

# Presentation Material

## for the year ended Dec. 31, 2022

February 17, 2023

**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. N S

## 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



Dental hand piece



Oral surgery system



Oral hygiene system



Clinical micromotor

## Surgical business



Console



Slim motor



Attachment



Bur

## Industrial business



Controller



Spindle



Micro grinder



Ultrasonic grinder

Consolidated financial result for FY2022	<b>P. 5</b>
Consolidated financial forecast for FY2023	<b>P. 16</b>
Overviews of each segment and future initiatives	<b>P. 20</b>

# Consolidated financial result for FY2022

**A**chieved record-high performance for the past two consecutive years by capturing strong global demand. Maintained the same sales level as the previous fiscal year when significant increase in sales had been achieved, even excluding the forex impact.

**D**ue to the successful parts purchasing and design changes, we could minimize impact on production. Promoted preparation for the future increased production of parts and enhanced productivity at new factory "A1 +".

**P**arts prices remained high while parts shortages were slightly eased at the end of the fiscal year. Due in part to chronic vacancies at production sites caused by the COVID infection, the prolonged delivery dates could not have been improved, which is leading to the exposition of the competitive risk.

# Consolidated profit and loss statement

M of JPY

	FY2022 Actual	FY2021 Actual	YoY Comparison		FY2022 Forecast	
			Amount	Ratio	Upward revision on Nov. 11	vs. Forecast
Net sales	<b>48,671</b>	<b>44,857</b>	+3,813	+8.5 %	<b>48,588</b>	+0.2 %
Gross profit	<b>31,221</b>	<b>27,295</b>	+3,926	+14.4 %	<b>30,942</b>	+0.9 %
Ratio to net sales	<b>64.1 %</b>	<b>60.8 %</b>	+3.3 pt	—	<b>63.7 %</b>	—
Operating profit	<b>15,389</b>	<b>13,750</b>	+1,638	+11.9 %	<b>14,918</b>	+3.2 %
Ratio to net sales	<b>31.6 %</b>	<b>30.7 %</b>	+1.0 pt	—	<b>30.7 %</b>	—
Ordinary profit	<b>17,646</b>	<b>13,951</b>	+3,694	+26.5 %	<b>18,024</b>	-2.1 %
Ratio to net sales	<b>36.3 %</b>	<b>31.1 %</b>	+5.2 pt	—	<b>37.1 %</b>	—
Profit attributable to owners of parent	<b>12,471</b>	<b>10,102</b>	+2,368	+23.4 %	<b>12,573</b>	-0.8 %
Ratio to net sales	<b>25.6 %</b>	<b>22.5 %</b>	+3.1 pt	—	<b>25.9 %</b>	—
EPS (JPY)	<b>145.48</b>	<b>116.73</b>	—	—	<b>146.47</b>	—

## Currency rate

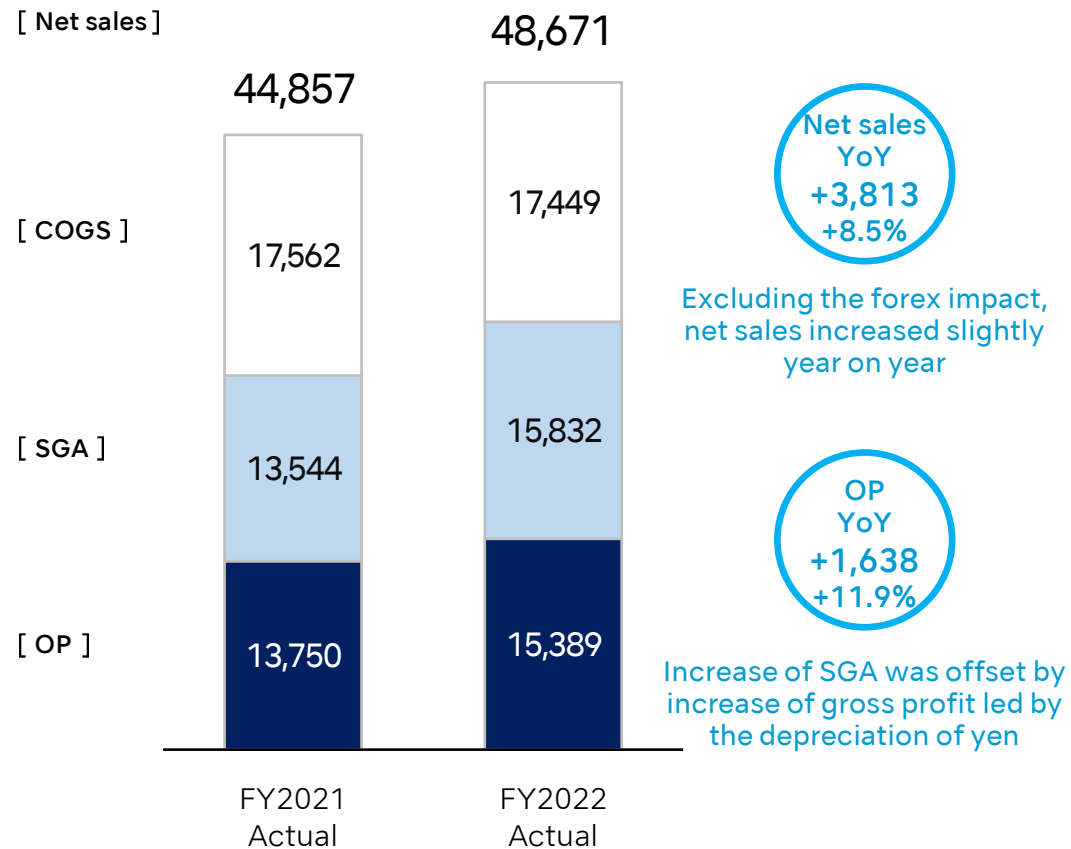
- Against the US dollar (JPY)	<b>130.77</b>	<b>109.84</b>	+20.93	—	<b>124.00</b>	+6.77
- Against the EURO (JPY)	<b>137.90</b>	<b>130.08</b>	+7.82	—	<b>131.00</b>	+6.90

- Forex impact : Net sales +3,342M of JPY (vs FY2021 Actual), +1,629M of JPY (vs FY2022 Forecast)
- Forex sensitivity : Fluctuation in annual net sales due to the depreciation of the yen (per one yen)  
Against USD: Increase of 90M of JPY Against EURO: Increase of 78M of JPY

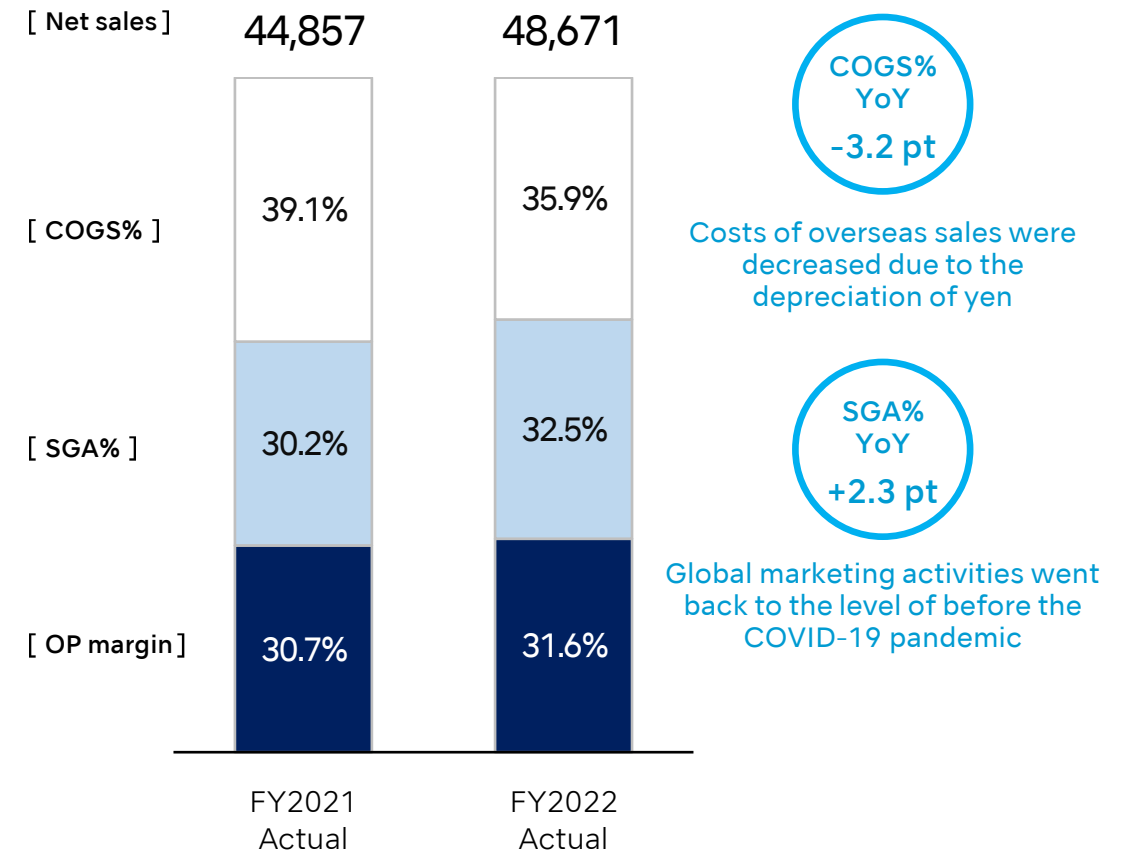
# Transition of earnings structure

M of JPY

## Amount



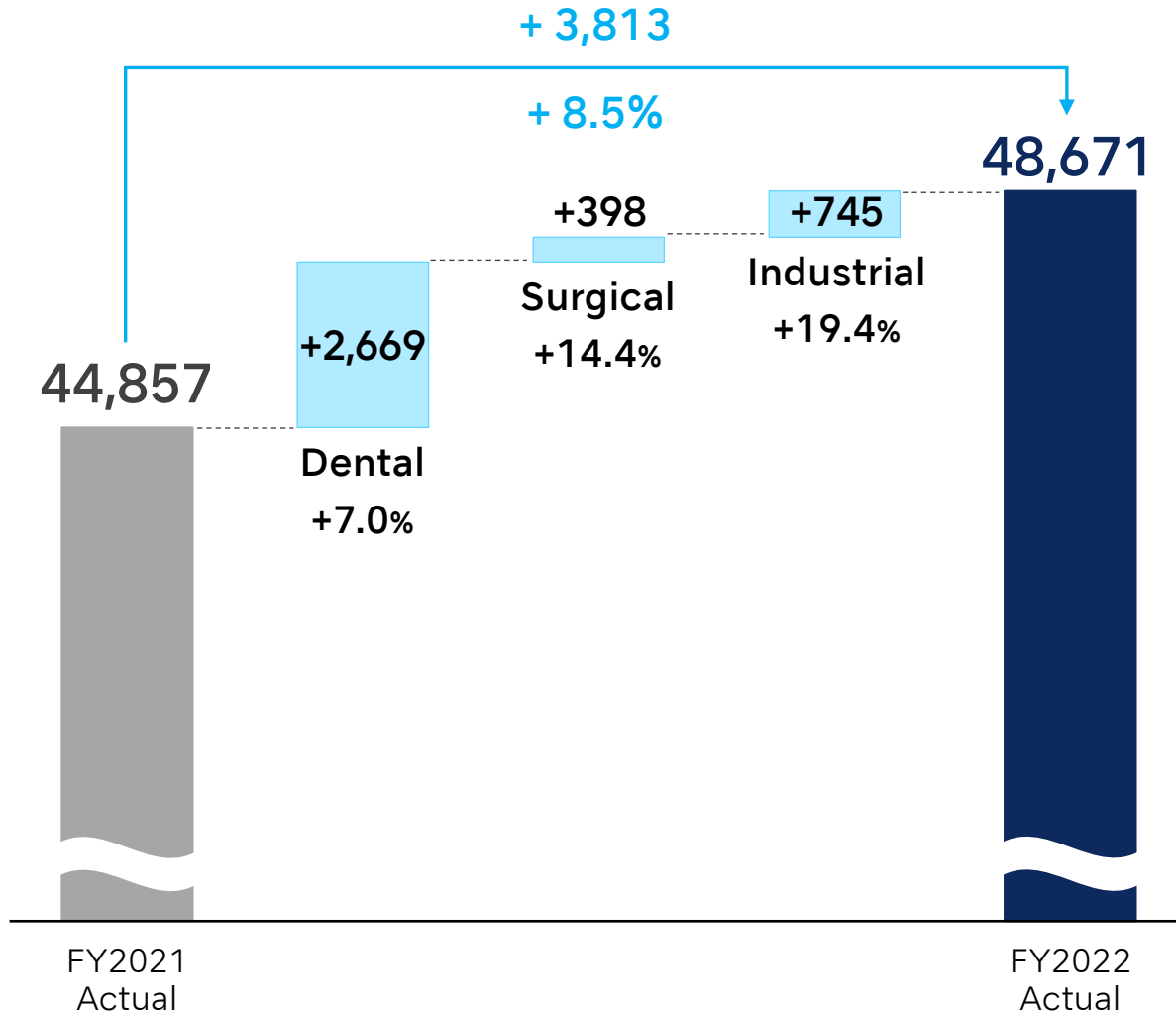
## Composition ratio





# Change in net sales by business segment

M of JPY

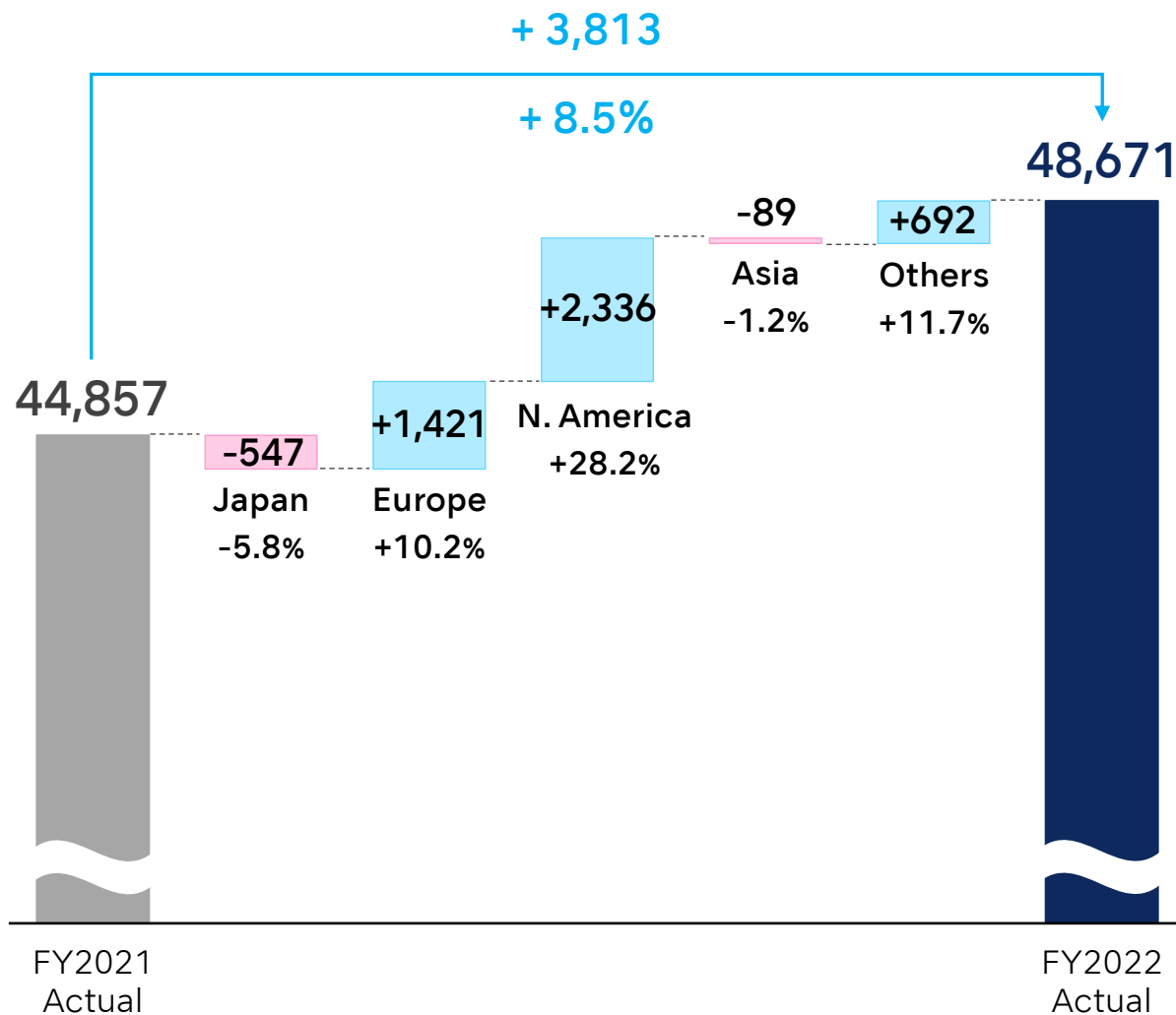


	FY2021 Actual	FY2022 Actual	Change
Dental	38,257	40,926	+7.0 %
Surgical	2,761	3,160	+14.4 %
Industrial	3,839	4,584	+19.4 %
Total	44,857	48,671	+8.5 %

**Forex impact** +3,342 M of JPY (+7.5%)

# Change in net sales by region

M of JPY

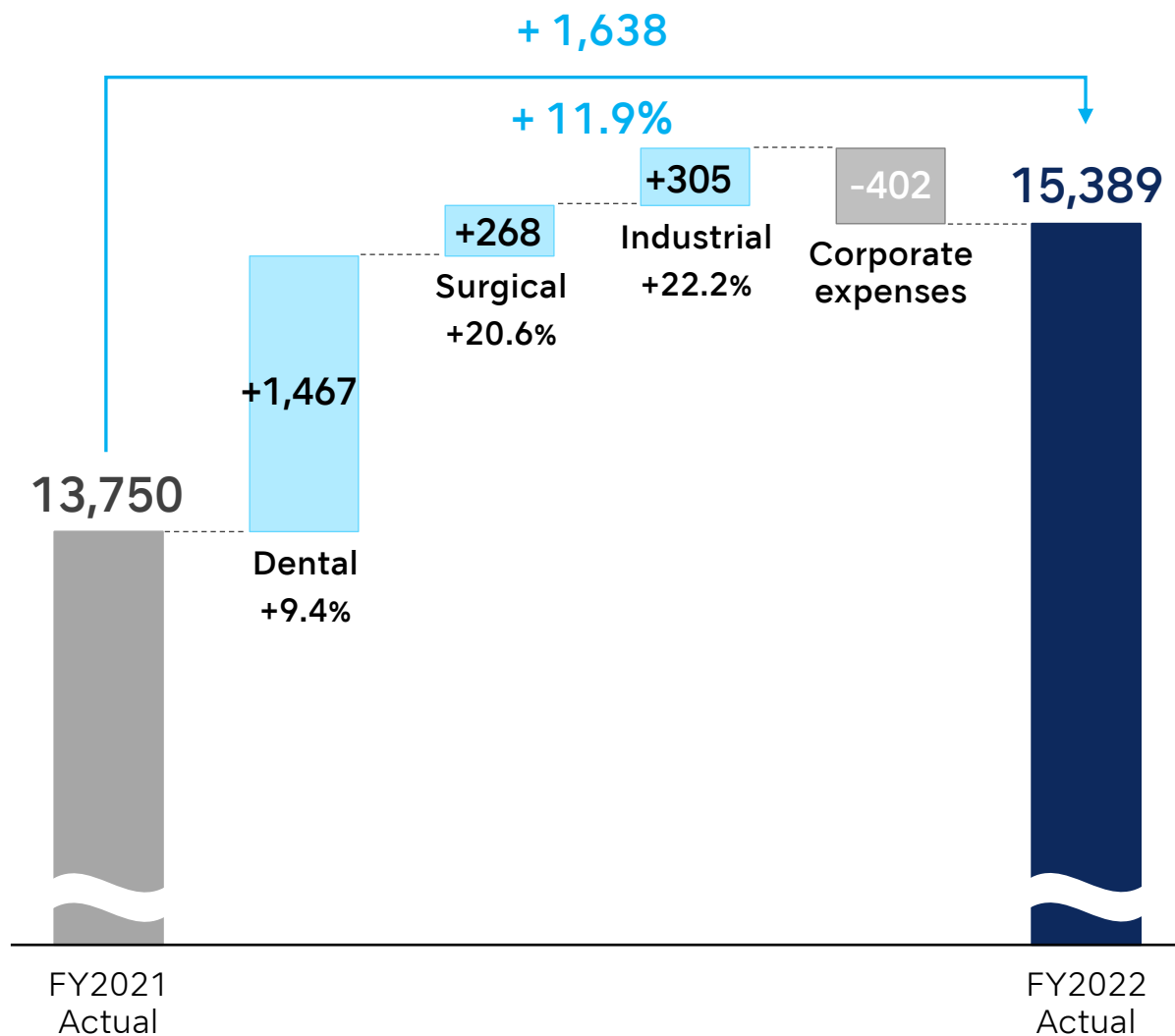


	FY2021 Actual	FY2022 Actual	Change
Japan	9,439	8,891	-5.8 %
Europe	14,010	15,432	+10.2 %
N. America	8,284	10,620	+28.2 %
Asia	7,180	7,091	-1.2 %
Others	5,943	6,636	+11.7 %
Total	44,857	48,671	+8.5 %

**Forex impact** +3,342 M of JPY (+7.5%)

# Change in operating profit by segment

M of JPY



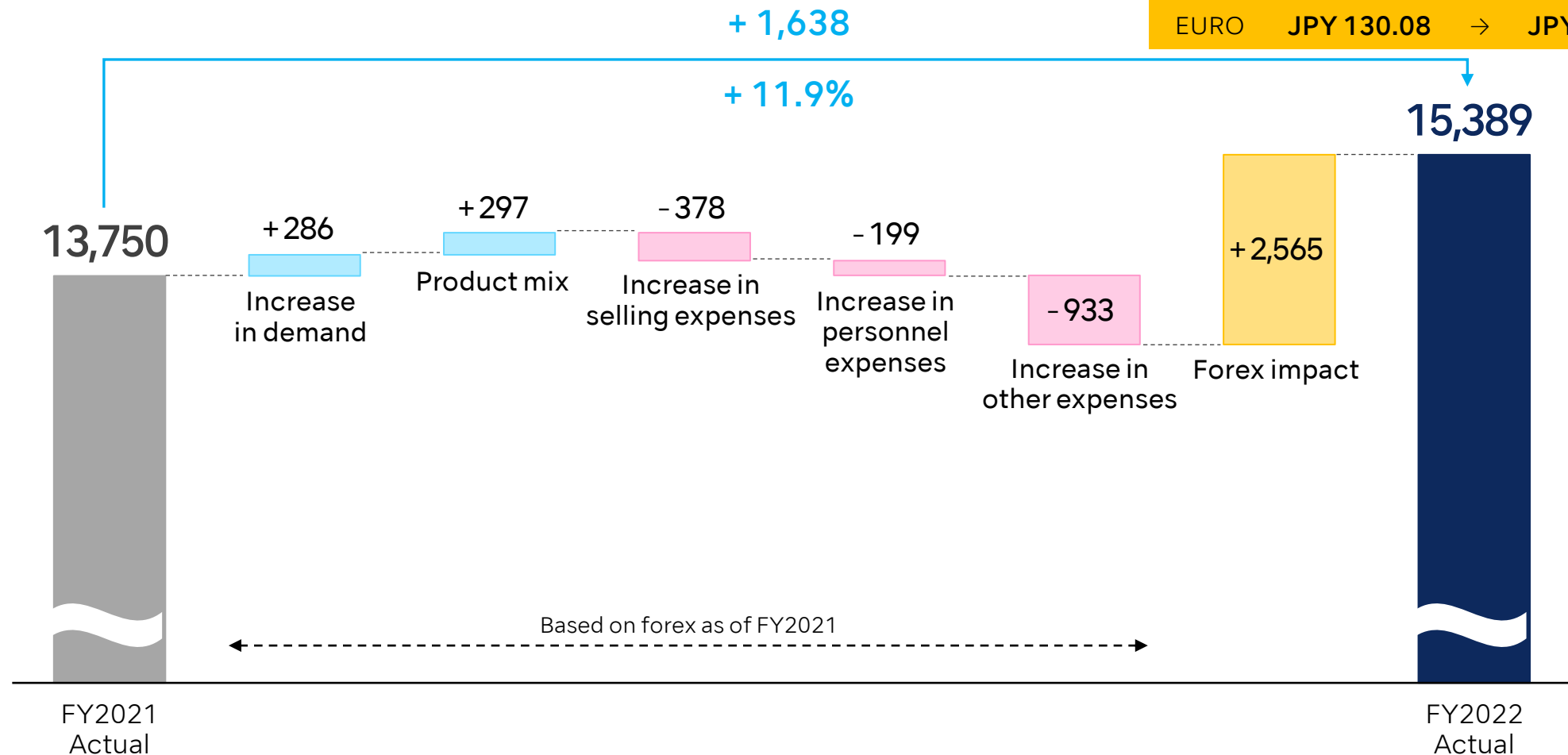
	FY2021 Actual	FY2022 Actual	Change
Dental	15,556	17,024	+9.4 %
Surgical	1,303	1,571	+20.6 %
Industrial	1,377	1,683	+22.2 %
Corporate expenses	-4,487	-4,890	—
Total	13,750	15,389	+11.9 %

**Forex impact** +2,565 M of JPY (+18.7%)

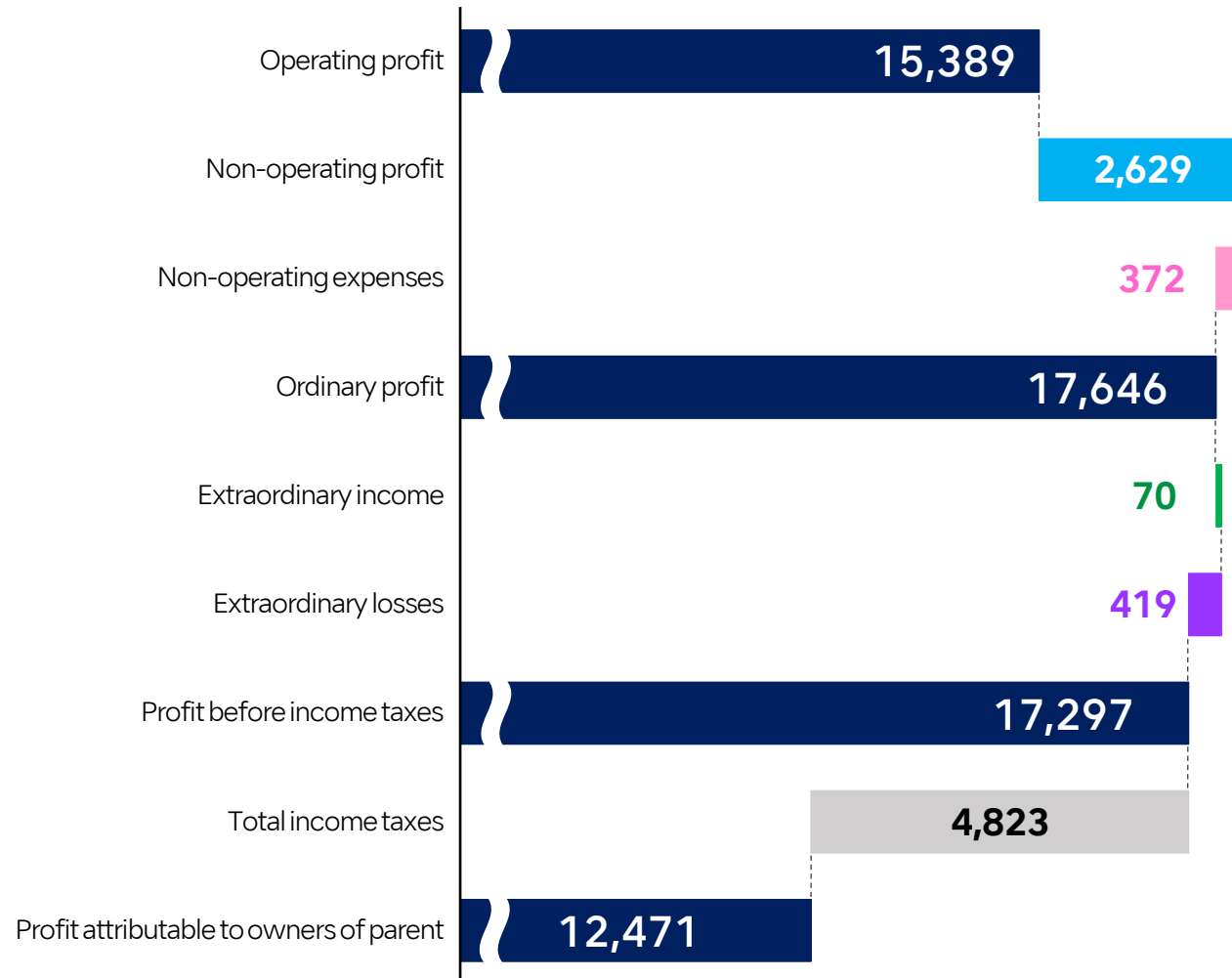
# Change in operating profit

M of JPY

Exchange rate			
	FY2021 Average		FY2022 Average
USD	JPY 109.84	→	JPY 130.77
EURO	JPY 130.08	→	JPY 137.90



M of JPY



## Non-operating profit

· Dividends income	638
· Equity in earnings of affiliates	812
· Foreign exchange gain	610

## Non-operating expenses

· Loss on investments in money held in trust	282
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## Extraordinary income

· Gain on sales of non-current assets	70
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## Extraordinary losses

· Impairment losses	374
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## Consolidated balance sheet

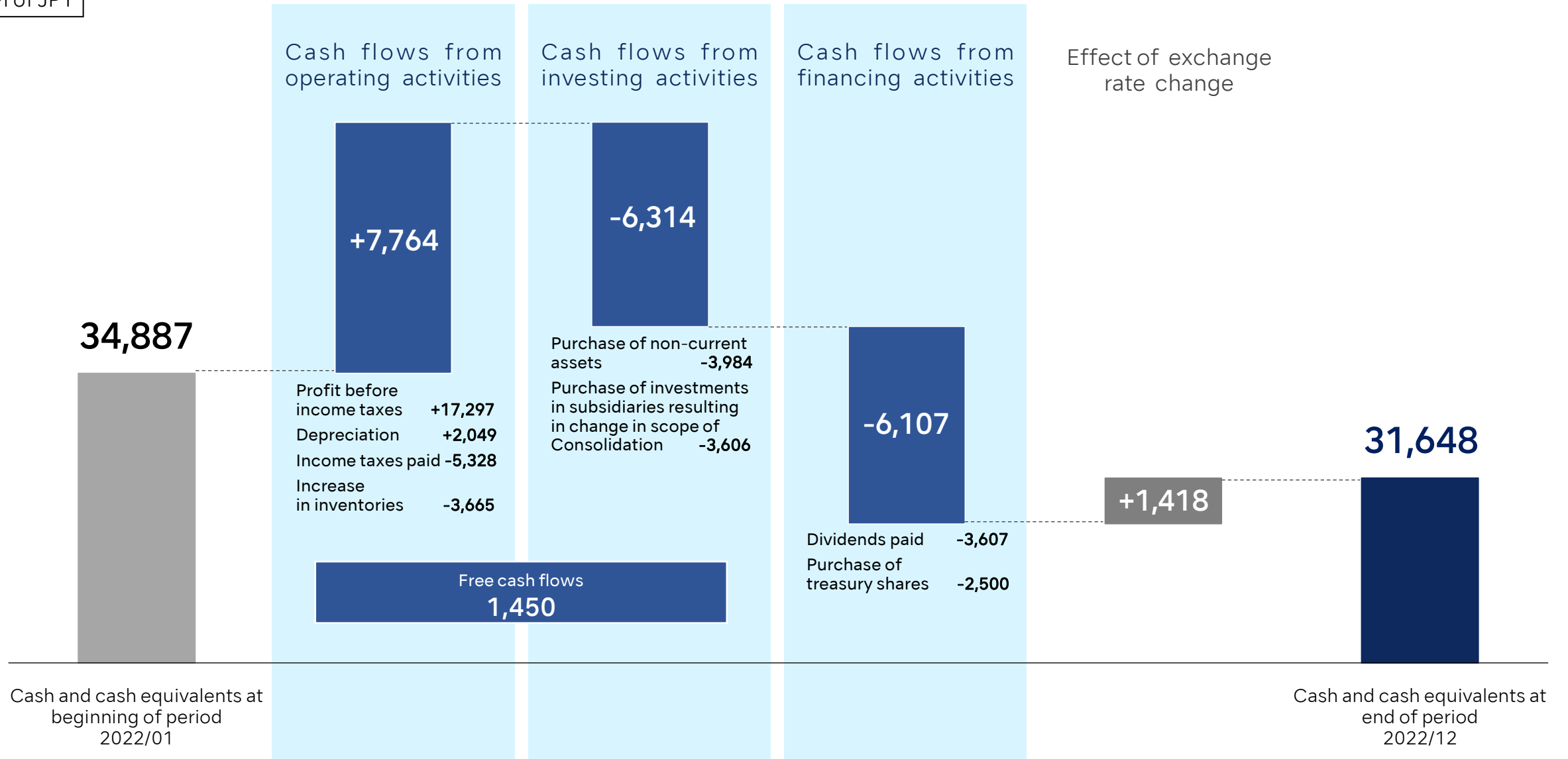
M of JPY

	As of Dec. 31, 2022	As of Dec. 31, 2021	Change	Note
<b>Total assets</b>	<b>102,154</b>	<b>94,460</b>	+7,693	· Buildings and structures +2,680
- Cash and deposits	34,992	35,984	-991	
- Notes and accounts receivable - trade	6,106	5,348	+757	
- Inventories	16,284	11,733	+4,551	· Merchandise and finished goods +1,344 · Work in process +1,512 · Raw materials and supplies +1,694
<b>Liabilities</b>	<b>11,131</b>	<b>11,541</b>	-409	· Account payable - trade +526 · Income taxes payable +234 · Other current liabilities -1,604
- Loans payable	480	100	+380	· Long-term borrowings +358
<b>Net assets</b>	<b>91,022</b>	<b>82,919</b>	+8,103	· Treasury shares -2,500 · Foreign currency translation reserve +2,131
- Retained earnings	93,628	84,765	+8,863	
<b>Return on equity (ROE)</b>	<b>14.4 %</b>	<b>12.7 %</b>	+1.7 pt	
<b>Return on assets (ROA)</b>	<b>18.0 %</b>	<b>15.8 %</b>	+2.2 pt	

	FY2022 Actual	FY2021 Actual	Change	Note
<b>Capital investments</b>	<b>4,058</b>	<b>2,415</b>	+1,642	· New factory "A1+" 1,469 · Information system 276
<b>Depreciation expenses</b>	<b>2,049</b>	<b>1,807</b>	+241	

# Consolidated cash flow statement

M of JPY



# Consolidated financial forecast for FY2023

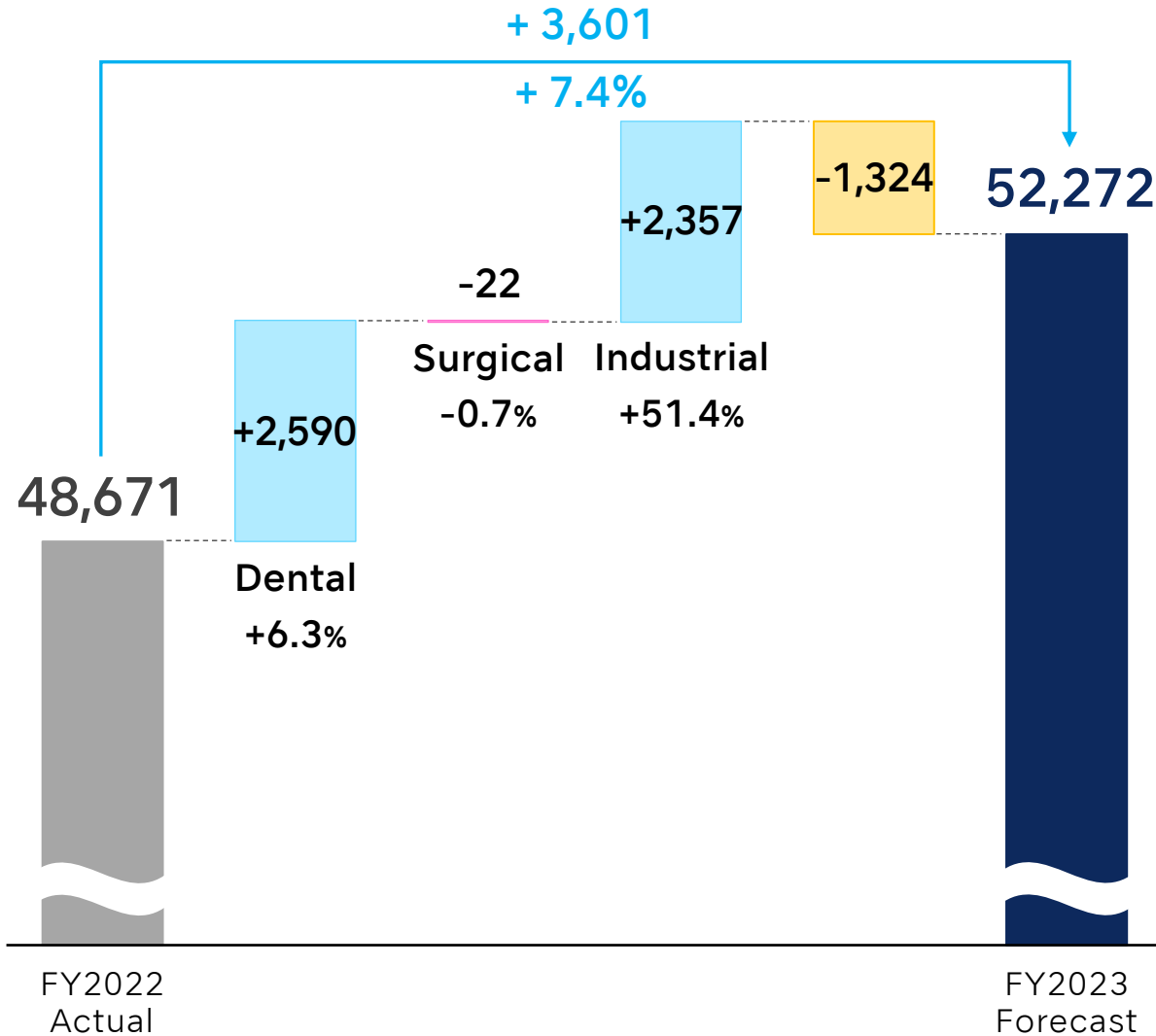


M of JPY

	FY2023 Forecast	FY2022 Actual	Change		Note
			Amount	Ratio	
Net sales	52,272	48,671	+3,601	+7.4 %	
Gross profit	33,965	31,221	+2,743	+8.8 %	
Ratio to net sales	65.0 %	64.1 %	+0.8 pt	—	
Operating profit	15,070	15,389	-318	-2.1 %	
Ratio to net sales	28.8 %	31.6 %	-2.8 pt	—	
Ordinary profit	15,836	17,646	-1,810	-10.3 %	
Ratio to net sales	30.3 %	36.3 %	-6.0 pt	—	
Profit attributable to owners of parent	10,976	12,471	-1,494	-12.0 %	
Ratio to net sales	21.0 %	25.6 %	-4.6 pt	—	
EPS (JPY)	128.91	145.48	—	—	
Capital investments	5,750	4,058	+1,692	+41.7 %	New factory "M1", etc.
Depreciation expenses	2,221	2,049	+172	+8.4 %	
Currency rate					
- Against the US dollar (JPY)	125.00	130.77	-5.77	—	Forex sensitivity: 94Mof JPY
- Against the EURO (JPY)	135.00	137.90	-2.90	—	Forex sensitivity: 98Mof JPY

# Change in net sales by business segment

M of JPY

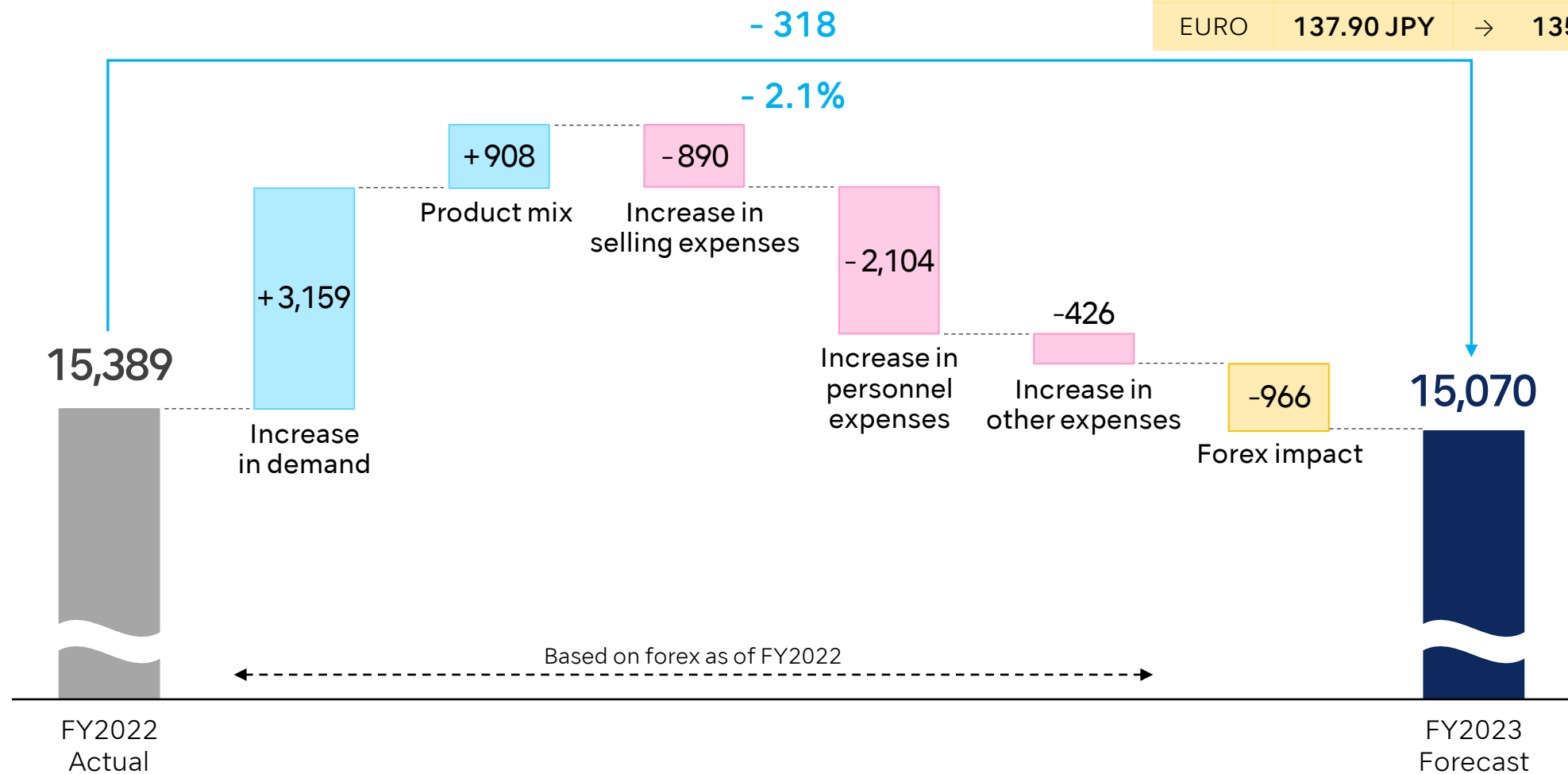


	FY2022 Actual	FY2023 Forecast	Change
Dental	40,926	43,516	+6.3 %
Surgical	3,160	3,137	-0.7 %
Industrial	4,584	6,942	+51.4 %
Forex impact	—	-1,324	-2.7%
Total	48,671	52,272	+7.4 %

# Change in operating profit

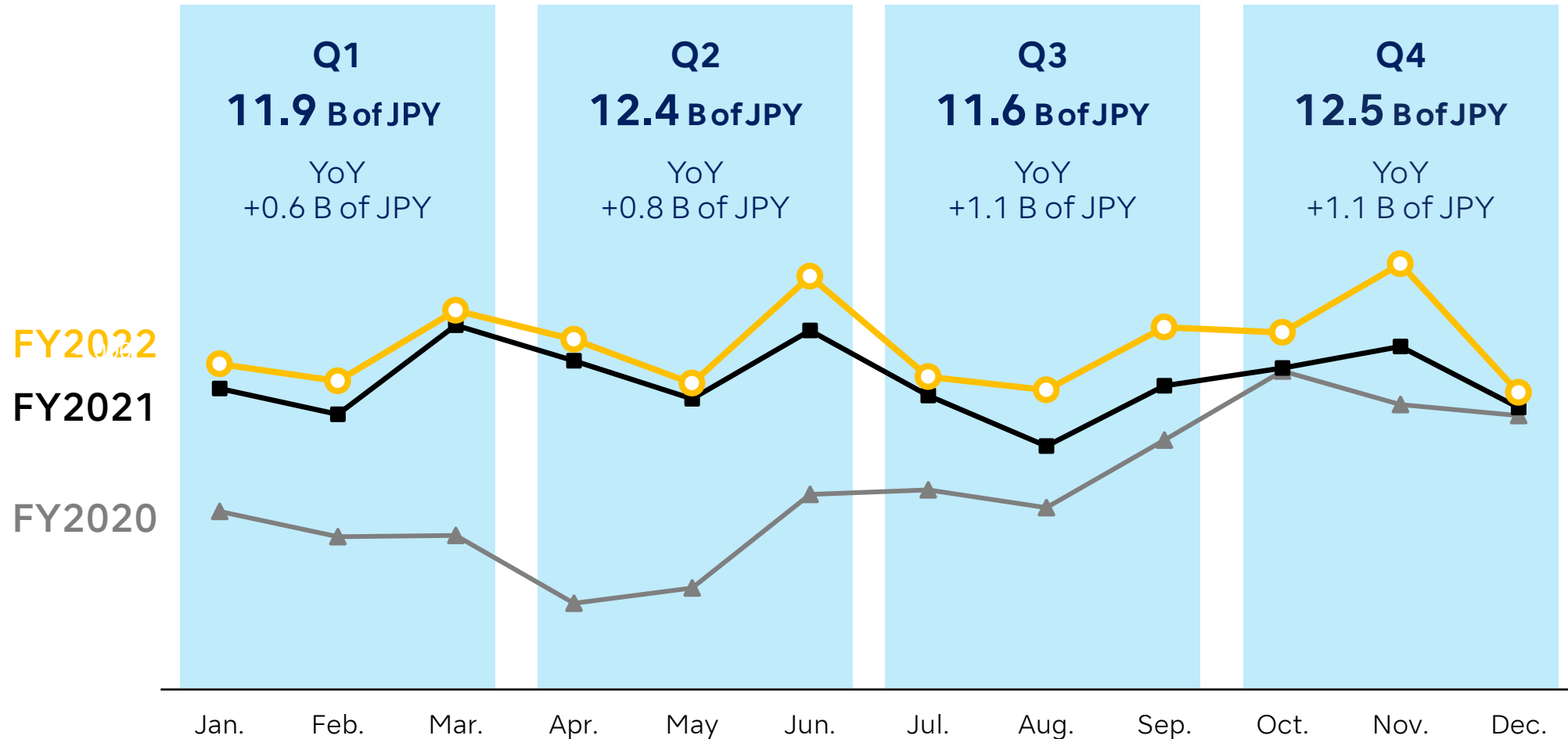
M of JPY

Exchange rate		
	FY2022 Actual	FY2023 Forecast
USD	130.77 JPY	→ 125.00 JPY
EURO	137.90 JPY	→ 135.00 JPY



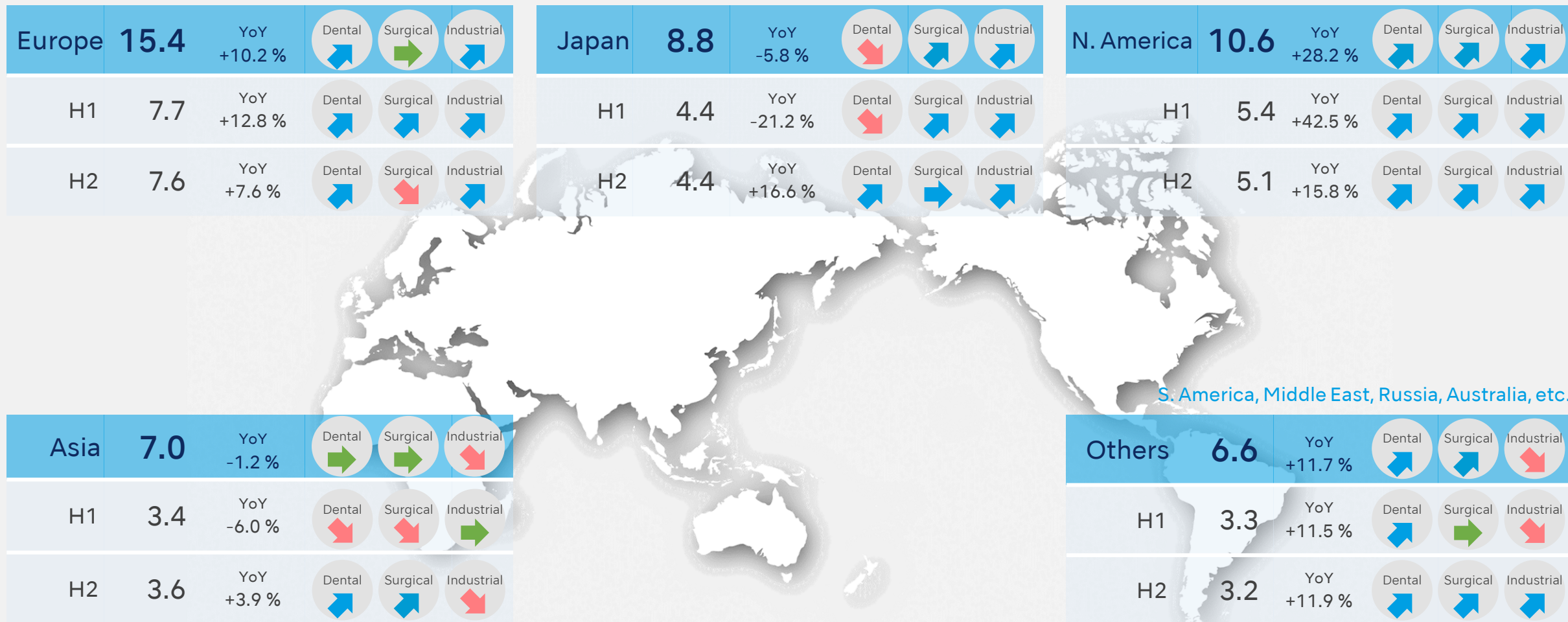
# Overviews of each segment and future initiatives

Achieved record-high sales for the past two consecutive years.  
 Maintained the same level as the previous year even excluding the forex impact.



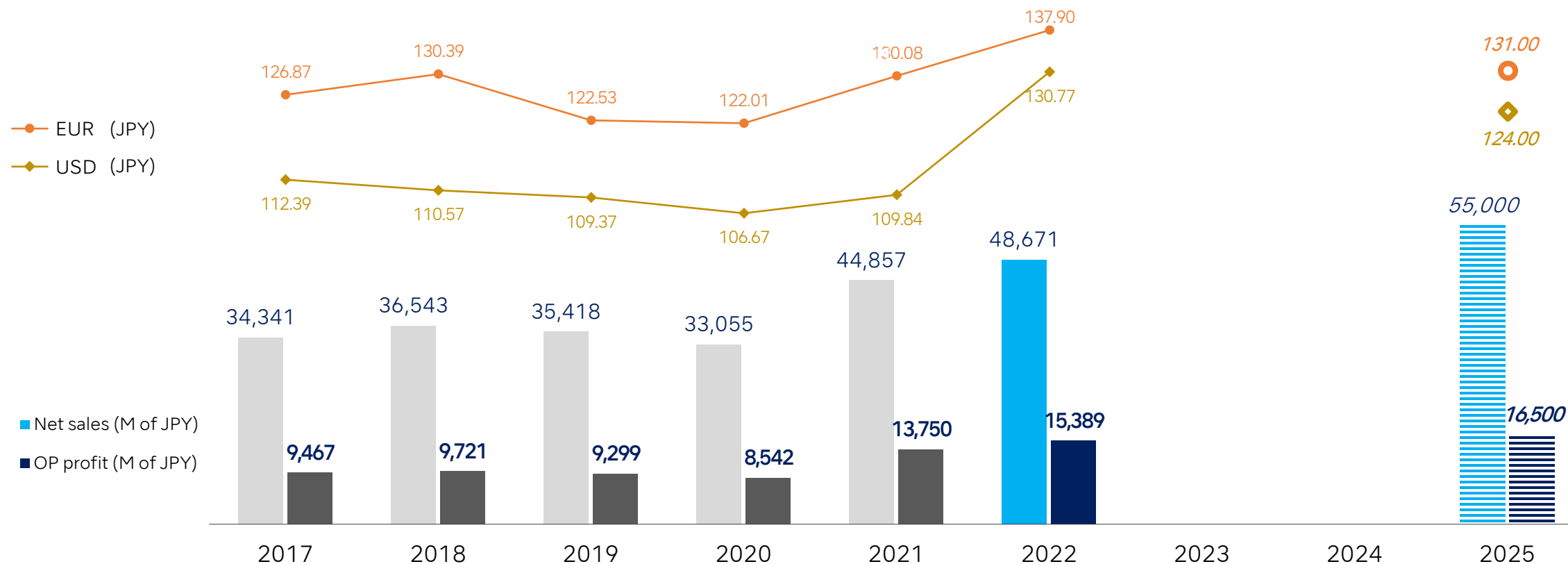
B of JPY

Sales recovered in Japan and Asia, with higher sales in all regions in the second half



M of JPY

Mid Term Management Plan "NV2025+" 2020 - 2025



ROE	(%)	12.4	11.7	10.2	8.7	12.7	14.4	>11.0
Total payout ratio	(%)	30.7	35.4	36.6	40.3	43.5	51.5	50.0
Cash & marketable securities to monthly sales ratio	(month)	12.3	12.1	14.1	16.0	13.5	11.1	<12.0

Turn the COVID-19 pandemic into an opportunity to expand business scale.  
Promoting initiatives to increase production capacity.

Mid Term Management Plan Rolling Plan

## NV2025+

### 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

## Progress in FY2022

- Performance results reached record highs for two consecutive fiscal years
- Significant increase in sales and share in the U.S. market
- Built a factory for knockdown production in China
- Preparation for increased parts production and automation at “A1+”.
- Advanced the plan to build a new assembly factory “M1”



## U.S.

Our market share has expanded for seven consecutive fiscal years while that of competitors have remained sluggish. Record highs were achieved.

Product lineup that captures the shift to electric motors

Promote collaboration with DCI International, LLC., the No.2 dental chair manufacturer in the U.S.



▲ Ti-Max Z series  
(Contra angles)



▲ NLZ  
(Micromotors)



▲ Collaboration with DCI

Expansion of transactions  
with major dealers

Approach to dental universities

Approach to DSO\*1

\*1 Dental Service Organization

# China

Strengthen manufacturing and sales systems to ensure appropriate response to local policies

Knockdown  
production  
factory

四川中西齿科设备制造有限公司

**NSK Dental Manufacturing Co., Ltd.**

Despite the impact of the zero-COVID policy, suspension of visa issuances, and other factors, the start up of the knockdown factory is proceeding smoothly. Shipments to the Chinese market are expected to start this spring.

● **Beijing Sales Office** Opened in 2021

● **Jinan Sales Office** Opened in 2022

● **Xi'an Sales Office** Opened in 2022

● **NSK Shanghai**  
Expanded in 2020

● **Ziyang Knockdown Production Factory**  
Opened in 2022

● **Guangzhou Sales Office** Opened in 2022

● **Shenzhen Sales Office** Opened in 2022



# A1+

Operating as a core production base to achieve mid- to long-term growth

## Increased parts production capacity



Installed 100 machine tools and 24-hour operations began as a precision parts factory. There is still room for expansion as a production area, and facilities can be enhanced as the business scale expands.

## Improved productivity



Streamlined the processing process that used to take four processes with scattered machine tools into a single machine. Created a successful case of productivity improvement and promoted the change to the existing production lines in the same manner.

## Cultivation of technicians



Started an off-the-job program for human resource development to speed up and homogenize the upskilling of employees assigned to the Manufacturing Division.



# M1

New assembly factory and parts and finished goods warehouse

- Planned Location: In the premises of Headquarters
- Total floor area: Approx. 20,000 m<sup>2</sup>
- Investment: Approx. 8.5 billion yen
- Construction Start: April 2023 (scheduled)
- Operation Start: First phase: December 2024 (scheduled);  
Second phase: December 2025 (scheduled)



Increased  
Production

Improved  
Efficiency

Shorter  
Lead Time



Promotion of  
Energy  
Conservation

Better  
Work  
Environment

## Environment

### Carbon neutrality achieved at headquarters factory and A1 factory

(GHG Protocol Scopes 1 and 2)



- May 2021 Calculation of greenhouse gas (GHG) emissions
- Aug. 2021 Issued Sustainability Report 2021 Presented "Green Plan 2030"
- Dec. 2021 Switched to 100% renewable energy for electricity at headquarters and A1 Factory  
**\*Scope 2 carbon neutrality**
- Sep. 2022 Purchased J-Credits from TOCHIMOU Wood Industry  
**\*Scope 1 carbon neutrality**
- Oct. 2022 Acquired third-party certification of carbon neutrality

## Social

### Awarded the JEED President's Effort Award for Excellence in Employing Persons with Disabilities

(Award for employing persons with disabilities)



While promoting various measures related to diversity and inclusion, we received the JEED President's Effort Award in recognition of our efforts to promote various support programs to improve and establish a workplace environment for the employment of persons with disabilities.

## Governance

### Established Nomination and Remuneration Committee

(Voluntary advisory body to the Board of Directors)

#### Structure of the Committee

- Chairperson: **Eiichi Nakanishi**  
(Representative Directors)
- Members: **Yuji Nonagase**  
(Independent Outside Director)
- Yukiko Araki**  
(Independent Outside Director)

#### Activity history

- Jul. 1 Established the Committee
- Aug. 9 1st committee meeting (online)
- Oct. 7 2nd committee meeting (online)
- Nov. 11 3rd committee meeting (on-site)
- Dec. 23 4th committee meeting (online)

## Rating

### Improved ESG evaluation

(Review and update of registration information)

#### MSCI

- 2020 **B**
- 2021 **B B**
- 2022 **B B B**

#### Sustainalytics

- 2020 **High Risk**
- 2021 **High Risk**
- 2022 **Medium Risk**

## Forecast of market trends in 2023

### - Demand -

Despite increasing uncertainty about the future, demand is expected to remain firm.

### - Supply -

Expect parts prices continue to be high while parts shortages would ease gradually

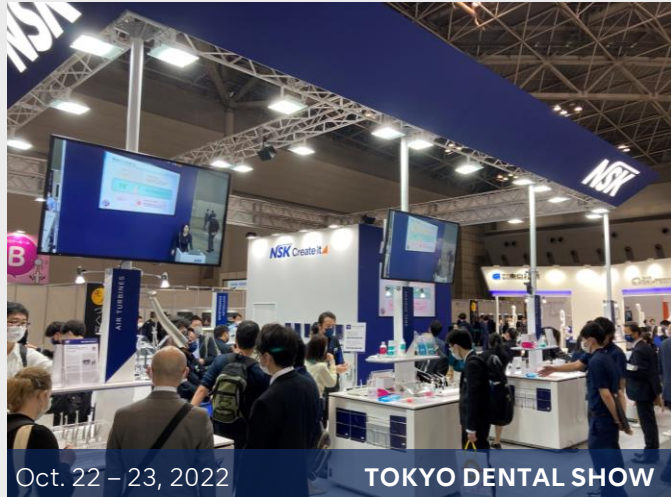


## Basic Strategy for 2023

- ▶ Expand production capacity to meet growing global demand
- ▶ Sales expansion in key markets, the U.S. and China
- ▶ Steadily execute the construction plan of a new assembly factory "M1"



## Japan



### Overview of FY2022

Sales trend  
YoY

- Decline in demand after the termination of subsidies bottomed out and sales began to increase in H2.
- Steady growth in OEM business

### Measures for FY2023

Sales trend  
YoY

- Capturing the demand recovery phase, expand sales of handpieces for dental treatment and implant motors, our main products.
- Further enhance preventive dentistry products.

## Europe



### Overview of FY2022

Sales trend  
YoY

- Sales at local subsidiaries in the U.K., Sweden, and Spain were strong, although regional differences were observed.
- Strong sales at NSK Dental Nordic

### Measures for FY2023

Sales trend  
YoY

- Expand sales of own brands based on local subsidiaries to maximize the capture of steady demand.
- Increase presence and expand product sales by participating in IDS2023, the world's largest exhibition.

## North America



### Overview of FY2022

Sales trend  
YoY

- Significant growth in sales through major dealers covering the entire U.S. Market share reached a record high.
- Successful collaboration with DCI

### Measures for FY2023

Sales trend  
YoY

- Continue sales expansion of our main products
- Approach dental universities and DSO
- Enhance collaboration with DCI

## Asia



### Overview of FY2022

Sales trend  
YoY

- Sales declined due to significant impact of lockdowns and zero-COVID policy
- Sales to Southeast Asia recovered.

### Measures for FY2023

Sales trend  
YoY

- Aim for a significant increase in sales as a result of normalization of sales activities as zero-COVID policy was changed and of responding to limited bidding for domestically produced products by starting knockdown production.
- Decline in sales is expected in Southeast Asia countries.



## Others

Middle East

South America

Russia

Australia



### Overview of FY2022

Sales trend  
YoY

- Sales grew due to ongoing recovery in demand after the COVID-19 pandemic.
- Amid the continuing boom, sales grew substantially as we accelerated our efforts to capture market share after competitors withdrew from the market.
- Sales in Russia declined sharply, while sales in CIS countries increased.
- Continued sales in Ukraine via Germany.
- Sales in Australia continued to grow by steadily capturing strong demand.

### Measures for FY2023

Sales trend  
YoY

- Expect an increase in sales by continuing to respond to bidding for governmental hospitals and university hospitals.
- Expect a significant increase in sales by expanding sales of our main products including implant motors.
- Aim for sales recovery by steadily capturing strong demand in CIS countries.
- Sales are expected to remain flat as the previous fiscal year by promoting main products, although there is an increased uncertainty over future demand

## Overview of FY2022

**Achieved record-high sales due to successful global sales promotion campaigns and sales expansion of burs**

YoY	↗	<b>Japan</b>	Sales grew due to stable supply through domestic production, steadily capturing demand from new customers.
YoY	→	<b>Europe</b>	Achieved sales plan with sales growth in Germany, Italy, and Spain. Sales were on a par with FY2021.
YoY	↗	<b>N. America</b>	Sales expanded against a backdrop of high reputation of our products. Together with channels through an alliance with partners, sales increased significantly.
YoY	→	<b>Asia</b>	Sales turned out to be about the same as FY2021 since, in China, sales grew after the lifting of the lockdown, while sales growth was sluggish in other Asian countries.

## Measures for FY2023

**Expect increased sales in N. America and Asia, while decreased sales in Europe due to loss of OEM business.**

YoY	↘	<b>Japan</b>	Continue to strengthen cooperation with KOLs in the otology field. Domestic sales, which grew in FY2022, are expected to slow down.
YoY	↘	<b>Europe</b>	Large-scale renewal projects will lull. Expect decreased sales due to loss of OEM business
YoY	↗	<b>N. America</b>	Against a backdrop of high reputation of our products, an alliance with partners is proceeding smoothly, and sales are expected to increase.
YoY	↗	<b>Asia</b>	In China and other Asian countries where demand has entered a recovery phase, we will continue to expand the dealer network and promote sales expansion.

## Continued approach to the otology field



October 20, 2022 at PACIFICO Yokohama North

**Hands-on seminar on temporal bones  
at the 32nd Annual Meeting of The  
Japan Otological Society**

## Overview of FY2022

**Despite a slowdown in production due to parts shortages, fulfilled orders received and achieved record-high sales for two consecutive fiscal years.**

YoY	↗	Japan	Production continued to be unable to keep up with the large number of orders from a wide range of industries.
YoY	↗	Europe	Appealing application case studies have been successful, and the switch from other companies to NSK has been proceeding.
YoY	↗	N. America	Strengthening of the sales structure has been successful. Sales grew due to fulfillment of orders received which were steadily accumulated.
YoY	↘	Asia	Despite brisk orders, longer lead time due to parts shortages became normal. Sales declined as shipments could not keep up with the orders.

## Measures of FY2023

**Incorporating of Alfred Jäger GmbH into the Company Group dramatically increased our presence in the industry. Aim to create synergy through cross-selling.**

YoY	↘	Japan	Sales are expected to decline with the inability to meet demand due to longer lead time caused by a shortage of electronic parts.
YoY	↗	Europe	Inquiries to Alfred Jäger are strong, and a significant increase in sales is expected in line with the new consolidation.
YoY	↘	N. America	Strengthen the sales structure and expand the dealer network. Sales are expected to decline due to the impact of longer lead time.
YoY	→	Asia	Although delivery dates continue to be prolonged, sales remain flat as the previous fiscal year due to the execution of a large number of back orders.



## Alfred Jäger GmbH

Specialized manufacturer of industrial spindles

Founded: **1967**  
 Established: **November 2000**  
 Headquarters: **Ober-Moerlen GERMANY**  
 Main product: **High-frequency spindles  
High performance motors**  
 Employee: **120**  
 Business segment: **Industrial Business**



▲ Headquarters and motor factory



▲ Spindle factory



▲ Product lineup



▲ Main application (DentalCAD/CAM)

Each has a different application, product characteristics and main market



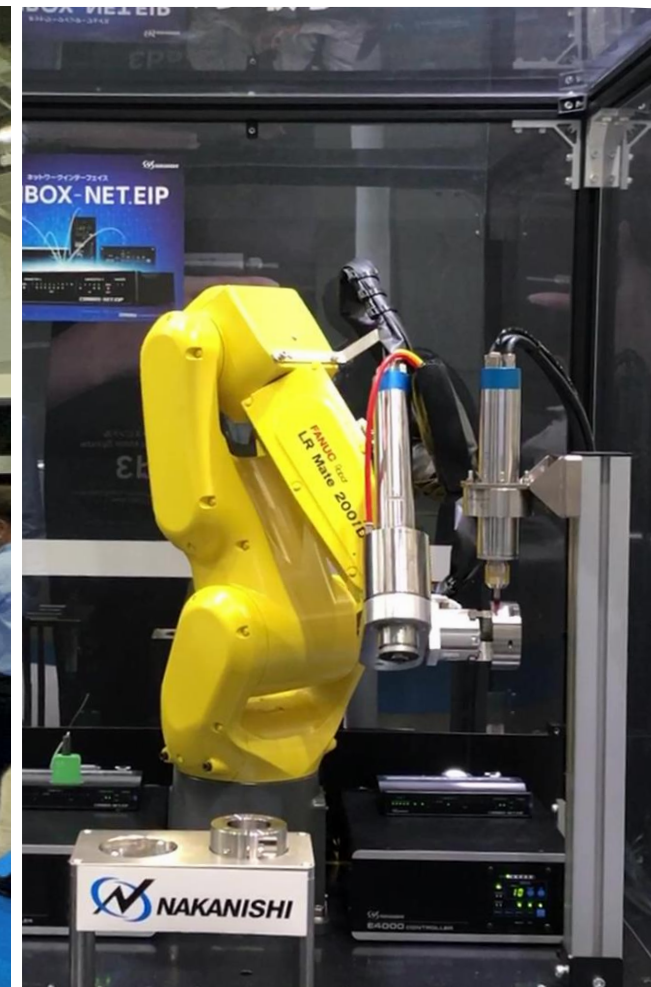
Automobile, Smart Phone, Robot, PCB, Medical Equipment, etc.	Application by industry	Dental CAD/CAM, PCB, Robot, etc.
Φ 19 - Φ 50 mm	Diameter of main product	Φ 30 - Φ 150 mm
1,200 watts	Maximum power	20,000 watts
150,000 rpm (Pneumatic) 80,000 rpm (DC)	Maximum speed	120,000 rpm (DC/AC)
Pneumatic motor DC brushless motor	Motor technology	DC/AC high-frequency motor
Modular type spindle	Spindle – Motor construction	Integrated spindle
Japan, Asia, USA	Main market	Europe



# JIMTOF2022

November 8 to 13, 2022 at Tokyo Big Sight

Participated in one of the largest machine tool trade fairs in Japan for the first time in 4 years.  
Many examples of collaboration with system integrators (25 companies) were exhibited.



***NSK***