abolition

## Dental business

**Ti-Max Z Series** (Dental hand piece)



**Surgic Pro2** (Oral surgery System)



**END-MATE DT2** (Endodontic micromotor)



**Varios Combi Pro** (Oral hygiene system)



**iClave mini2** (Autoclave)

**NLZ** (Clinical micromotor)

**VIVAace** (Mobile-dentistry unit)

## Surgical business

**Primado2 series** (Total surgical system)



**Attachment**



**Bur**

## Industrial business

**E4000 series** (Motor & spindle)



**Emax EVOLution** (Micro grinder)



**E3000 series** (Motor & spindle)



**Sheenus ZERO** (Ultrasonic polisher)

# Consolidated financial result for FY2022Q1

- Achieved sales increase in all (dental, surgical and industrial) businesses
- Flexible parts purchase helped minimizing negative impact on production
- Depreciated Japanese yen against major trading currencies gave a boost to improving business performance



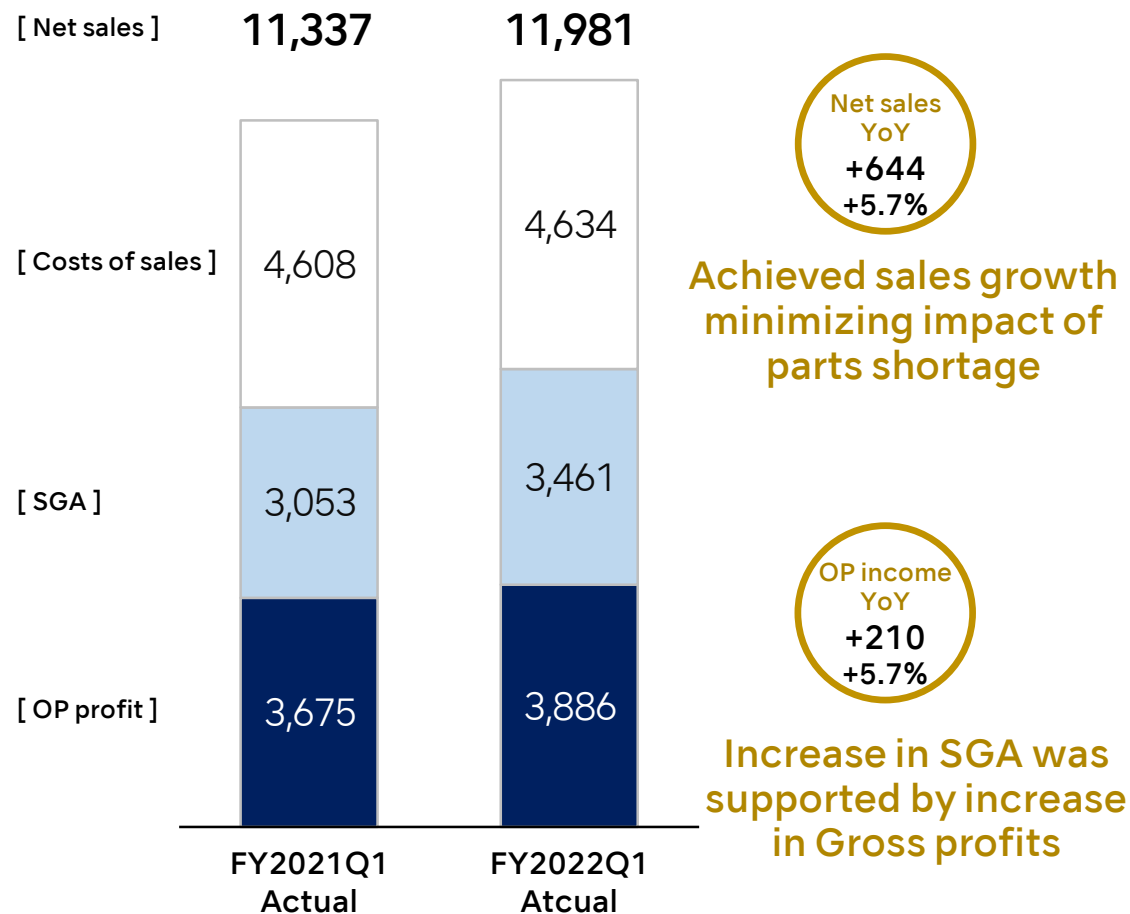
M of JPY

|                                                | FY2022Q1<br>Actual | FY2021Q1<br>Actual | YoY Comparison |         |
|------------------------------------------------|--------------------|--------------------|----------------|---------|
|                                                |                    |                    | Amount         | Ratio   |
| <b>Net sales</b>                               | <b>11,981</b>      | <b>11,337</b>      | + 644          | + 5.7 % |
| <b>Gross profit</b>                            | <b>7,347</b>       | <b>6,728</b>       | + 618          | + 9.2 % |
| Ratio to net sales                             | 61.3 %             | 59.4 %             | + 2.0 pt       | —       |
| <b>Operating profit</b>                        | <b>3,886</b>       | <b>3,675</b>       | + 210          | + 5.7 % |
| Ratio to net sales                             | 32.4 %             | 32.4 %             | + 0.0 pt       | —       |
| <b>Ordinary profit</b>                         | <b>4,374</b>       | <b>4,113</b>       | + 260          | + 6.3 % |
| Ratio to net sales                             | 36.5 %             | 36.3 %             | + 0.2 pt       | —       |
| <b>Profit attributable to owners of parent</b> | <b>3,142</b>       | <b>3,074</b>       | + 67           | + 2.2 % |
| Ratio to net sales                             | 26.2 %             | 27.1 %             | - 0.9 pt       | —       |
| <b>EPS</b> (JPY)                               | <b>36.50</b>       | <b>35.48</b>       | —              | —       |
| <b>Currency rate</b>                           |                    |                    |                |         |
| - Against the US dollar (JPY)                  | <b>117.10</b>      | <b>106.24</b>      | +10.86         |         |
| - Against the EURO (JPY)                       | <b>131.30</b>      | <b>128.10</b>      | +3.20          |         |

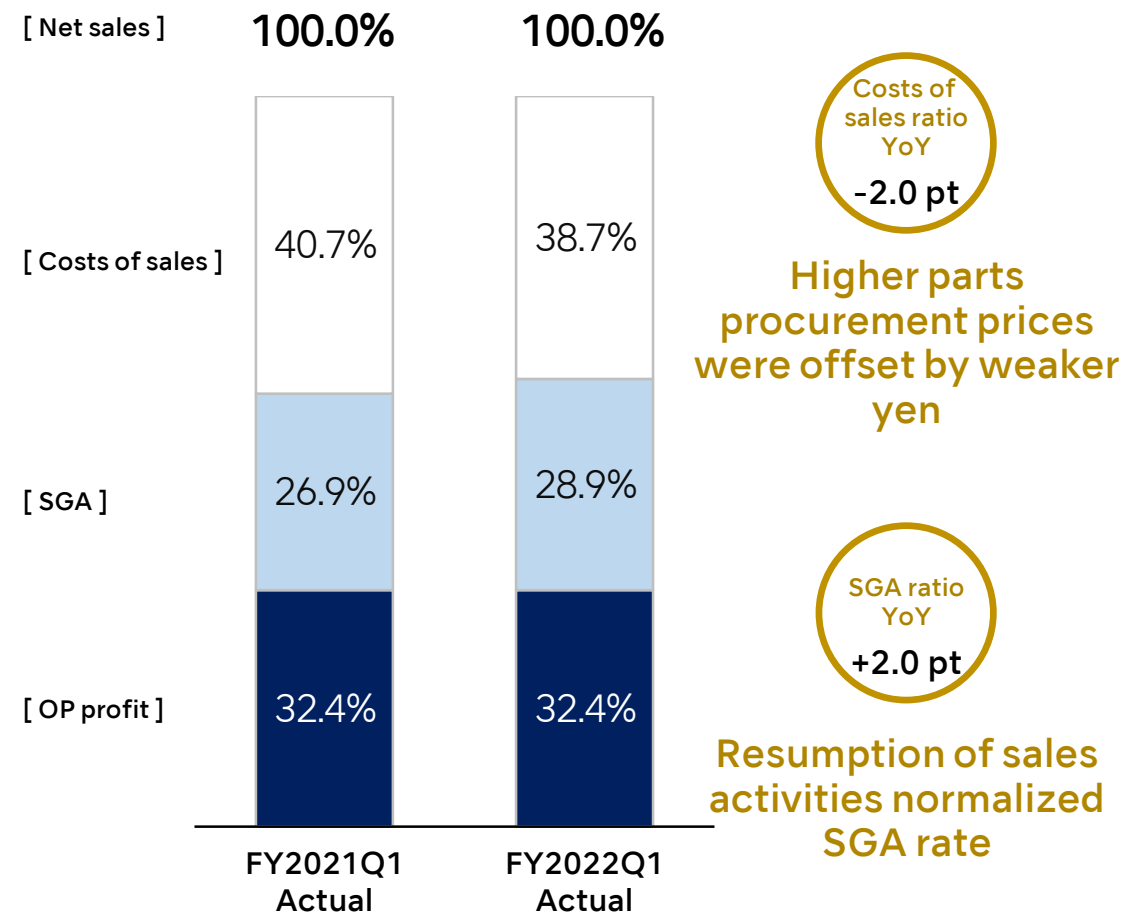
- **Forex impact** : Net sales +490M of JPY (vs FY2021Q1 Actual), +535M of JPY (vs FY2022Q1 Forecast)
- **Forex sensitivity** : Fluctuation in annual net sales due to the depreciation of the yen (per one yen)  
Against USD: Increase of 96M of JPY    Against EURO: Increase of 77M of JPY

M of JPY

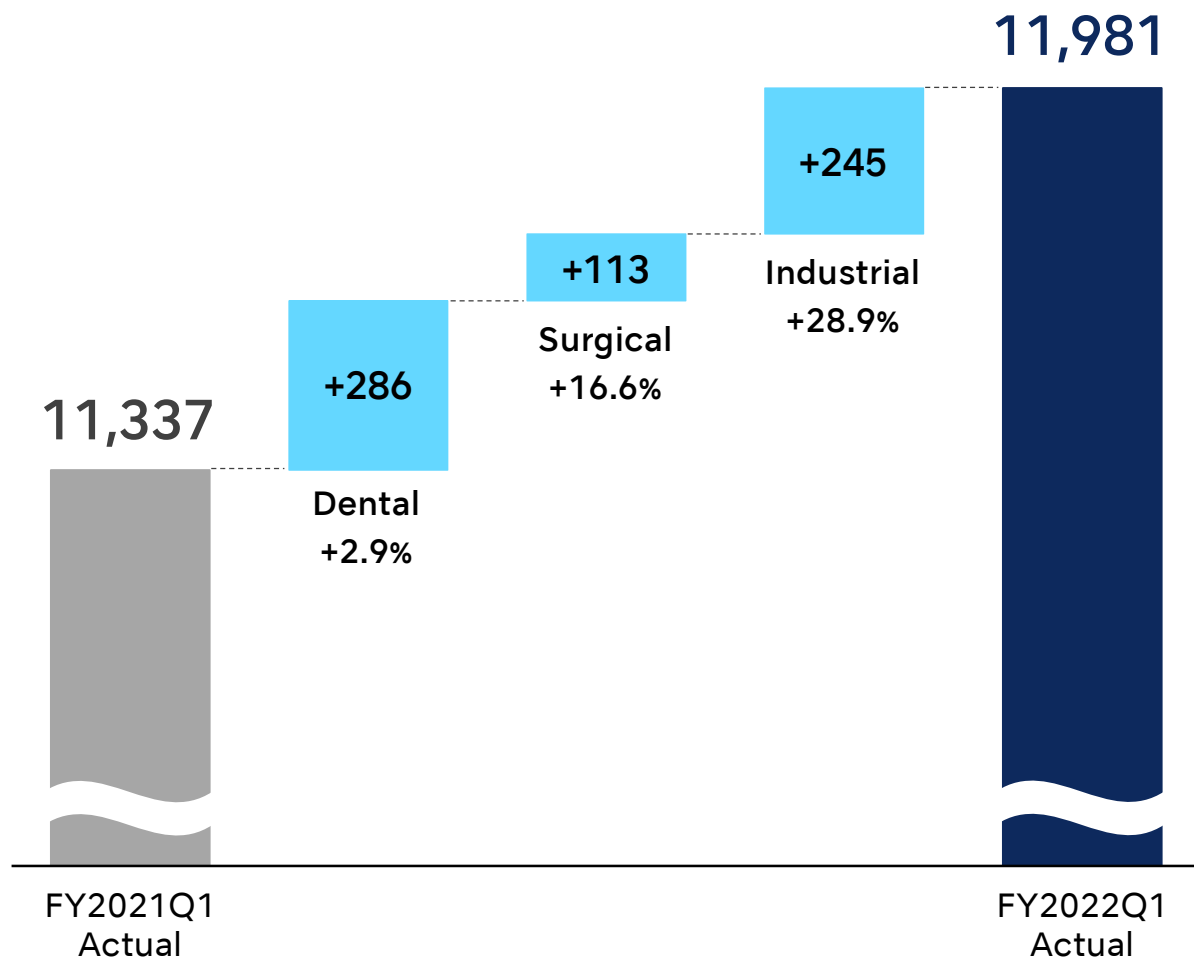
## Amount



## Composition ratio



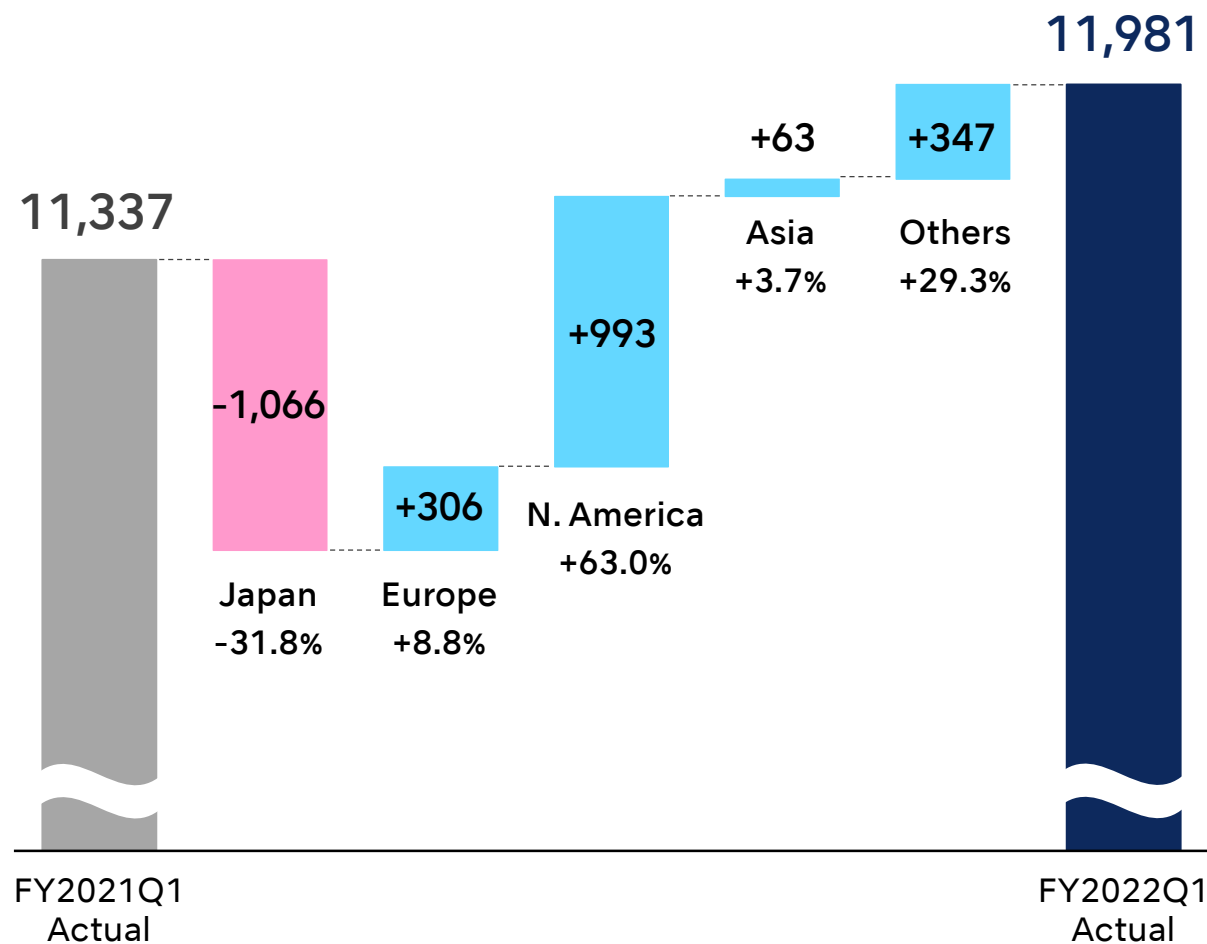
M of JPY



|            | FY2021Q1<br>Actual | FY2022Q1<br>Actual | Change |
|------------|--------------------|--------------------|--------|
| Dental     | 9,809              | 10,095             | +2.9%  |
| Surgical   | 680                | 793                | +16.6% |
| Industrial | 847                | 1,092              | +28.9% |
| Total      | 11,337             | 11,981             | +5.7%  |

# Change in net sales by region

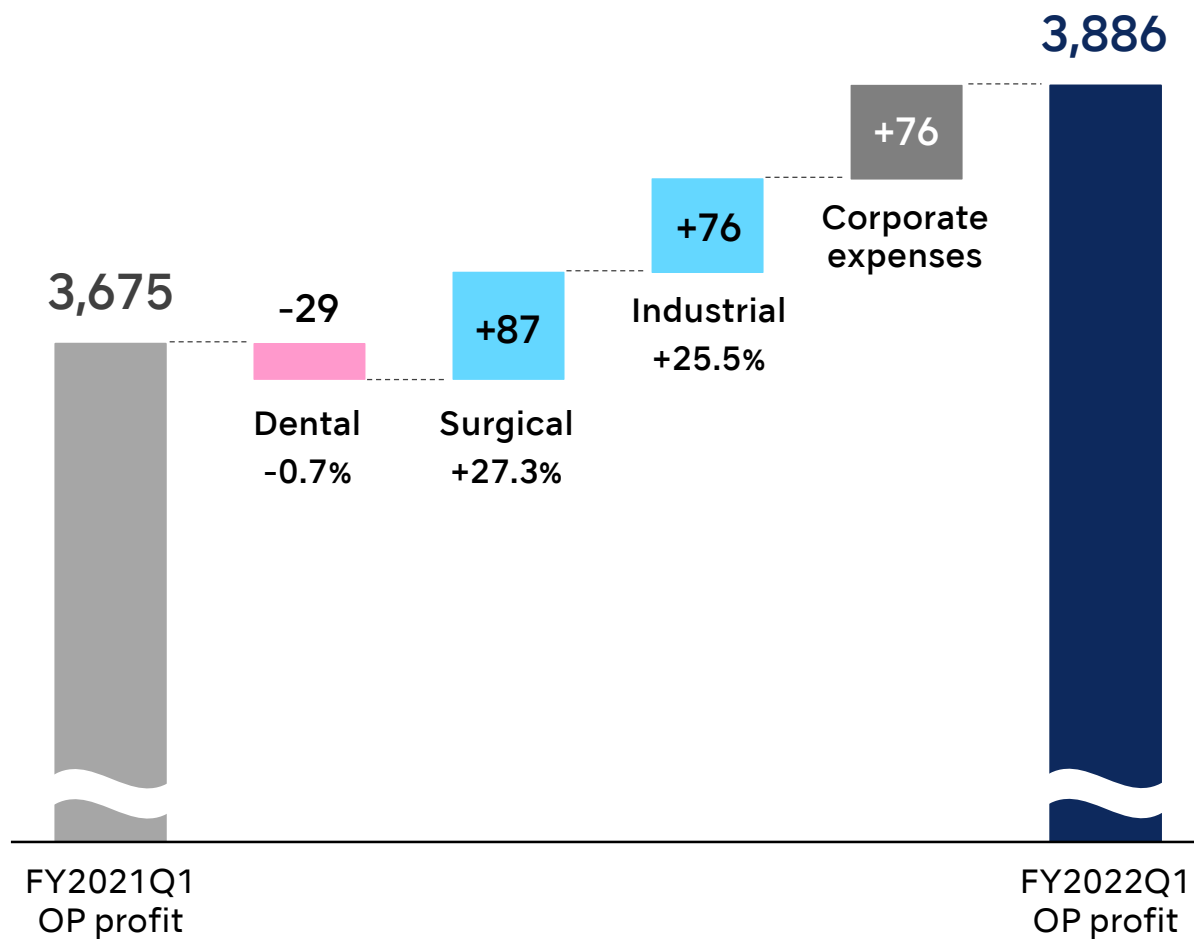
M of JPY



|            | FY2021Q1<br>Actual | FY2022Q1<br>Actual | Change |
|------------|--------------------|--------------------|--------|
| Japan      | 3,355              | 2,289              | -31.8% |
| Europe     | 3,486              | 3,792              | +8.8%  |
| N. America | 1,576              | 2,569              | +63.0% |
| Asia       | 1,730              | 1,794              | +3.7%  |
| Others     | 1,188              | 1,536              | +29.3% |
| Total      | 11,337             | 11,981             | +5.7%  |

# Change in operating profit by segment

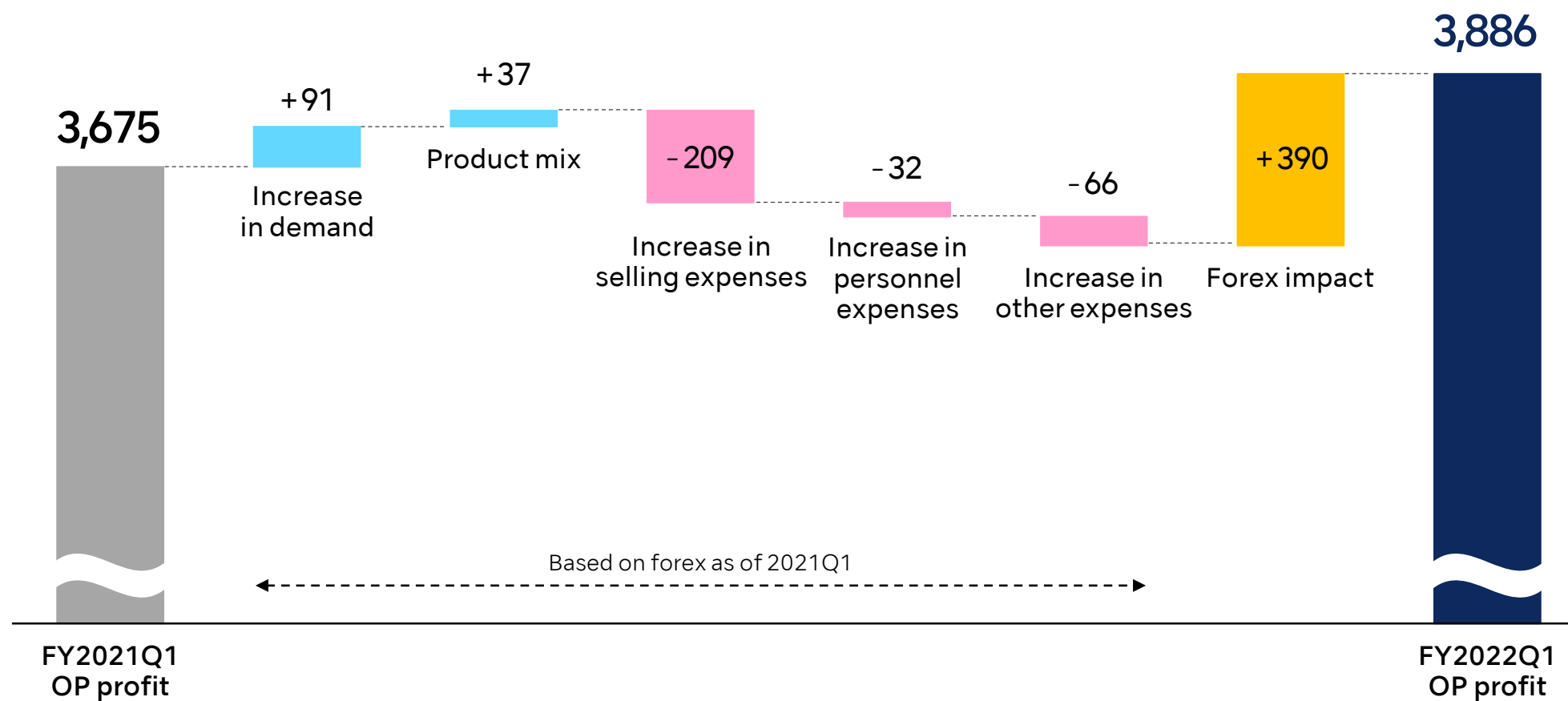
M of JPY



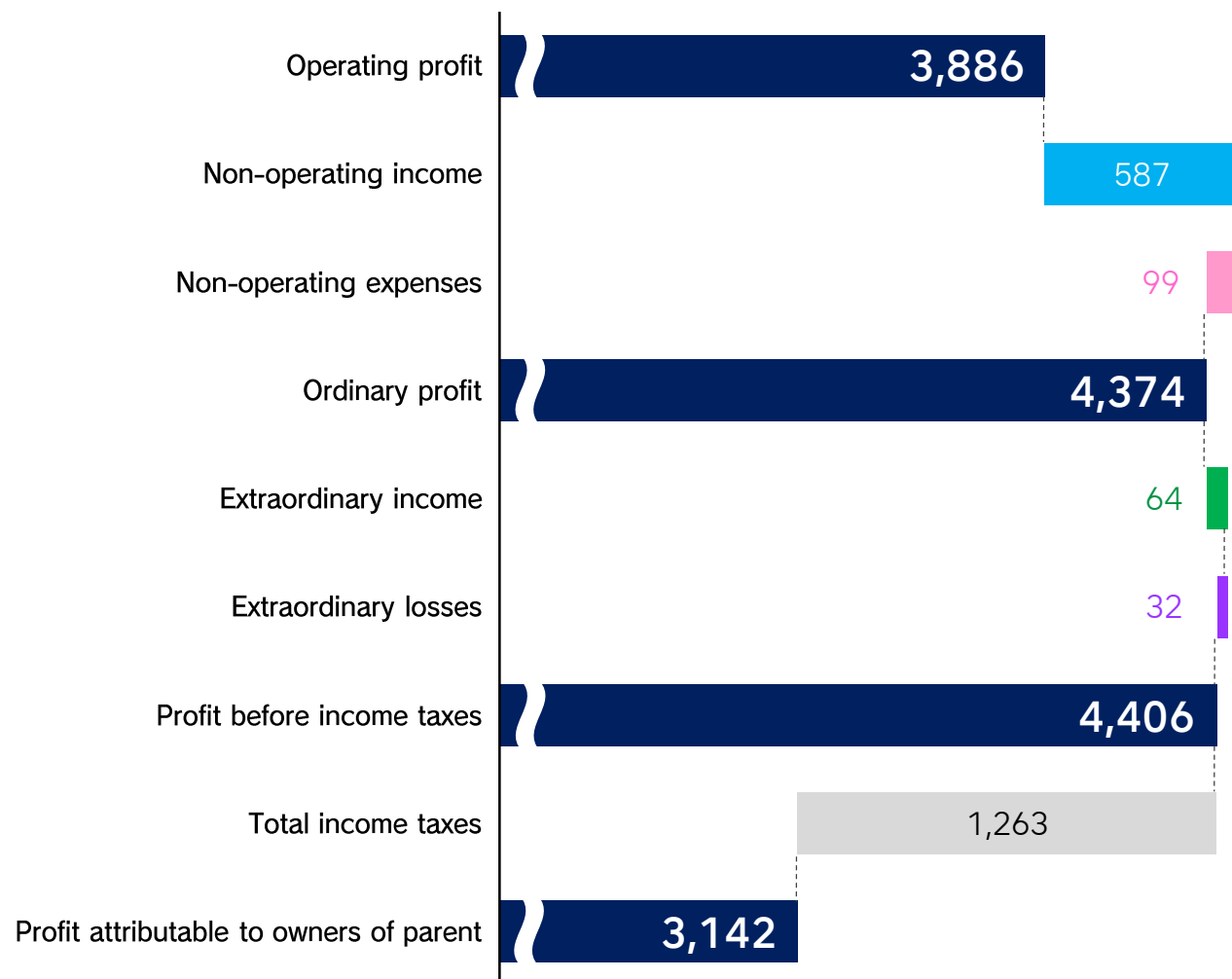
|                    | FY2021Q1<br>Actual | FY2022Q1<br>Actual | Change |
|--------------------|--------------------|--------------------|--------|
| Dental             | 4,127              | 4,097              | -0.7%  |
| Surgical           | 321                | 409                | +27.3% |
| Industrial         | 299                | 375                | +25.5% |
| Corporate expenses | -1,072             | -995               | —      |
| Total              | 3,675              | 3,886              | +5.7%  |

M of JPY

| Exchange rate |                 |                 |
|---------------|-----------------|-----------------|
|               | 2021/03 Average | 2022/03 Average |
| USD           | 106.24 JPY      | → 117.10 JPY    |
| EURO          | 128.10 JPY      | → 131.30 JPY    |



M of JPY



## Non-operating profit

|                         |     |
|-------------------------|-----|
| • Foreign exchange gain | 447 |
| • Miscellaneous income  | 60  |

## Non-operating expenses

|                                              |    |
|----------------------------------------------|----|
| • Loss on investments in money held in trust | 83 |
| • Miscellaneous loss                         | 13 |

## Extraordinary income

|                                       |    |
|---------------------------------------|----|
| • Gain on sales of non-current assets | 64 |
|---------------------------------------|----|

## Extraordinary loss

|                                       |    |
|---------------------------------------|----|
| • Loss on sales of non-current assets | 31 |
|---------------------------------------|----|

M of JPY

|                                         | As of Mar. 31,<br>2022 | As of Dec. 31,<br>2021 | Change  | Note                                                                                                                                                              |
|-----------------------------------------|------------------------|------------------------|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Total assets</b>                     | <b>95,593</b>          | <b>94,460</b>          | +1,132  |                                                                                                                                                                   |
| - Notes and accounts receivable - trade | 6,125                  | 5,348                  | +776    |                                                                                                                                                                   |
| - Inventories                           | 12,784                 | 11,733                 | +1,051  | <ul style="list-style-type: none"> <li>· Merchandise and finished goods +453</li> <li>· Work in process +74</li> <li>· Raw materials and supplies +523</li> </ul> |
| <b>Liabilities</b>                      | <b>10,740</b>          | <b>11,541</b>          | -801    | <ul style="list-style-type: none"> <li>· Accounts payable +603</li> <li>· Income taxes payable -1,171</li> </ul>                                                  |
| - Loans payable                         | 100                    | 100                    | —       |                                                                                                                                                                   |
| <b>Net assets</b>                       | <b>84,853</b>          | <b>82,919</b>          | +1,933  |                                                                                                                                                                   |
| - Retained earnings                     | 86,184                 | 84,765                 | +1,419  |                                                                                                                                                                   |
| <b>Return on equity (ROE)</b>           | <b>11.2 %</b>          | <b>12.7 %</b>          | -1.5 pt |                                                                                                                                                                   |
| <b>Return on assets (ROA)</b>           | <b>13.9 %</b>          | <b>15.8 %</b>          | -1.9 pt |                                                                                                                                                                   |

\* ROE and ROA are calculated based on the forecast and repurchase of own shares disclosed on May 12, 2022.

|                              | FY2022Q1<br>Actual | FY2021Q1<br>Actual | Change | Note                                                                                                        |
|------------------------------|--------------------|--------------------|--------|-------------------------------------------------------------------------------------------------------------|
| <b>Capital investments</b>   | <b>1,250</b>       | <b>194</b>         | +1,056 | <ul style="list-style-type: none"> <li>· New factory "A1+" 625</li> <li>· Information system 199</li> </ul> |
| <b>Depreciation expenses</b> | <b>429</b>         | <b>419</b>         | +9     |                                                                                                             |



# Revision of consolidated financial forecast for FY2022Q2 and FY2022

(Revised on May 12<sup>th</sup>)

M of JPY

|                                                | FY2021Q2<br>Actual | FY2022Q2<br>Previous forecast | FY2022Q2<br>Revised forecast | Vs previous forecast |         |
|------------------------------------------------|--------------------|-------------------------------|------------------------------|----------------------|---------|
|                                                |                    |                               |                              | Amount               | Ratio   |
| <b>Net sales</b>                               | <b>23,014</b>      | <b>19,749</b>                 | <b>23,026</b>                | +3,276               | +16.6 % |
| <b>Gross profit</b>                            | <b>13,914</b>      | <b>12,257</b>                 | <b>13,917</b>                | +1,659               | +13.5 % |
| Ratio to net sales                             | 60.5 %             | 62.1 %                        | 60.4 %                       | -1.6 pt              | —       |
| <b>Operating profit</b>                        | <b>7,646</b>       | <b>4,789</b>                  | <b>6,546</b>                 | +1,756               | +36.7 % |
| Ratio to net sales                             | 33.2 %             | 24.3 %                        | 28.4 %                       | +4.2 pt              | —       |
| <b>Ordinary profit</b>                         | <b>7,423</b>       | <b>4,849</b>                  | <b>7,095</b>                 | +2,245               | +46.3 % |
| Ratio to net sales                             | 32.3 %             | 24.6 %                        | 30.8 %                       | +6.3 pt              | —       |
| <b>Profit attributable to owners of parent</b> | <b>5,366</b>       | <b>3,418</b>                  | <b>5,062</b>                 | +1,643               | +48.1 % |
| Ratio to net sales                             | 23.3 %             | 17.3 %                        | 22.0 %                       | +4.7 pt              | —       |
| <b>EPS</b> (JPY)                               | <b>61.93</b>       | <b>39.68</b>                  | <b>58.75</b>                 | —                    | —       |
| <b>Currency rate</b>                           |                    |                               |                              |                      |         |
| - Against the US dollar (JPY)                  | <b>107.74</b>      | <b>109.00</b>                 | <b>124.00</b>                | +15.00               | —       |
| - Against the EURO (JPY)                       | <b>129.96</b>      | <b>123.00</b>                 | <b>131.00</b>                | +8.00                | —       |

M of JPY

|                                                | FY2021<br>Actual | FY2022<br>Previous forecast | FY2022<br>Revised forecast | Vs previous forecast |         |
|------------------------------------------------|------------------|-----------------------------|----------------------------|----------------------|---------|
|                                                |                  |                             |                            | Amount               | Ratio   |
| <b>Net sales</b>                               | <b>44,857</b>    | <b>41,244</b>               | <b>45,788</b>              | +4,544               | +11.0 % |
| <b>Gross profit</b>                            | <b>27,295</b>    | <b>25,585</b>               | <b>27,723</b>              | +2,137               | +8.4 %  |
| Ratio to net sales                             | 60.8 %           | 62.0 %                      | 60.5 %                     | -1.5 pt              | —       |
| <b>Operating profit</b>                        | <b>13,750</b>    | <b>10,678</b>               | <b>12,606</b>              | +1,927               | +18.1 % |
| Ratio to net sales                             | 30.7 %           | 25.9 %                      | 27.5 %                     | +1.6 pt              | —       |
| <b>Ordinary profit</b>                         | <b>13,951</b>    | <b>11,122</b>               | <b>13,587</b>              | +2,464               | +22.2 % |
| Ratio to net sales                             | 31.1 %           | 27.0 %                      | 29.7 %                     | +2.7 pt              | —       |
| <b>Profit attributable to owners of parent</b> | <b>10,102</b>    | <b>7,824</b>                | <b>9,621</b>               | +1,796               | +23.0 % |
| Ratio to net sales                             | 22.5 %           | 19.0 %                      | 21.0 %                     | +2.0 pt              | —       |
| <b>EPS</b> (JPY)                               | <b>116.73</b>    | <b>90.81</b>                | <b>111.66</b>              | —                    | —       |
| <b>Currency rate</b>                           |                  |                             |                            |                      |         |
| - Against the US dollar (JPY)                  | <b>109.84</b>    | <b>109.00</b>               | <b>124.00</b>              | +15.00               | —       |
| - Against the EURO (JPY)                       | <b>130.08</b>    | <b>123.00</b>               | <b>131.00</b>              | +8.00                | —       |

***NSK***