

# Presentation Material

for 2<sup>nd</sup> quarter ended Jun. 30, 2023

Aug. 18, 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 focuses 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

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# Consolidated financial result for FY2023 Q2

**N**et 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.

**P**roduction 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.

**W**e 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.

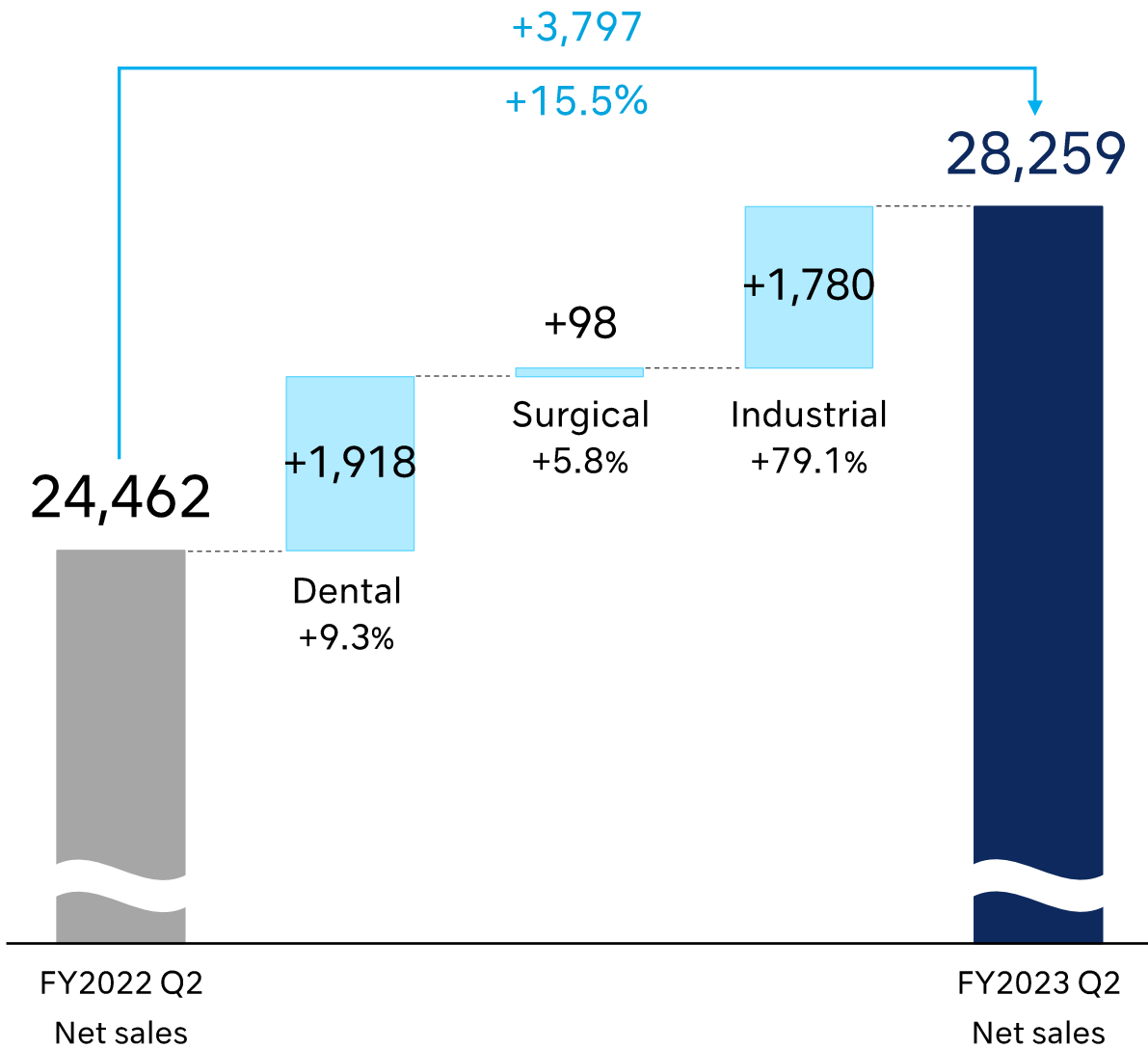
M of JPY

		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



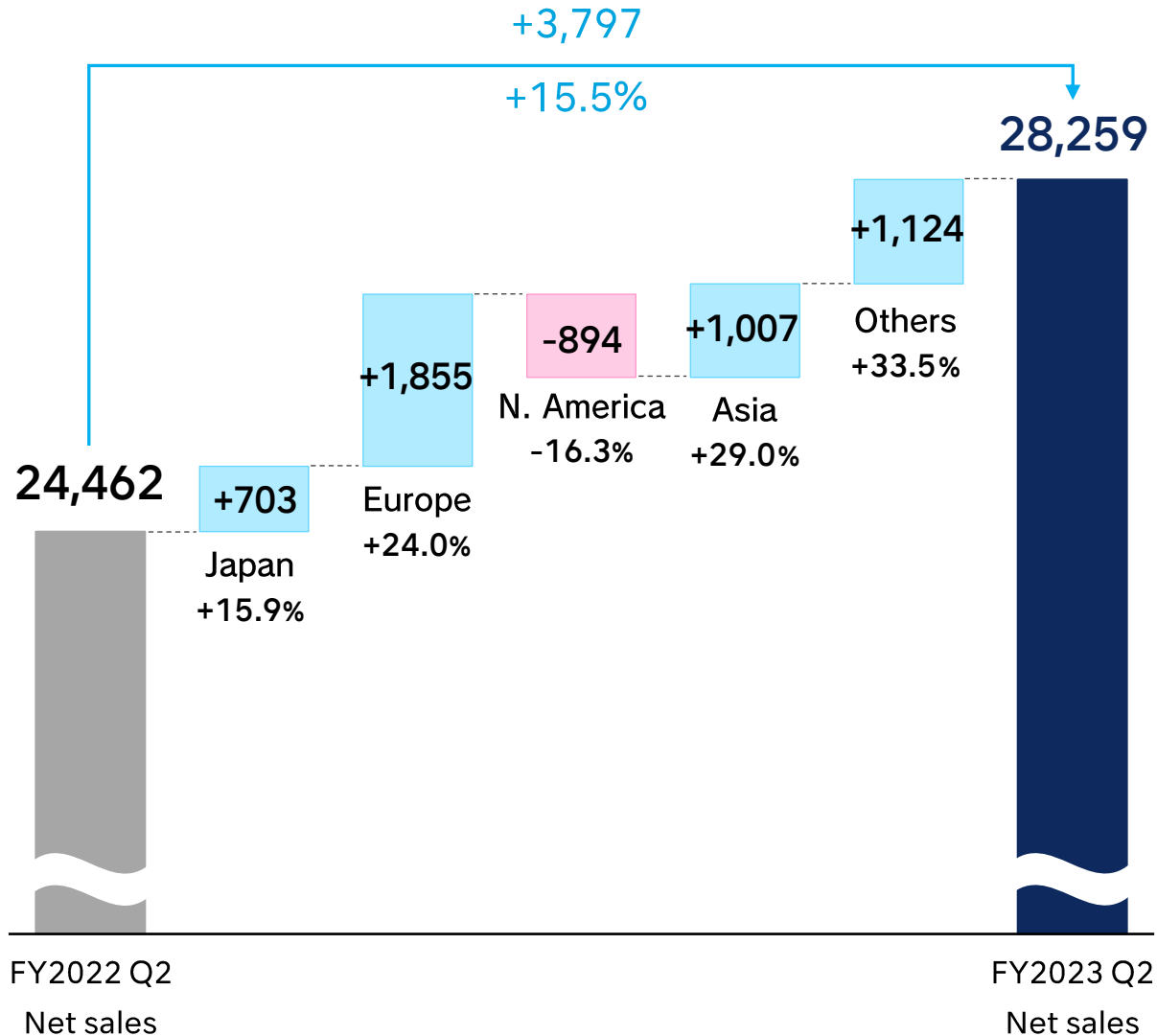
	FY2022 Q2 Actual	FY2023 Q2 Actual	Change
Dental	20,530	22,448	+9.3%
Surgical	1,681	1,779	+5.8%
Industrial	2,250	4,031	+79.1%
Total	24,462	28,259	+15.5%

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%

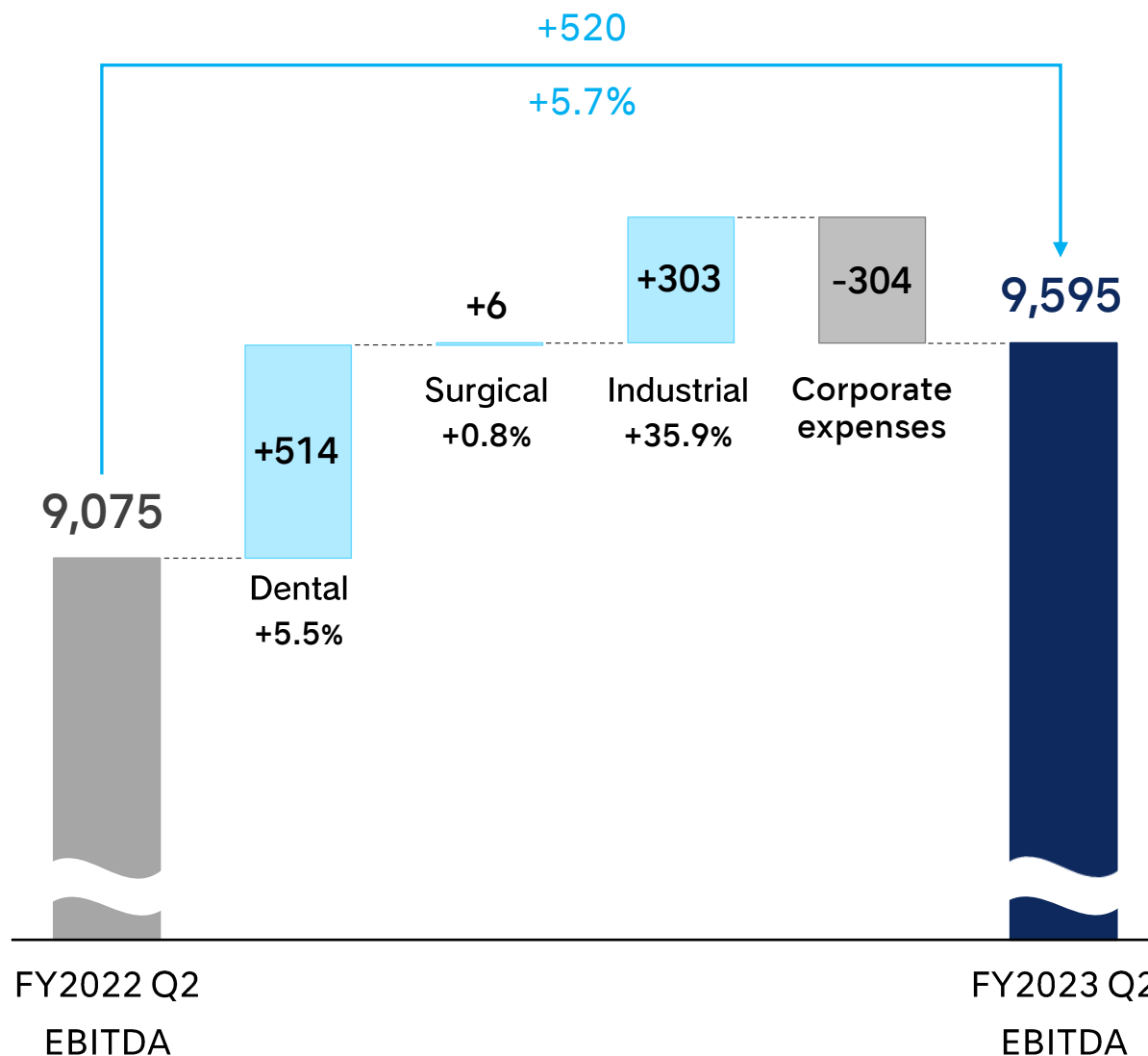
Forex impact +1,413 M of JPY (+5.8%)

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%

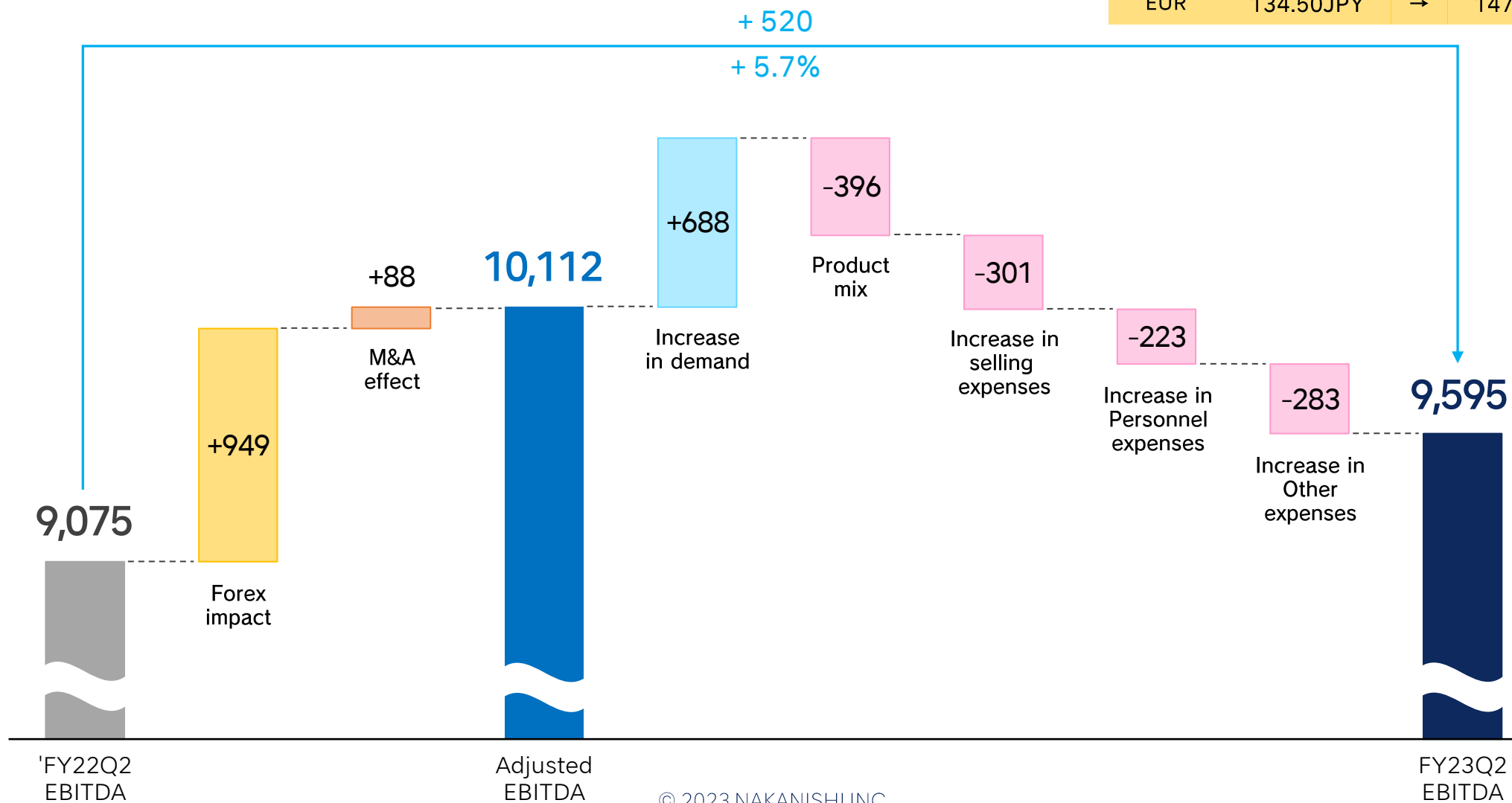
Forex impact +949 M of JPY (+10.5%)

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

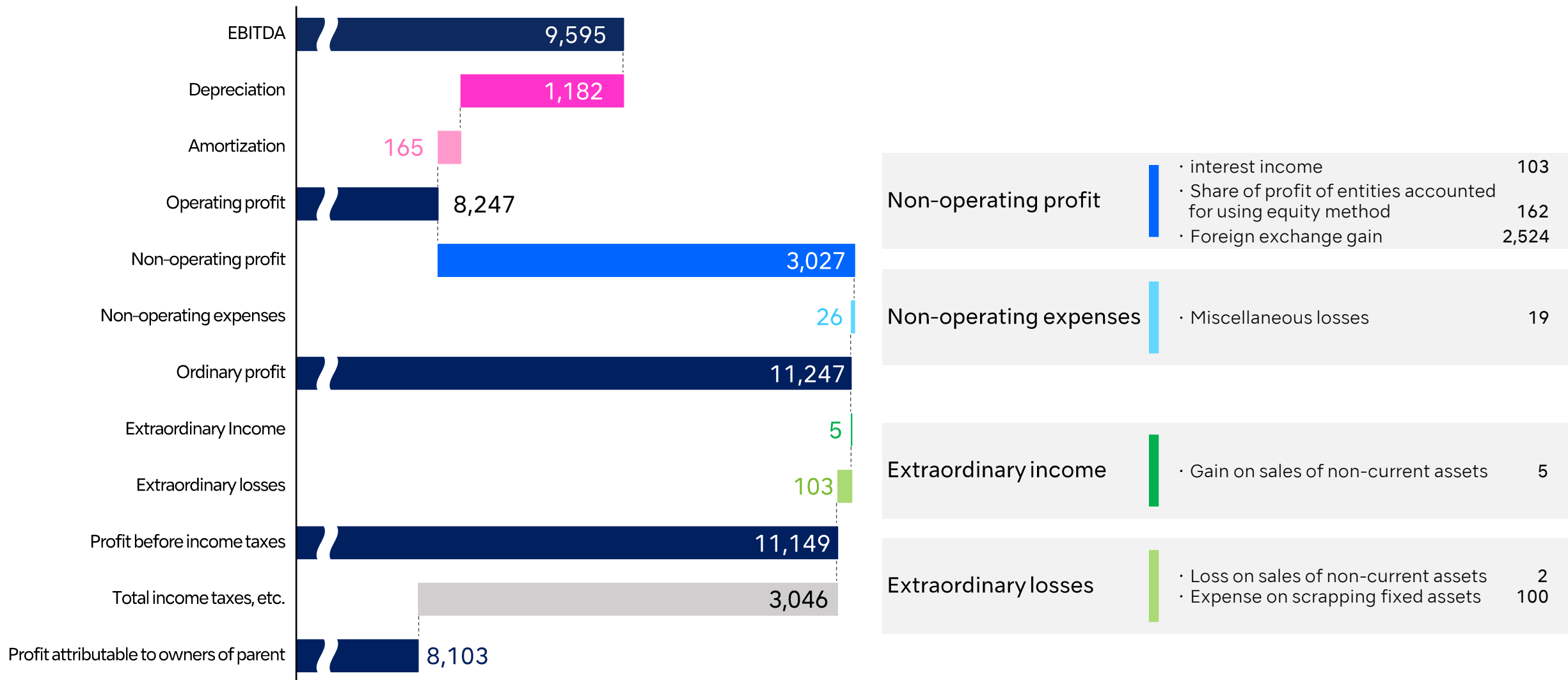
M of JPY

## Currency rate (Average)

	FY2022 Q2 Actual		FY2023 Q2 Actual
USD	123.16JPY	→	135.99JPY
EUR	134.50JPY	→	147.01JPY



M of JPY



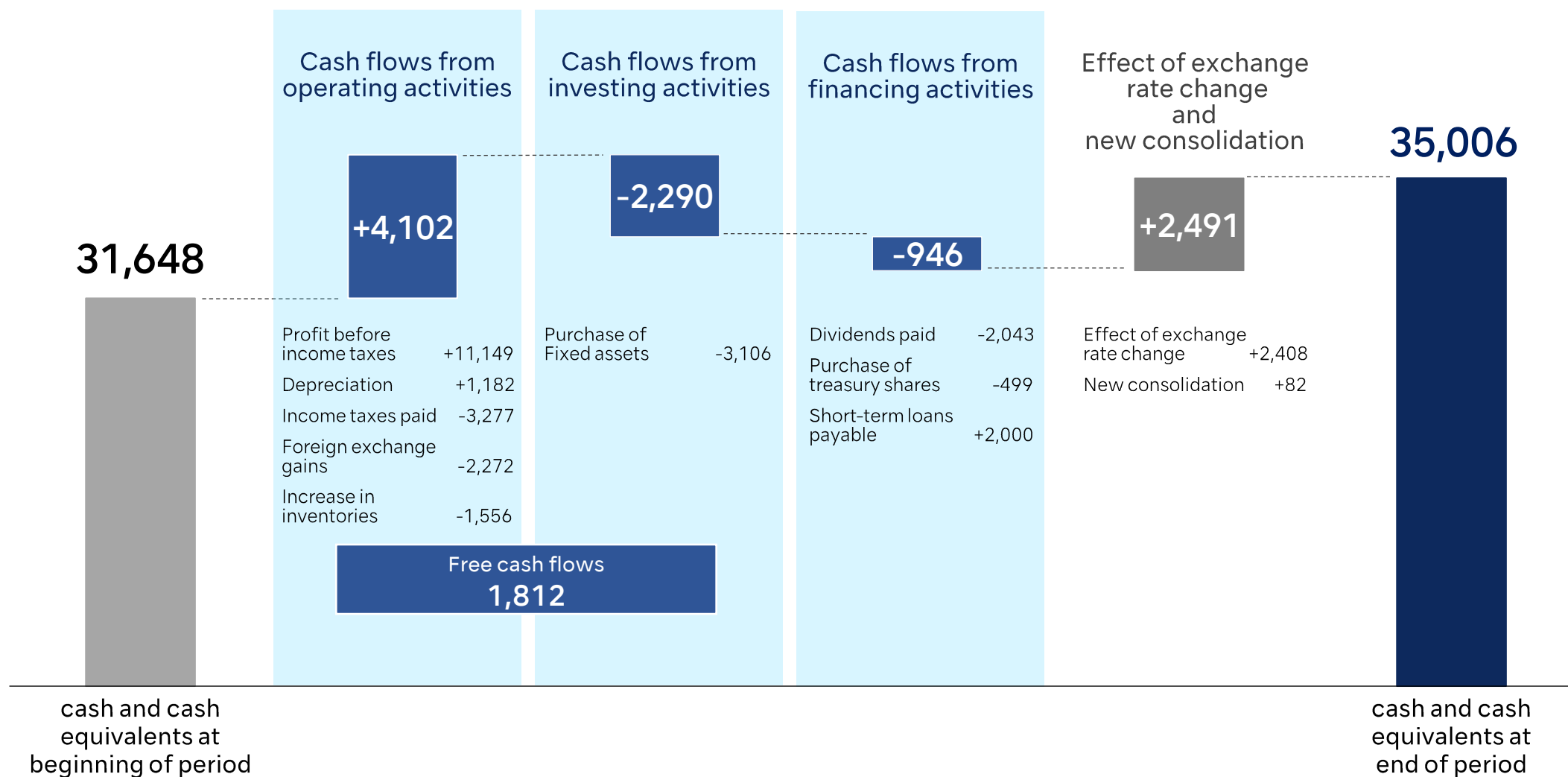
## Consolidated balance sheet

M of JPY

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

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

M of JPY



Update

# Upward revision of consolidated financial forecast for FY2023

Announced on Aug. 21, 2023

Upward revision regarding DCI International, LLC  
becoming a wholly owned subsidiary

M of JPY

	Revised forecast for FY2023 announced on Aug. 21	Previous forecast for FY2023 announced on Aug. 7	vs. Previous Fcst		FY2022 Actual	YoY comparison	
			Amount	Ratio		Amount	Ratio
Net sales	63,164	56,638	+6,525	+11.5%	48,671	+14,493	+29.8%
Gross Profit	37,932	35,662	+2,270	+6.4%	31,221	+6,711	+21.5%
Ratio to net sales	60.1%	63.0%	-2.9pt	—	64.1%	-4.1pt	—
EBITDA *	19,683	18,616	+1,067	+5.7%	17,493	+2,190	+12.5%
Margin	31.2%	32.9%	-1.7pt	—	35.9%	-4.8pt	—
Operating Profit	16,618	15,972	+645	+4.0%	15,389	+1,229	+8.0%
Ratio to net sales	26.3%	28.2%	-1.9pt	—	31.6%	-5.3pt	—
Ordinary Profit	19,725	19,506	+218	+1.1%	17,646	+2,079	+11.8%
Ratio to net sales	31.2%	34.4%	-3.2pt	—	36.3%	-5.0pt	—
Profit attributable to owners of parent	13,894	13,842	+51	+0.4%	12,471	+1,422	+11.4%
Ratio to net sales	22.0%	24.4%	-2.4pt	—	25.6%	-3.6pt	—
EPS (JPY)	163.37	162.77	—	—	145.48	—	—

\* EBITDA = Operating profit + Depreciation + Amortization

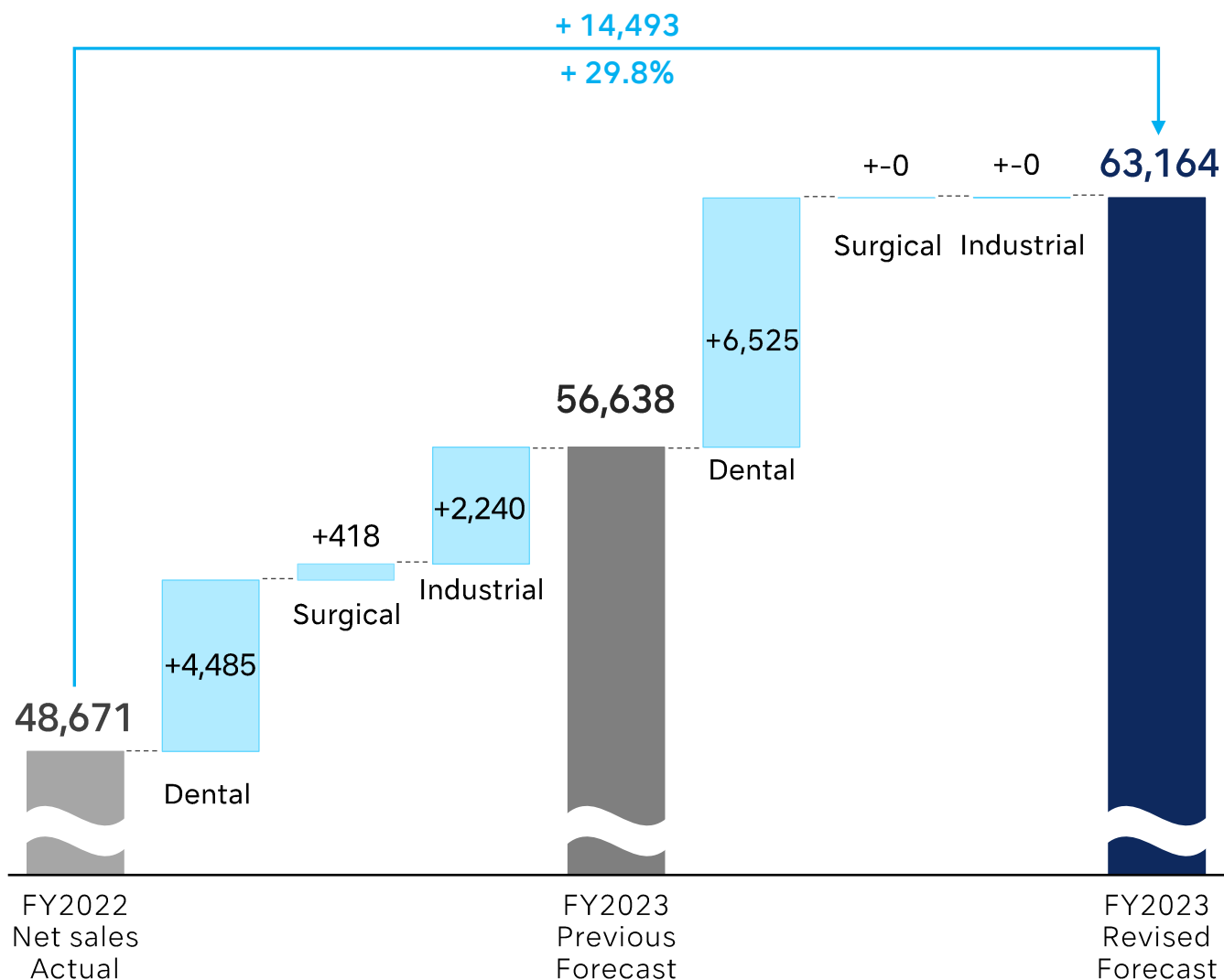
Assumed Currency rate (Annual average)	Revised forecast	Previous forecast	change
- Against the US dollar (JPY)	135.99	135.99	00.00
- Against the EURO (JPY)	148.80	148.80	00.00

Assumed currency rate for the second half of the fiscal year

1USD = 135.99JPY 1EUR = 150.59JPY

# Change in net sales by business segment

M of JPY



	FY2022 Actual	Previous forecast Aug. 7	Revised forecast Aug. 21	Change
Dental	40,926	45,412	51,938	+26.9%
Surgical	3,160	3,578	3,578	+13.2%
Industrial	4,584	7,647	7,647	+66.8%
Total	48,671	56,638	63,164	+29.8%

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

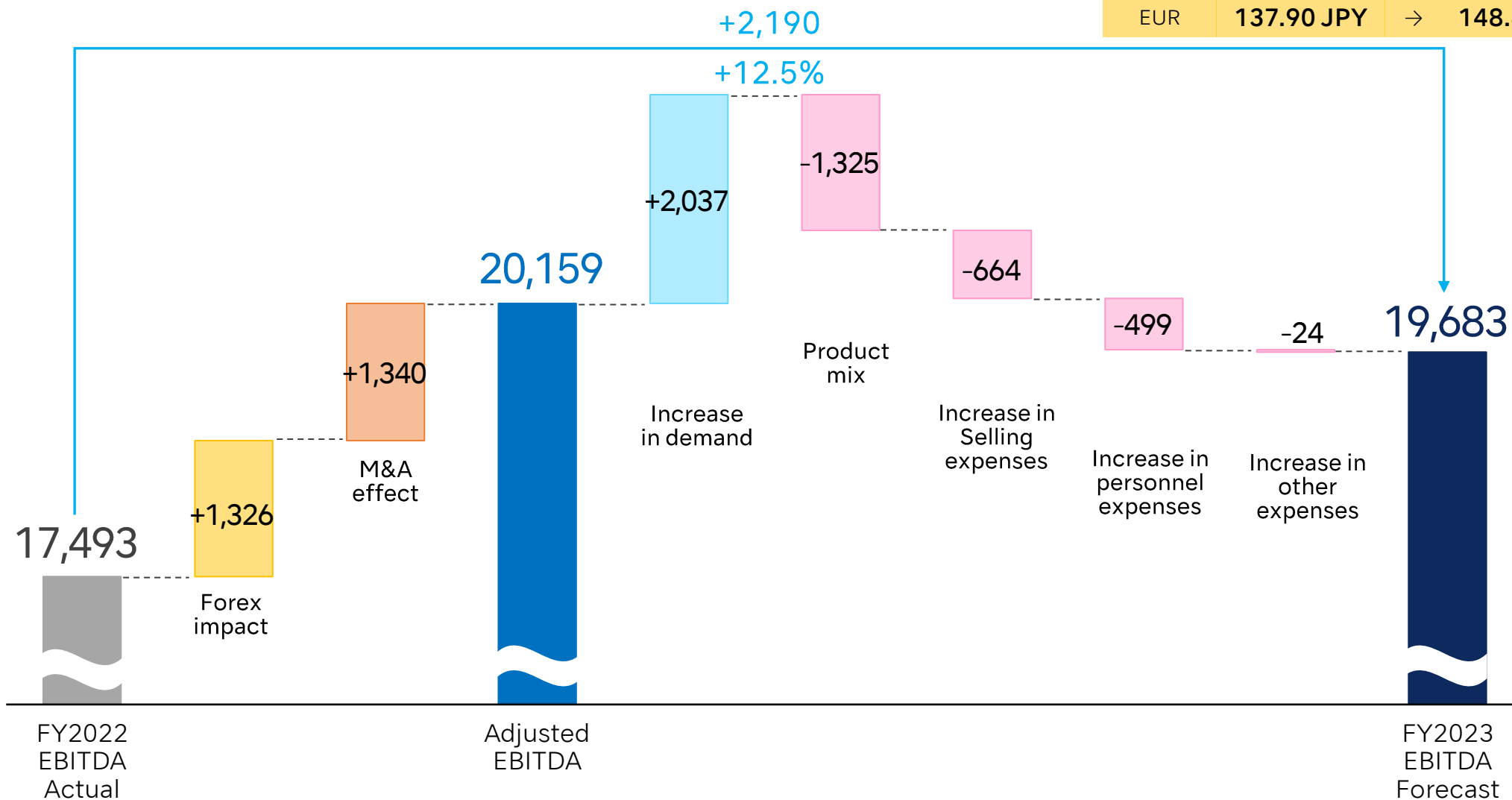
M&A effect +9,486 M of JPY (+19.5%)



# 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

## 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

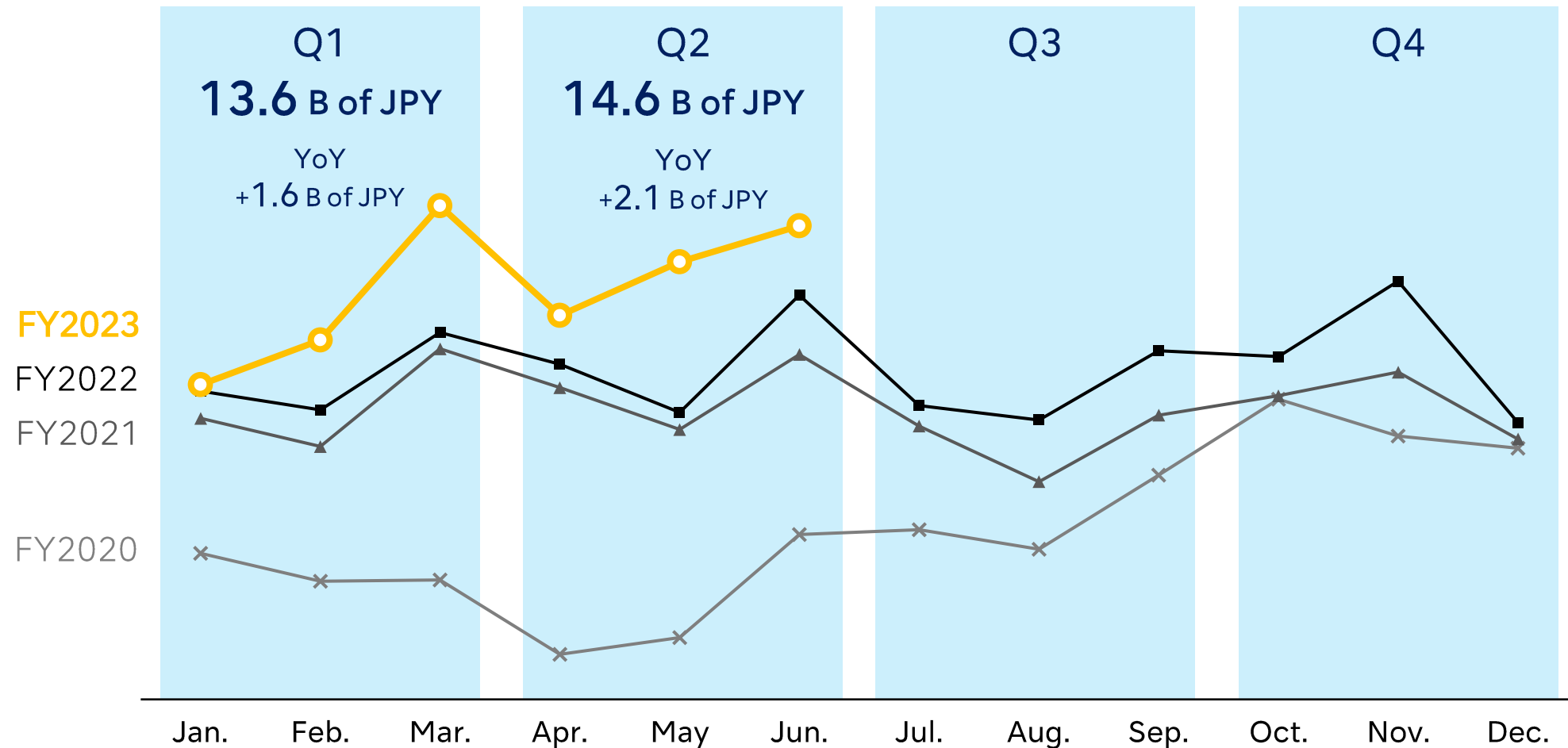
From October 1 to November 10

## 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

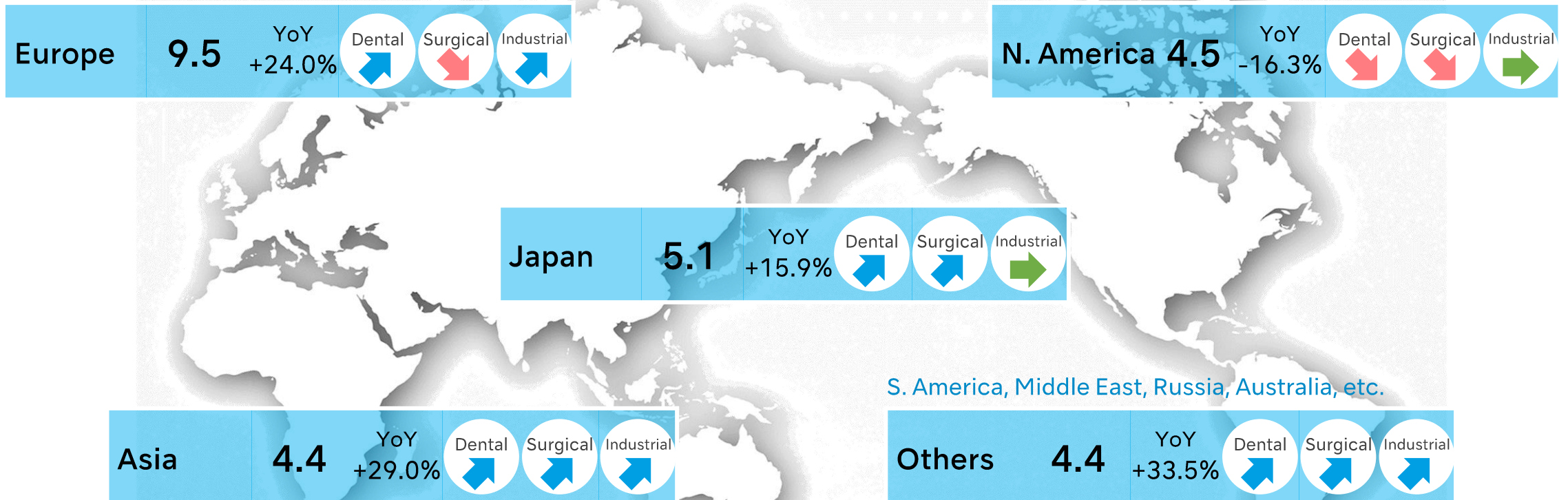
# Overviews of Each Segment and Future Initiatives

Production increased as parts shortages and COVID-19 personnel vacancies were mitigated. Exceeded monthly sales of 5.0 billion yen in March and June.



Sales down in North America. Achieved double-digit sales growth in other regions.

B of JPY



## Establish stance for aggressive sales expansion in global markets with competitive new products at the core

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 FY2023

- Announced new products at IDS, the world’s largest exhibition
- Sell-out in North America was strong, but sales were down due to inventory adjustments
- Began shipments from China factory. Responded to preferential policies for domestic production
- Developed and brought to market new products with the most advanced capabilities in the world
- Solidified prospects for increasing precision parts production at A1 and A1+ factories



# IDS2023

40th International Dental Show / One of the world's largest dental exhibitions

Dates: March 14 - March 18, 2023  
Exhibitors: 64 countries, 2,327 companies  
Attendees: 166 countries, 160,095 persons







Dental hand piece (Air turbine)

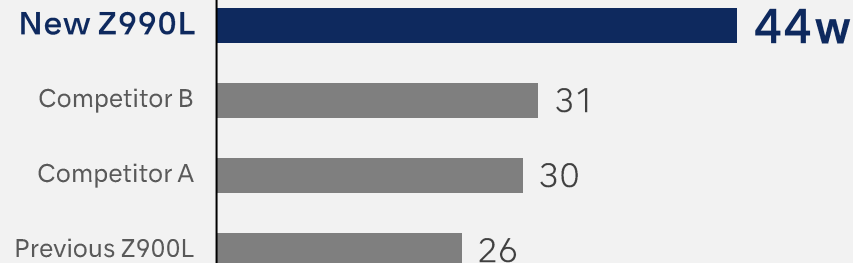
# Ti-Max Z990L / Z890L

New product in dental hand pieces that spins using pressurized air provided by dental chairs. Some of the highest cutting power in history (44W) contributes to a significant decrease in treatment time.

Provides benefits to both dental practitioners (efficient treatment) and patients (reduced strain)

## Cutting power comparison

At 0.42MPa pressure / Nakanishi research



## Promotional video

Ti-Max Z990L



# U.S.

Begin sales of new Z990L product in the North American market in October

Aim to accelerate growth in North America by entering the air turbine market, currently dominated by other companies

## Enrich product lineup



▲ Ti-Max Z air turbine  
(Air type)

▲ Ti-Max Z contra-angle  
(Electric motor type)

▲ N L Z  
(Electric micromotor)

## Deepen NSK & DCI collaboration



▲ Begin bundling DCI chairs and NSK hand pieces

All U.S. dealers

Dental universities

DSOs

Dental Service Organizations

# China

Strengthen business foundations from a medium- to long-term perspective while responding to local conditions



## Business environment

### Preferential treatment for products made in China

Large-scale bidding projects, etc., require products to be manufactured in China

## Business environment

### Concentrated purchasing of implants

Declining implant (artificial teeth) prices are a tailwind for the Company

## Business environment

### Rise of Chinese manufacturers

Growing out of copy products and creating unique brands

### Began product shipments from local factory

Began knockdown production of low-end products for China

Further enrich product types manufactured at Sichuan Factory

### Expand sales of implant motors

Expand sales of Surgic Pro, which has a high global market share

Market strengths in next-level operability and safety

### Roll out high value-added products

Add high value-added products to product lineup

Market performance, quality, etc., of the NSK brand



## Raise parts production capabilities at A1 factory and A1+ factory

### Install additional machine tools

NV2025+ capital investment plans ahead of schedule



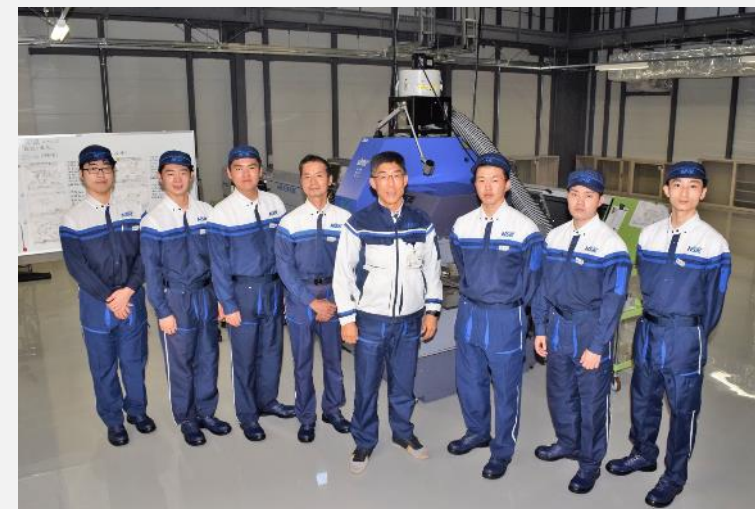
### Promote automation and manpower reduction

Automate processes that required human interaction



### Cultivating technicians in full force

First and second classes of the "ASK" development institution were assigned to the field



# M1

Assembly factory, parts and finished goods warehouse, after sales services



Production capacity UP

Efficiency UP

Lead times reduced

Service level UP

Promotion of energy conservation

Better work environment

## M1 construction is on schedule.

## Strengthening our production base to enable sustainable growth is in its final stage.

### M1 construction plan overview

Location:	700 Shimohinata, Kanuma-shi, Tochigi (On the headquarters premises)
Total floor area:	Approx. 20,000 m <sup>2</sup>
Investment:	Approx. 8.5 billion yen
Construction start:	April 2023
Operation start:	First phase: December 2024 (Scheduled) Second phase: December 2025 (Scheduled)



## Forecast of market trends in 2023

### Demand

Excess demand in developed markets to level off  
Demand in emerging markets to recover moderately

### Supply

Resolution of production bottlenecks to progress  
High raw material prices and indirect costs to continue



## Basic strategy for 2023

- ▶ Increase capacity to aid in reducing excess balance of orders, return sales activities to the previous state
- ▶ Steady implementation of mid-term business strategies in the U.S. and China
- ▶ Further production capacity gains at A1 and A1+, execute M1 project

## Japan



### Overview of 1st half

Sales trend   
YoY

- NSK brand and OEM both strong  
Solid orders even after raising product prices
- Began sales of Z990L. Sales growth for electronic products for which production has recovered

### Measures for 2nd half

Sales trend   
YoY

- Focus on the competitive new Z990L product
- Expand sales of electronic products such as implant motors, for which production as began to recover

## Europe



### Overview of 1st half

Sales trend   
YoY

- The Z990L was popular. Sales of oral hygiene products were strong
- Although demand in the U.K. and France declined from previous highs, Germany, Italy, and Nordic countries provided support.

### Measures for 2nd half

Sales trend   
YoY

- European demand projected to decline owing to severe inflation.  
Expand sales of mainstay dental hand pieces, implant motors, and oral hygiene products

## North America



May 18-20, 2023

CDA Anaheim (U.S.)

### Overview of 1st half

Sales trend



YoY

- Sell-out was strong but inventory adjustments at agents, OEMs, etc., continued and sales declined
- Began bundle sales of DCI chairs and NSK hand pieces

### Measures for 2nd half

Sales trend



YoY

- Begin sales of Z990L air turbine in addition to expanding sales of previous contra-angle and dental micromotors
- Continue approaching dental universities and DSOs

## Asia



Feb. 23-26, 2023

Dental South China (China)

### Overview of 1st half

Sales trend



YoY

- Although demand recovery in China is weak, sales are up year-on-year (lockdown); began shipments from local factory (NDM)
- South Korea is soft, while other Asian countries were solid

### Measures for 2nd half

Sales trend



YoY

- Continue to strengthen business foundations by enriching products produced at Chinese factories and establishing sales bases, etc.
- In light of normalized lead times, return to active sales activities in the Asian market



## Other markets

### Overview of 1st half

Sales trend



### Measures for 2nd half

Sales trend



#### Middle East

- Sales grew owing to continuing moderate recovery in demand following recovery from COVID-19 pandemic

- Steady response to bidding projects that continue to recover

#### South America

- Special demand that continued until the previous year fell off. Sales were down due to weak demand, harsh competition from Chinese companies, etc.

- Expand sales of mainstay dental hand pieces, implant motors, etc.

#### Russia

- Local sales trended strongly

- Outlook unclear due to prolonged invasion

#### Australia

- Significant growth in dental hand pieces, house call dental examination units, etc.

- Expand sales of high-demand implant motors, house call dental examination units, etc.

## Overview of 1st half

Unit sales up as parts shortages were mitigated. Disposables were strong. Asia grew significantly to cover a decline in Europe and the Americas

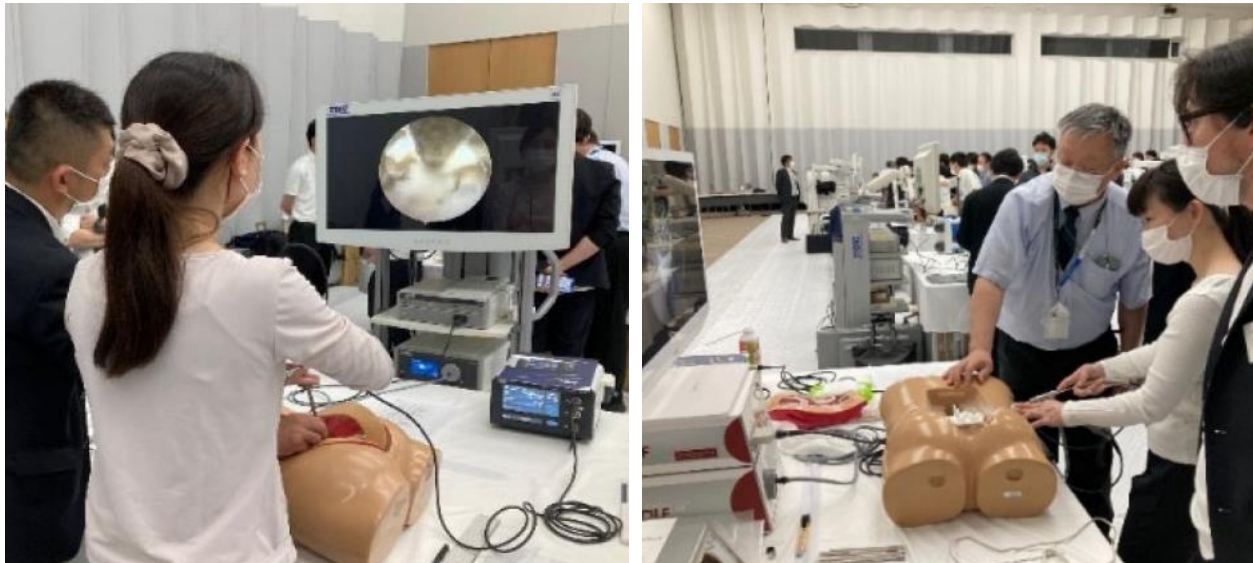
YoY ↗	Japan	Unit sales up as production recovered. Sales of disposables were a significant contributor in achieving double-digit sales growth
YoY ↘	Europe	Although disposables contributed and proprietary brands grew, could not offset impact of eliminating OEM
YoY ↘	N. America	Sales in existing routes were strong, but sales were muted year-on-year, which had special demand
YoY ↗	Asia	Steadily captured demand, which has entered a recovery phase, with significant sales growth in both China and Southeast Asia

## Measures for 2nd half

Cover lower sales in Europe owing to OEM elimination with expanded sales in North America and Asia, aiming for higher sales for the full year

YoY →	Japan	Self-imposed limits on sales visits due to COVID-19 will steadily return to normal. Strengthen explanatory meetings for pharmacies and agency flow
YoY →	Europe	Cover elimination of OEM contracts by expanding sales of the NSK brand, aiming for sales levels on par with the previous fiscal year
YoY ↗	N. America	Establish new partners and promote deeper cooperative ties with existing partners in an effort to accelerate business expansion
YoY ↗	Asia	Work to grow sales by strengthening approaches to brain surgeons and otologists and advancing initiatives to enrich after sales services

Strengthen customer approaches through hands-on seminars, etc.



May 19-21, 2023; Osaka International Convention Center

**Hands-on seminar at the 43rd  
Annual Meeting of the Japanese  
Congress of Neurological Surgeons**

## Overview of 1st half

Sales growth for mainstay products as external procurement for electronic parts recovered more quickly than expected after entering the current fiscal year

YoY →	Japan	As desire for capital investment declines, executed backlog project orders, resulting in strong sales
YoY ↗	Europe	Although sales were up owing to growth in NAKANISHI products and the effects of new consolidation, Jäger requires adjustment
YoY →	N. America	Despite local sales struggling to grow, the weaker yen was a tailwind, ultimately producing results in line with the previous fiscal year
YoY ↗	Asia	Continued capturing large-scale projects as in the previous year. Significant growth in sales of mainstay spindles, etc.

## Measures for 2nd half

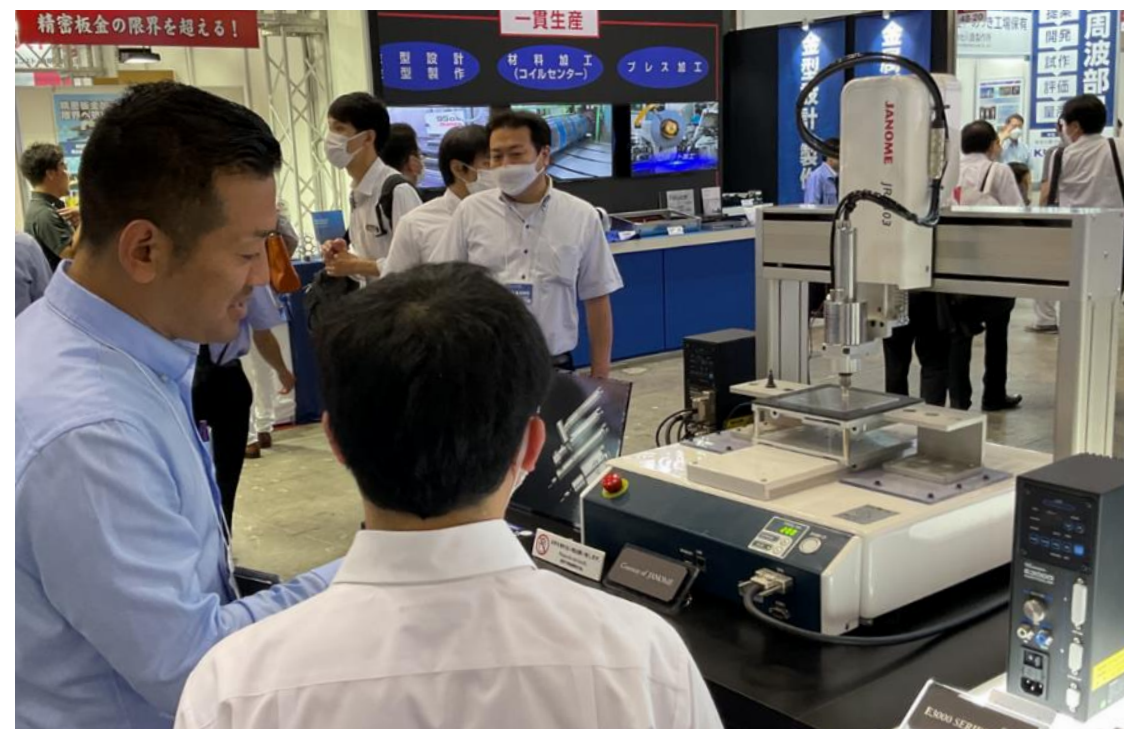
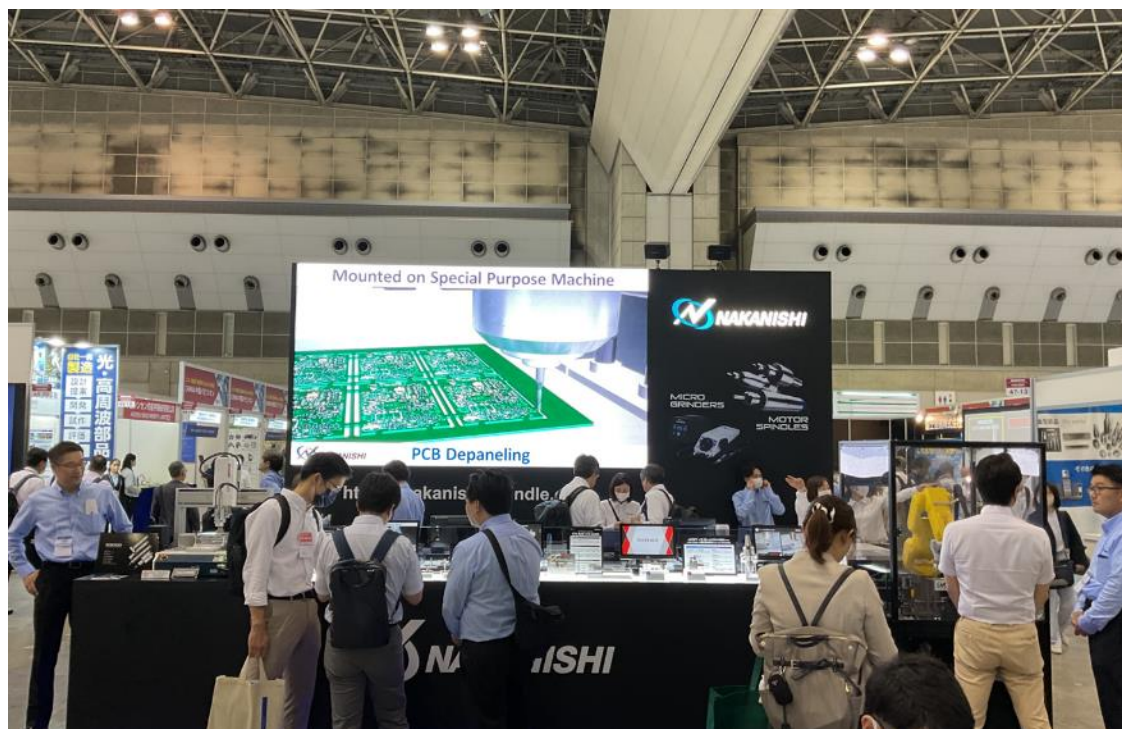
In light of declining demand, focus on deepening ties with partners and finding ways to create demand

YoY ↘	Japan	In view of a softer market, cooperate with machine tool and tool manufacturers to create new demand
YoY ↗	Europe	While continuing to focus on making adjustments at Jäger, steadily execute PMI
YoY →	N. America	Promote customer approaches under the theme of productivity improvement. Continue to strengthen structures at local subsidiaries
YoY →	Asia	Work to capture orders with careful sales follow-ups, aiming to deepen cooperative ties with partners



# 28th Mechanical Components & Materials Technology Expo

Jun. 21-23, 2023; Tokyo Big Sight



Market collaborative cases with system integrators



# JPX-NIKKEI 400

The Company was selected as a constituent of the JPX-Nikkei Index 400, which is an index jointly created by JPX Market Innovation & Research and Nikkei.

Moving forward, we will work to further improve corporate value so that we can respond to the expectations of even more investors.

Scheduled date of changing constituents:

**August 31, 2023**

***NSK***