

Briefing Material

for 2nd quarter ended Jun. 30, 2023

Aug. 7, 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

Financial Strategy

We are aggressively investing in capital and strategic investments, including M&A, in order to achieve sustainable growth.

Accounting Standards

We will continue to amortize goodwill in accordance with JGAAP to reduce the risk of future impairment losses.

In order to focus on the original profitability and growth potential of our business, we changed the performance indicator from OP profit to EBITDA.

$$\text{EBITDA} = \text{Operating profit} + \text{Depreciation} + \text{Amortization}$$

M of JPY	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast Upward revision on Aug. 7
Net sales	36,543	35,418	33,055	44,857	48,671	56,638
EBITDA Margin	11,269 30.8%	11,051 31.2%	10,350 31.3%	15,612 34.8%	17,493 35.9%	18,616 32.9%
OP profit	9,721	9,299	8,542	13,750	15,389	15,972
Depreciation	1,522	1,684	1,759	1,807	2,049	2,323
Amortization	24	67	49	54	55	320

Net sales was 4% higher compared to the previous fiscal year excluding the effects of forex impact and the acquisition of Alfred Jäger GmbH. We achieved organic growth in dental, surgical and industrial business.

Production activities go as planned because the shortage of parts and labor caused by COVID-19 is being resolved. Production demand is steadily growing despite regional differences.

We have revised upward financial results forecast in view of business trends. We focus on shareholder returns including repurchase of own shares and year-end dividend forecast.

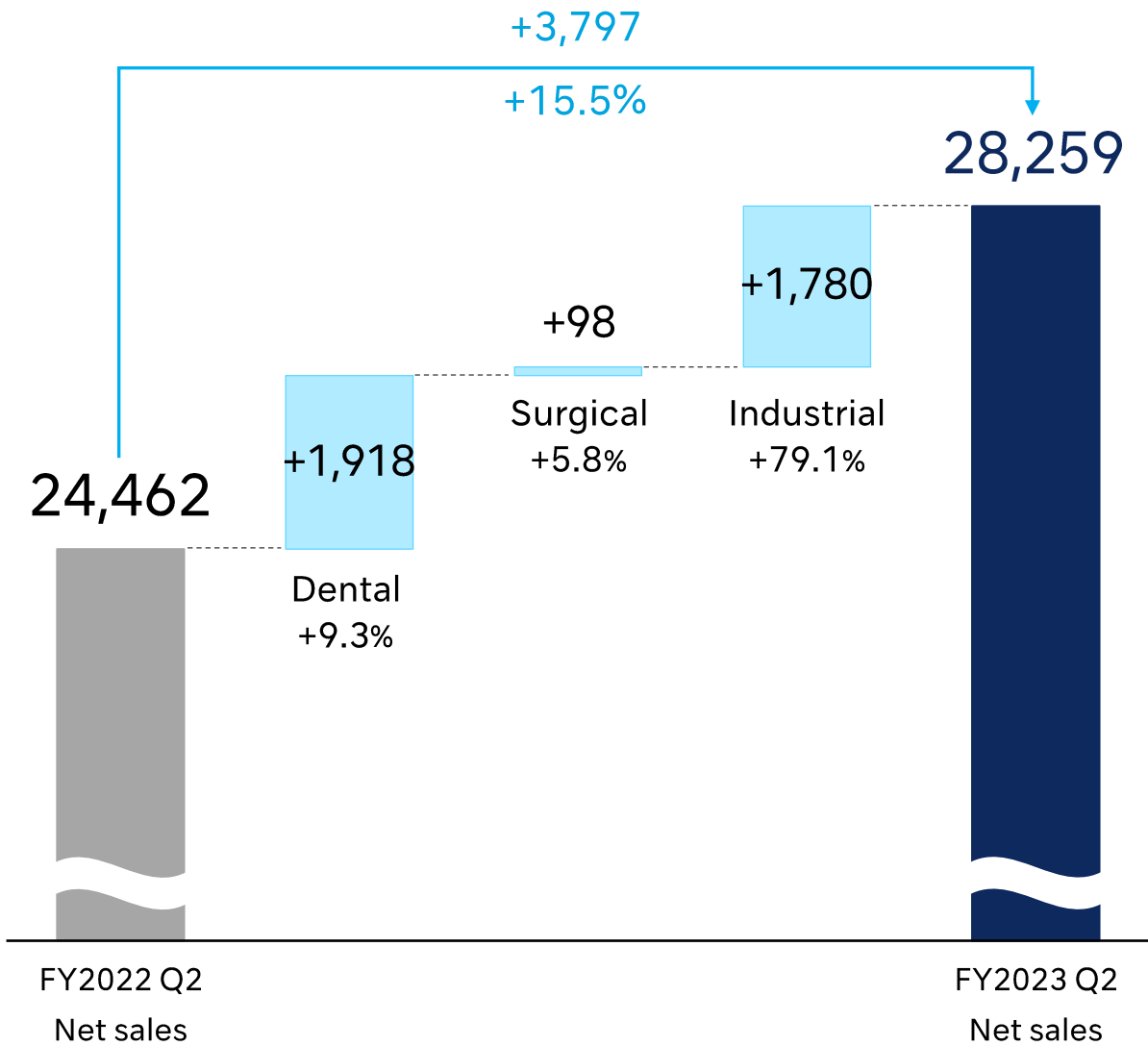
M of JPY

	FY2023 Q2 Actual	FY2022 Q2 Actual	YoY Comparison	FY2023 Q2 Forecast	vs. Fcst
Net sales	28,259	24,462	+3,797	25,556	+2,703
Gross profit	18,009	15,483	+2,526	17,070	+938
Ratio to net sales	63.7%	63.3%	+0.4pt	66.8%	-3.1pt
EBITDA *	9,595	9,075	+520	8,882	+712
Margin	34.0%	37.1%	-3.1pt	34.8%	-0.8pt
Operating profit	8,247	8,129	+117	7,616	+630
Ratio to net sales	29.2%	33.2%	-4.0pt	29.8%	-0.6pt
Ordinary profit	11,247	9,490	+1,757	7,892	+3,355
Ratio to net sales	39.8%	38.8%	+1.0pt	30.9%	+8.9pt
Profit attributable to owners of parent	8,103	6,750	+1,352	5,461	+2,641
Ratio to net sales	28.7%	27.6%	+1.1pt	21.4%	+7.3pt
E P S (JPY)	95.28	78.52	—	64.14	—
* EBITDA = OP profit + Depreciation + Amortization					
Currency rate - against the US dollar (JPY)	135.99	123.16	+12.83	125.00	+10.99
- against the EURO (JPY)	147.01	134.50	+12.51	135.00	+12.01

* Forex impact: Net sales +1,413M of JPY (vs FY2022 Q2 Actual), +1,404M of JPY (vs FY2023 Forecast)

Change in net sales by business segment

M of JPY



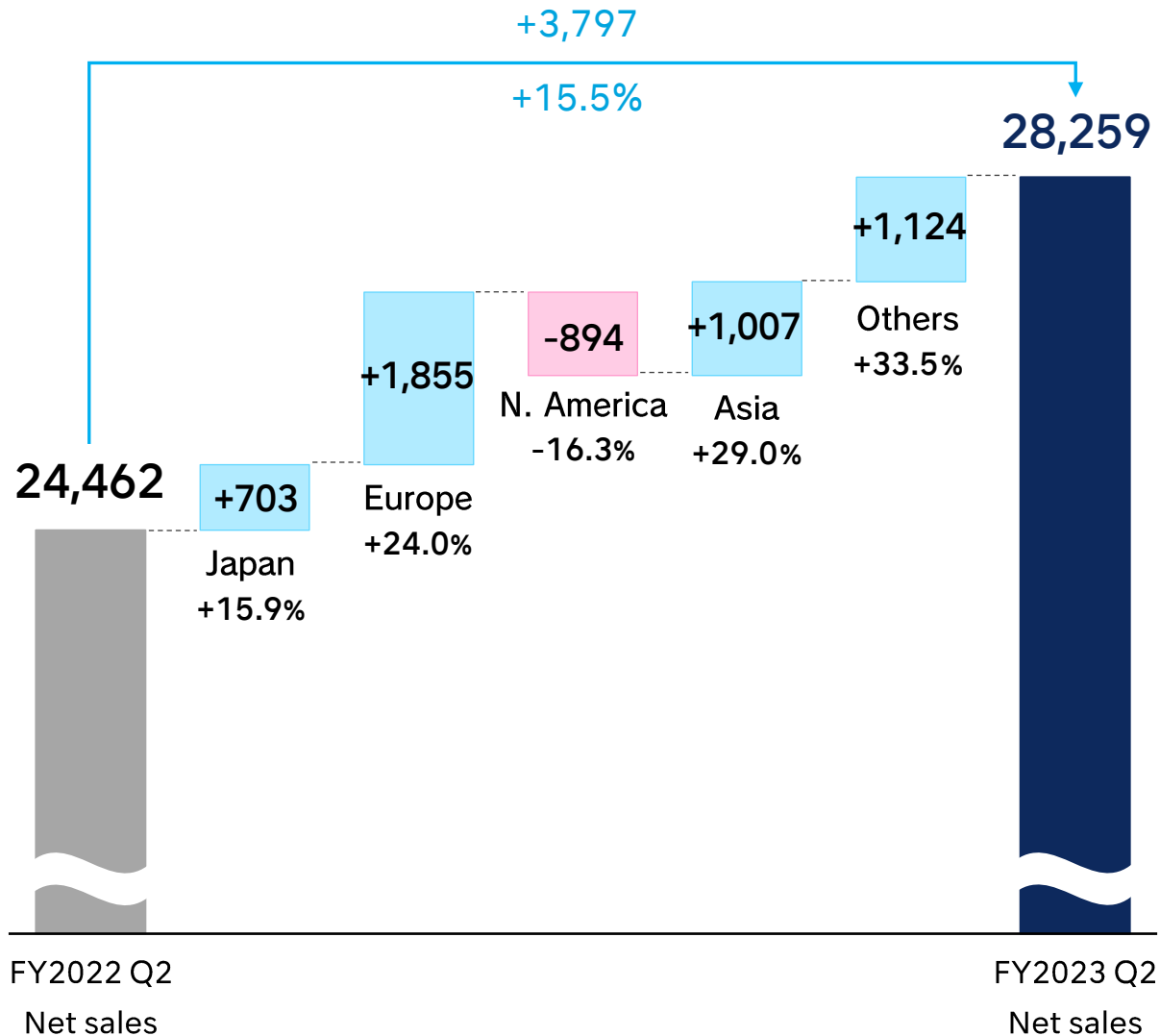
	FY2022 Q2 Actual	FY2023 Q2 Actual	Change
Dental	20,530	22,448	+9.3%
Surgical	1,681	1,779	+5.8%
Industrial	2,250	4,031	+79.1%
Total	24,462	28,259	+15.5%

Forex impact +1,413 M of JPY (+5.8%)

M&A effect +1,296 M of JPY (+5.3%)

Change in net sales by region

M of JPY



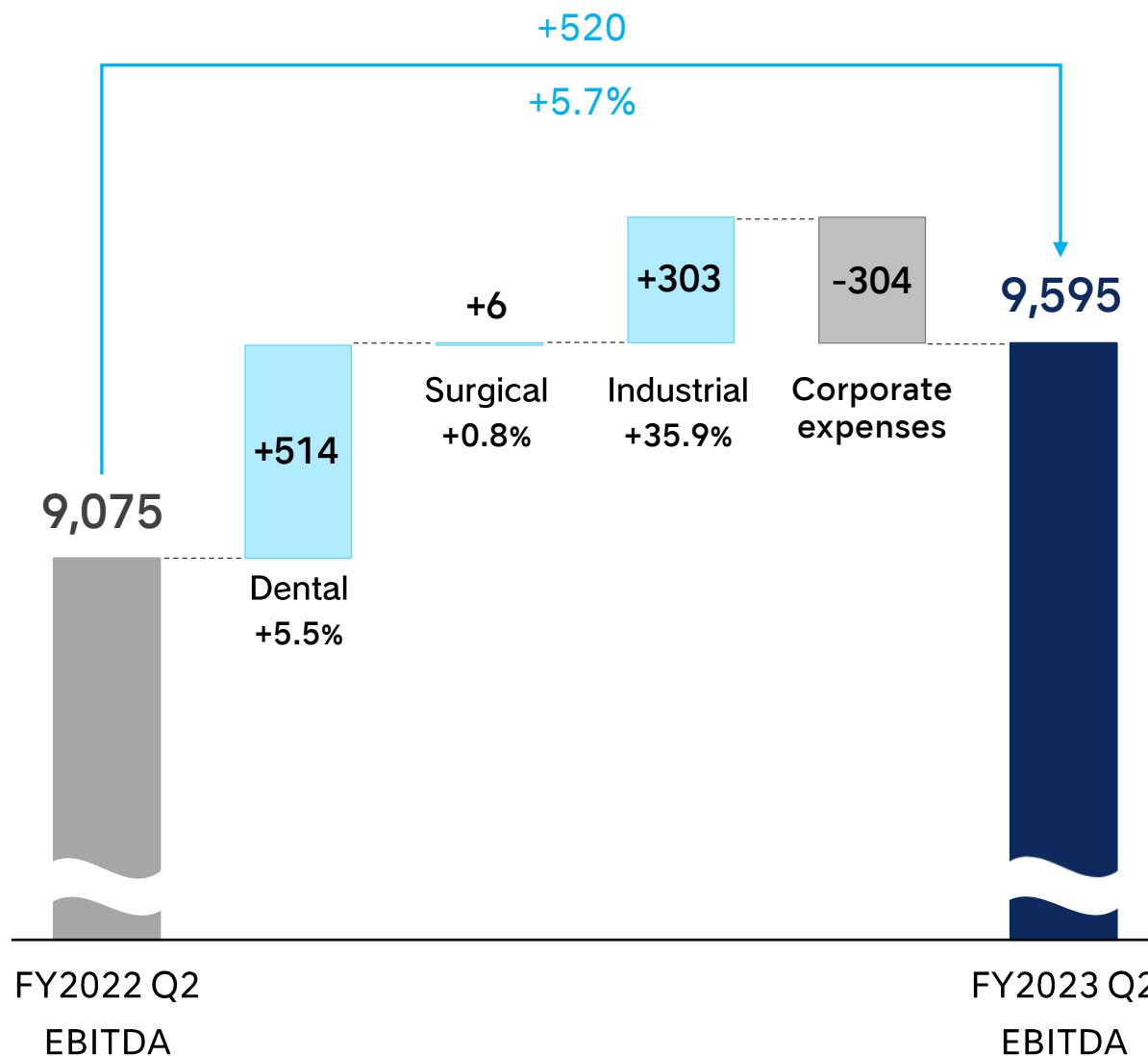
	FY2022 Q2 Actual	FY2023 Q2 Actual	Change
Japan	4,416	5,120	+15.9%
Europe	7,740	9,596	+24.0%
N. America	5,473	4,578	-16.3%
Asia	3,475	4,483	+29.0%
Others	3,355	4,480	+33.5%
Total	24,462	28,259	+15.5%

Forex impact +1,413 M of JPY (+5.8%)

M&A effect +1,296 M of JPY (+5.3%)

Change in EBITDA by business segment

M of JPY



	FY2022 Q2 Actual	FY2023 Q2 Actual	Change
Dental	9,305	9,820	+5.5%
Surgical	921	928	+0.8%
Industrial	844	1,147	+35.9%
Corporate expenses	-1,996	-2,301	-
Total	9,075	9,595	+5.7%

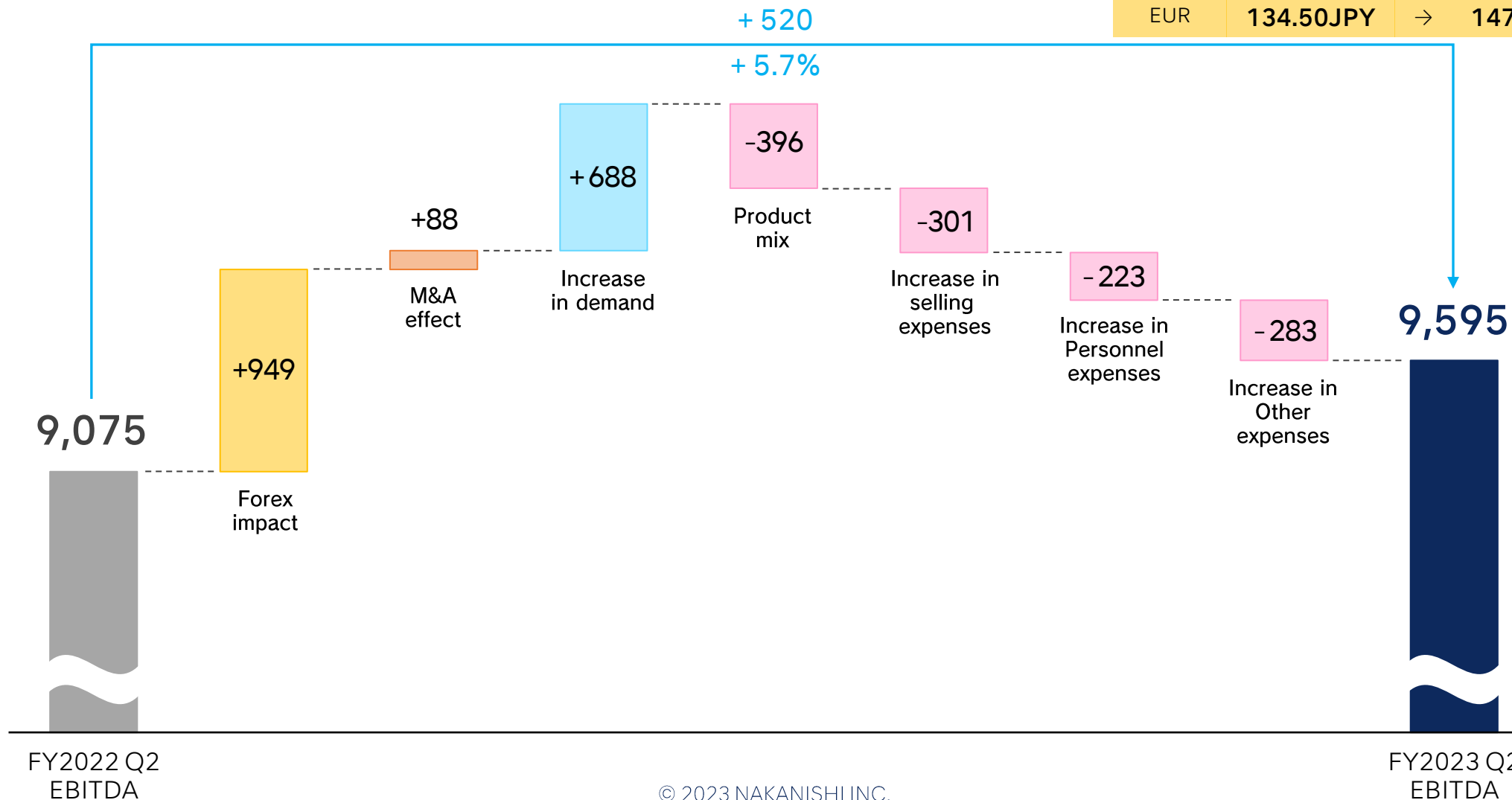
Forex impact +949 M of JPY (+10.5%)

M&A effect +88 M of JPY (+1.0%)

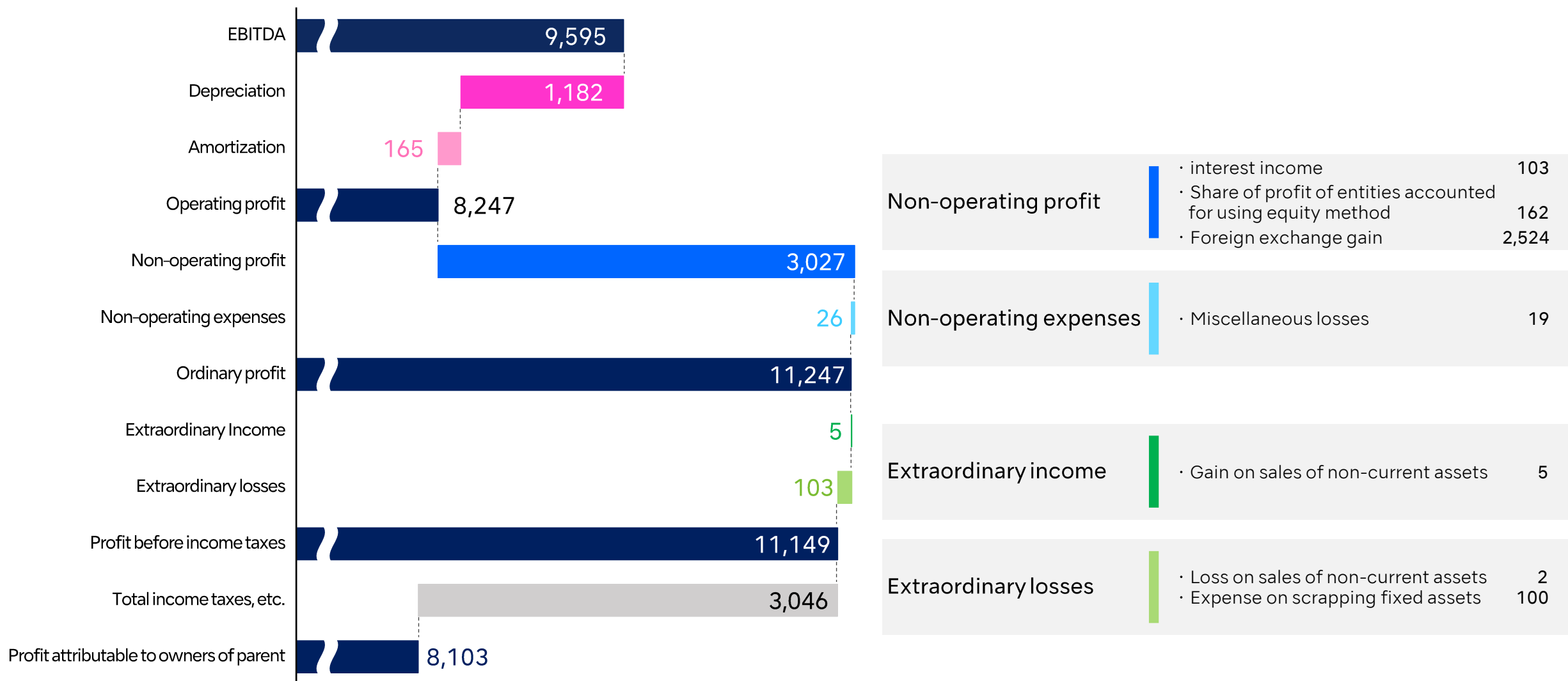
Change in EBITDA

M of JPY

Currency rate (Average)			
	FY2022 Q2 Actual		FY2023 Q2 Actual
USD	123.16JPY	→	135.99JPY
EUR	134.50JPY	→	147.01JPY



M of JPY



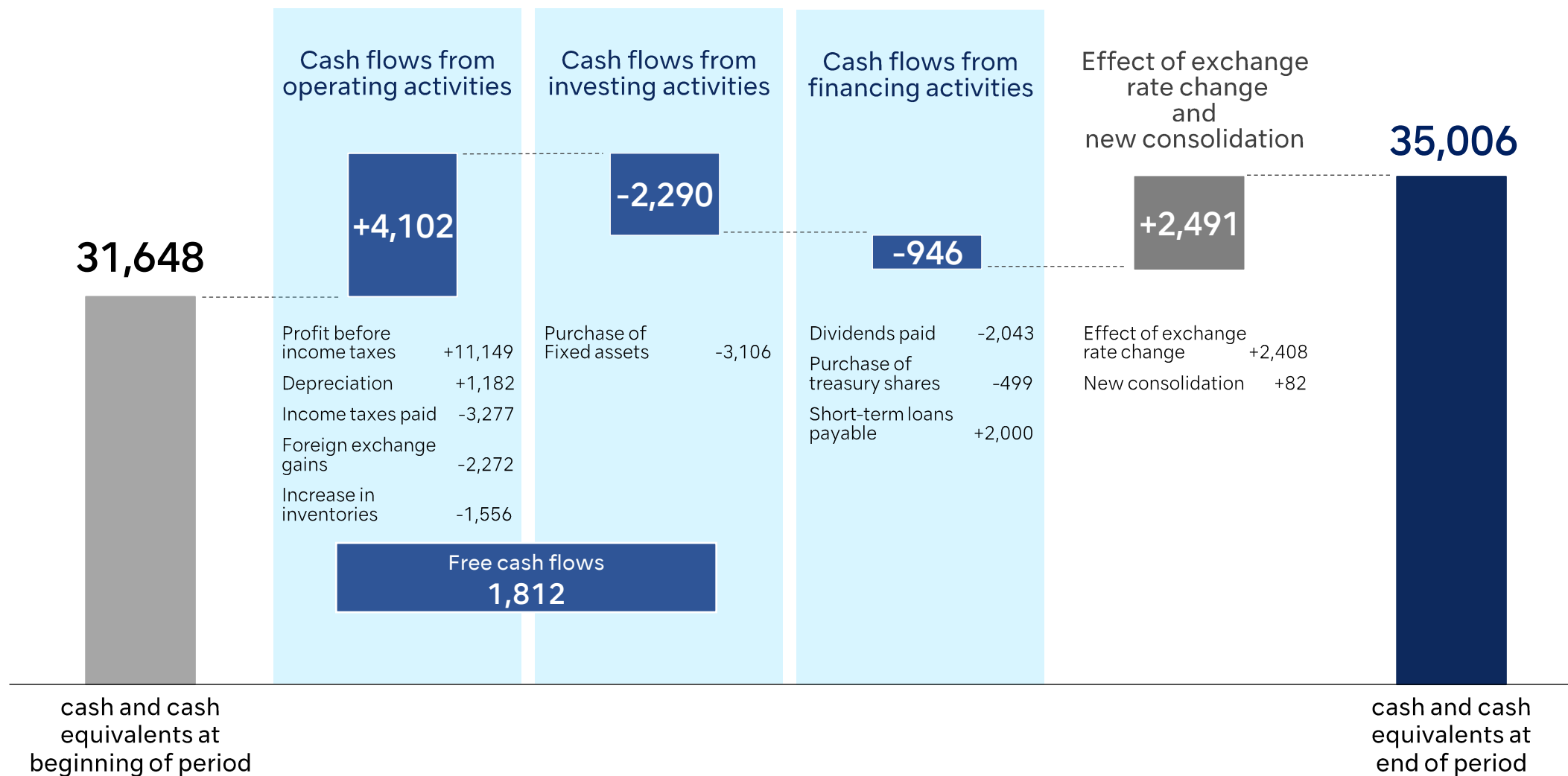
Consolidated balance sheet

M of JPY

	As of Jun. 30, 2023	As of Dec. 31, 2022	Change	Notes
Total assets	111,560	102,154	+9,406	
- Cash and deposits	40,260	34,992	+5,267	
- Notes and accounts receivable - trade	7,577	6,106	+1,471	
- Inventories	18,653	16,284	+2,368	<ul style="list-style-type: none"> · Merchandise and finished goods +1,037 · Work in process +350 · Raw materials and supplies +980
Liabilities	12,082	11,131	+951	<ul style="list-style-type: none"> · Accounts payable-trade +355 · Provision for bonuses -505 · Non-current liabilities - others -545
- Loans payable	2,100	480	+1,619	<ul style="list-style-type: none"> · Short-term loans payable +2,000 · Long-term borrowings -358
Net assets	99,477	91,022	+8,454	<ul style="list-style-type: none"> · Treasury stock -496 · Foreign currency translation adjustment +2,996
- Retained earnings	99,653	93,628	+6,025	
Return on equity	17.1%	14.4%	+2.7pt	
Return on assets	21.1%	18.0%	+3.1pt	

	FY2023 Q2 Actual	FY2022 Q2 Actual	Change	Notes
Capital investments	3,113	1,701	+1,412	· M1 factory +2,200
Depreciation expenses	1,182	918	+264	

M of JPY



Upward revision of consolidated financial forecast for FY2023

Announced on Aug. 7, 2023

Upward revision of consolidated financial forecast for FY2023

M of JPY

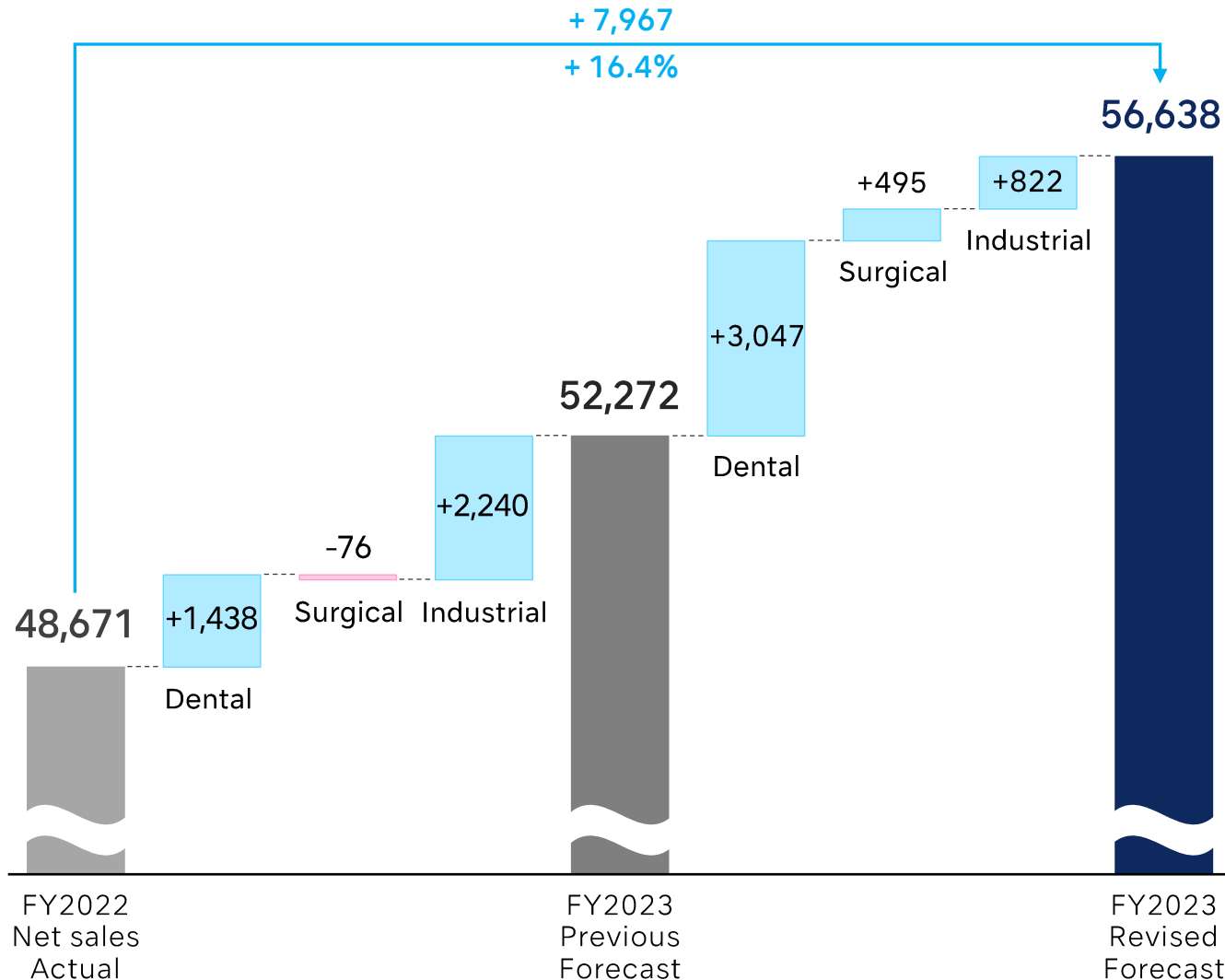
	Revised forecast for FY2023 announced on Aug. 7	Previous forecast for FY2023 announced on Feb. 9	vs. Previous Fcst		FY2022 Actual	YoY comparison	
			Amount	Ratio		Amount	Ratio
Net sales	56,638	52,272	+4,365	+8.4%	48,671	+7,967	+16.4%
Gross Profit	35,662	33,965	+1,697	+5.0%	31,221	+4,441	+14.2%
Ratio to net sales	63.0%	65.0%	-2.0pt	—	64.1%	-1.2pt	—
EBITDA *	18,616	17,603	+1,013	+5.8%	17,493	+1,123	+6.4%
Margin	32.9%	33.7%	-0.8pt	—	35.9%	-3.1pt	—
Operating Profit	15,972	15,070	+902	+6.0%	15,389	+583	+3.8%
Ratio to net sales	28.2%	28.8%	-0.6pt	—	31.6%	-3.4pt	—
Ordinary Profit	19,506	15,836	+3,670	+23.2%	17,646	+1,860	+10.5%
Ratio to net sales	34.4%	30.3%	+4.1pt	—	36.3%	-1.8pt	—
Profit attributable to owners of parent	13,842	10,976	+2,865	+26.1%	12,471	+1,371	+11.0%
Ratio to net sales	24.4%	21.0%	+3.4pt	—	25.6%	-1.2pt	—
EPS (JPY)	162.77	128.91	—	—	145.48	—	—
Capital investments	5,750	5,750	0	—	4,058	+1,692	—
Depreciation expenses	2,323	2,221	+102	—	2,049	+274	—

* EBITDA = Operating profit + Depreciation + Amortization

Assumed Currency rate (Annual average)		Revised forecast	Previous forecast	change	Assumed currency rate for the second half of the fiscal year 1USD = 135.99JPY 1EUR = 150.59JPY
- Against the US dollar	(JPY)	135.99	125.00	+10.99	
- Against the EURO	(JPY)	148.80	135.00	+13.80	

Change in net sales by business segment

M of JPY



	FY2022 Actual	Previous forecast	Revised forecast	Change
Dental	40,926	42,364	45,412	+11.0%
Surgical	3,160	3,083	3,578	+13.2%
Industrial	4,584	6,824	7,647	+66.8%
Total	48,671	52,272	56,638	+16.4%

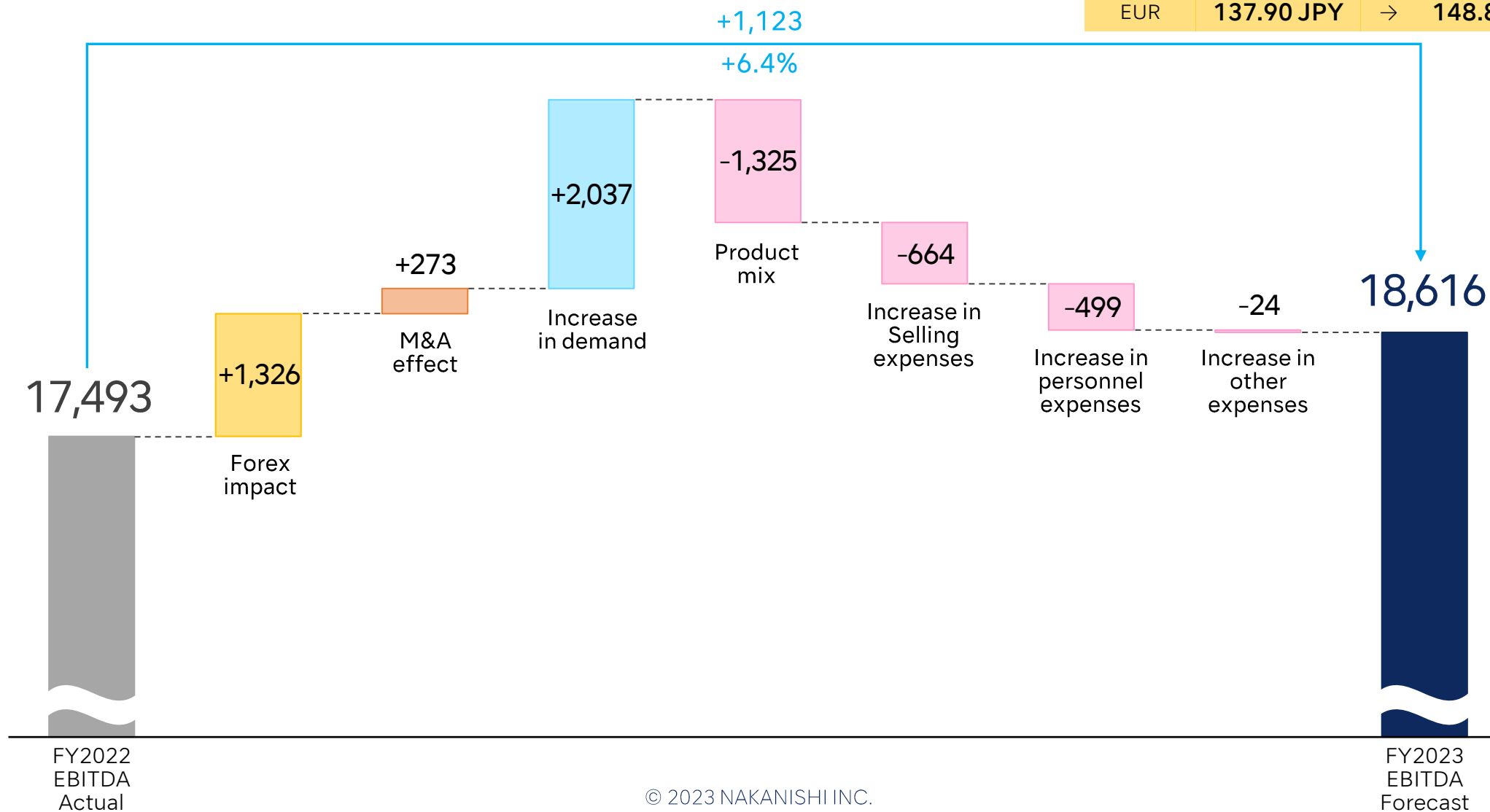
Forex impact +1,830 M of JPY (+3.8%)

M&A effect +2,960 M of JPY (+6.1%)

Change in EBITDA

M of JPY

Currency rate (Average)		
	FY2022 Actual	FY2023 Forecast
USD	130.77 JPY	→ 135.99 JPY
EUR	137.90 JPY	→ 148.80 JPY



Shareholder return

Announced on Aug. 7, 2023

Payment of interim dividend and revision of year-end dividend forecast
Repurchase of own shares

Payment of interim dividend and revision of year-end dividend forecast

Previous forecast

Annual 48JPY (Interim 24JPY, Year-end 24JPY)



Revised forecast

Annual 50JPY (Interim 24JPY, Year-end 26JPY)

Repurchase of own shares

Class of shares / Number of shares (Maximum)

Common stock 1,000,000 shares

Total amount of repurchase costs (Maximum)

2,500 Millions of JPY

Period of repurchase

From October 1 to November 10

Trends in shareholder return

		FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Forecast Upward revision on Aug. 7	NV2025+ Target
Annual dividend per share	JPY	30	37	46	50	—
Share repurchase	Thousand shares Millions of JPY	0 (0)	491 (1,199)	1,010 (2,499)	#1 Mar. 2023 Actual 180 (499) #2 Oct. 2023 Plan 1,000 (2,500)	—
Total payout ratio	%	40.3	43.5	51.5	—	50.0

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