

# Briefing Material

for 3<sup>rd</sup> quarter ended Sep. 30, 2023

Nov. 10, 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 Revision on Nov. 10
Net sales	36,543	35,418	33,055	44,857	48,671	60,569
EBITDA Margin	11,269 30.8%	11,051 31.2%	10,350 31.3%	15,612 34.8%	17,493 35.9%	18,294 30.2%
OP profit	9,721	9,299	8,542	13,750	15,389	14,836
Depreciation	1,522	1,684	1,759	1,807	2,049	2,341
Amortization	24	67	49	54	55	1,115

**D**emand has passed its peak in North America and Europe as monetary tightening continues despite inflation slowing down. Earnings were boosted by acquisition effects and Forex impact. Organic growth was +3%.

**P**roduction activities are recovering and go as planned. We have cleared the backlog from last year steadily. Construction of new "M1" factory is progressing well and it aims to start operation ahead of schedule.

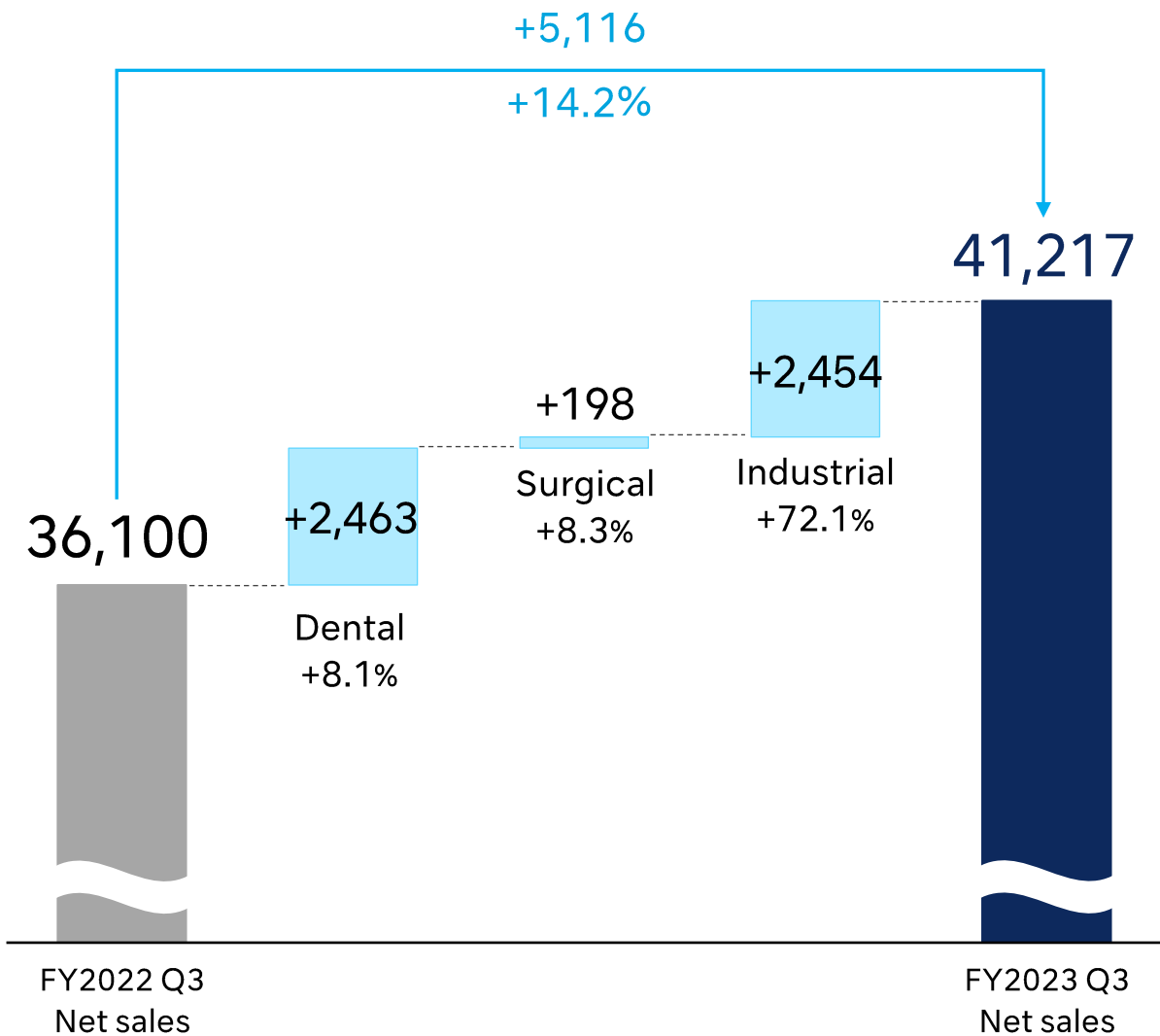
**W**e recorded an extraordinary income (gain on step acquisitions) and revised consolidated financial forecast for FY2023 considering not only an extraordinary income but dental chair sales in North America decline.

M of JPY

			FY2023 Q3	FY2022 Q3	YoY Comparison	
			Actual	Actual	Amount	Ratio
Net sales			41,217	36,100	+5,116	+14.2%
Gross profit			26,431	23,084	+3,346	+14.5%
Ratio to net sales			64.1%	63.9%	+0.2pt	—
EBITDA *			13,921	13,376	+544	+4.1%
Margin			33.8%	37.1%	-3.3pt	—
Operating profit			11,827	11,894	-66	-0.6%
Ratio to net sales			28.7%	32.9%	-4.3pt	—
Ordinary profit			15,406	14,694	+711	+4.8%
Ratio to net sales			37.4%	40.7%	-3.3pt	—
Profit attributable to owners of parent			22,384	10,208	+12,716	+119.3%
Ratio to net sales			54.3%	28.3%	+26.0pt	—
E	P	S (JPY)	262.98	118.92	—	—
* EBITDA = OP profit + Depreciation + Amortization						
Currency rate	- against the US dollar	(JPY)	138.87	128.02	+10.85	—
	- against the EURO	(JPY)	150.22	136.01	+14.21	—

\* Forex impact: Net sales +1,875M of JPY (vs FY2022 Q3 Actual), +2,575M of JPY (vs FY2023 Forecast)

M of JPY



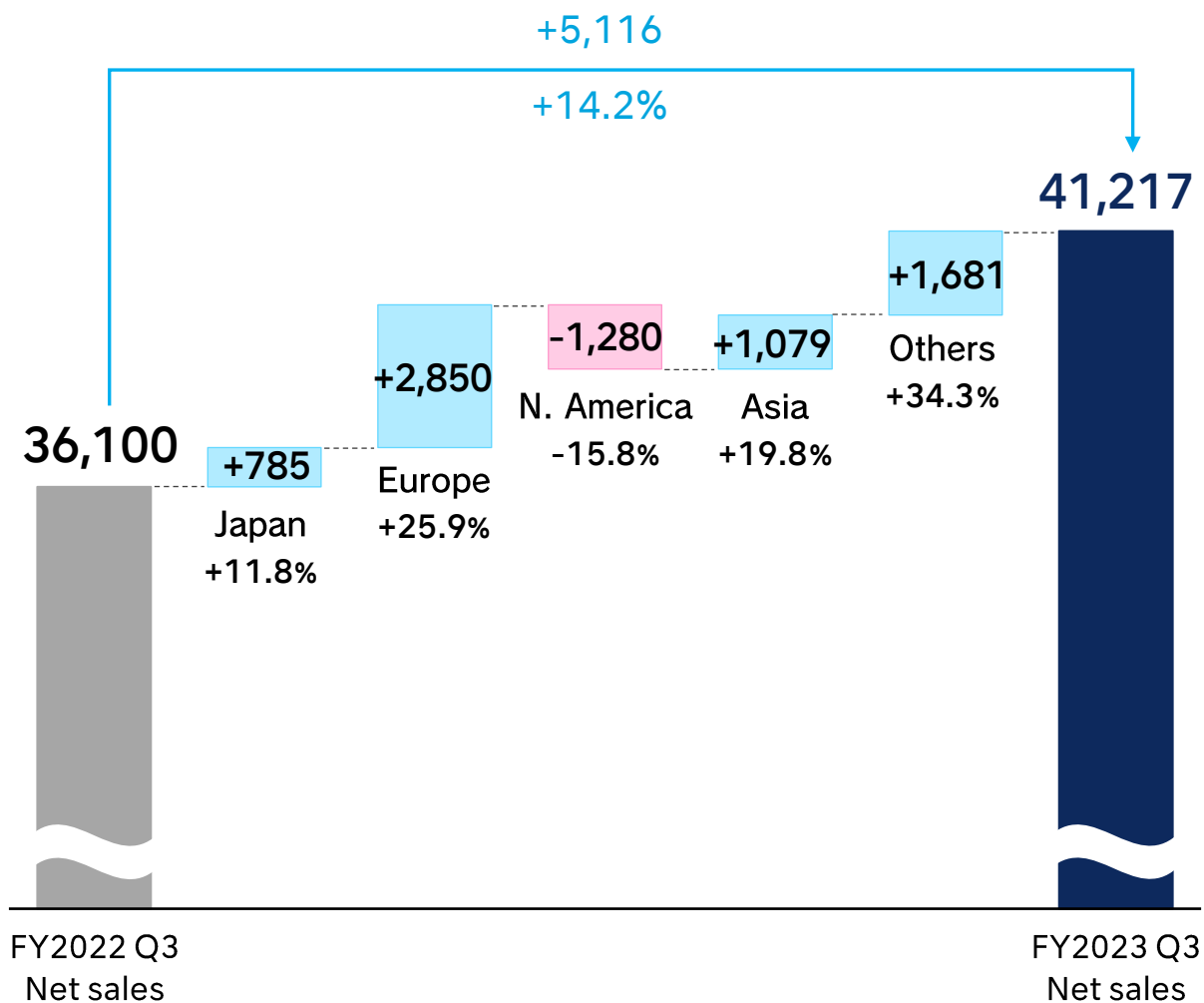
	FY2022 Q3 Actual	FY2023 Q3 Actual	Change
Dental	30,301	32,765	+8.1%
Surgical	2,393	2,591	+8.3%
Industrial	3,405	5,859	+72.1%
Total	36,100	41,217	+14.2%

Forex impact +1,875 M of JPY (+5.2%)

M&A effect +2,103M of JPY (+5.8%)

# Change in net sales by region

M of JPY



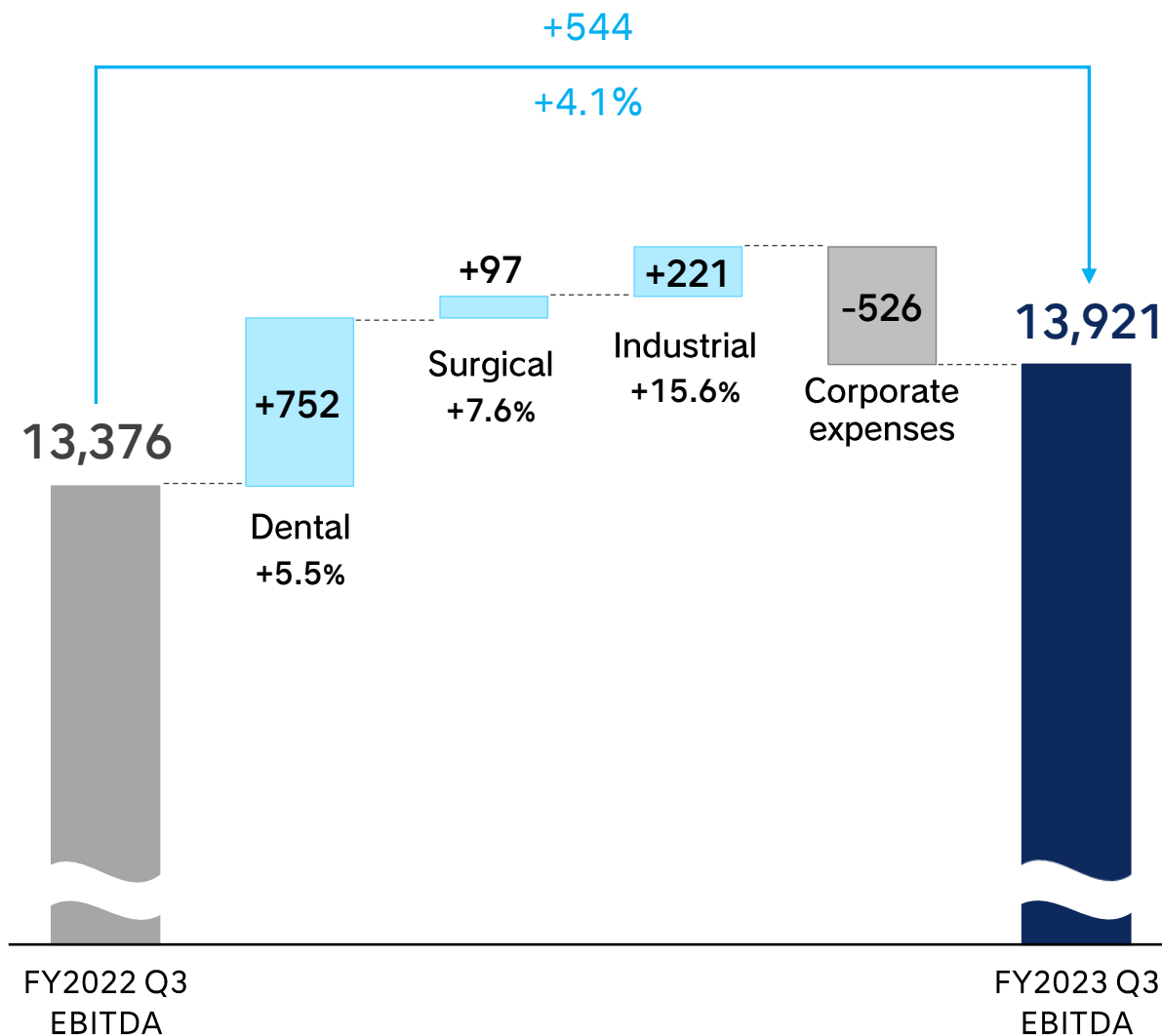
	FY2022 Q3 Actual	FY2023 Q3 Actual	Change
Japan	6,637	7,423	+11.8%
Europe	11,024	13,874	+25.9%
N. America	8,084	6,804	-15.8%
Asia	5,450	6,530	+19.8%
Others	4,902	6,583	+34.3%
Total	36,100	41,217	+14.2%

Forex impact +1,875 M of JPY (+5.2%)

M&A effect +2,103 M of JPY (+5.8%)

# Change in EBITDA by business segment

M of JPY



	FY2022 Q3 Actual	FY2023 Q3 Actual	Change
Dental	13,731	14,484	+5.5%
Surgical	1,288	1,386	+7.6%
Industrial	1,416	1,637	+15.6%
Corporate expenses	-3,060	-3,587	-
Total	13,376	13,921	+4.1%

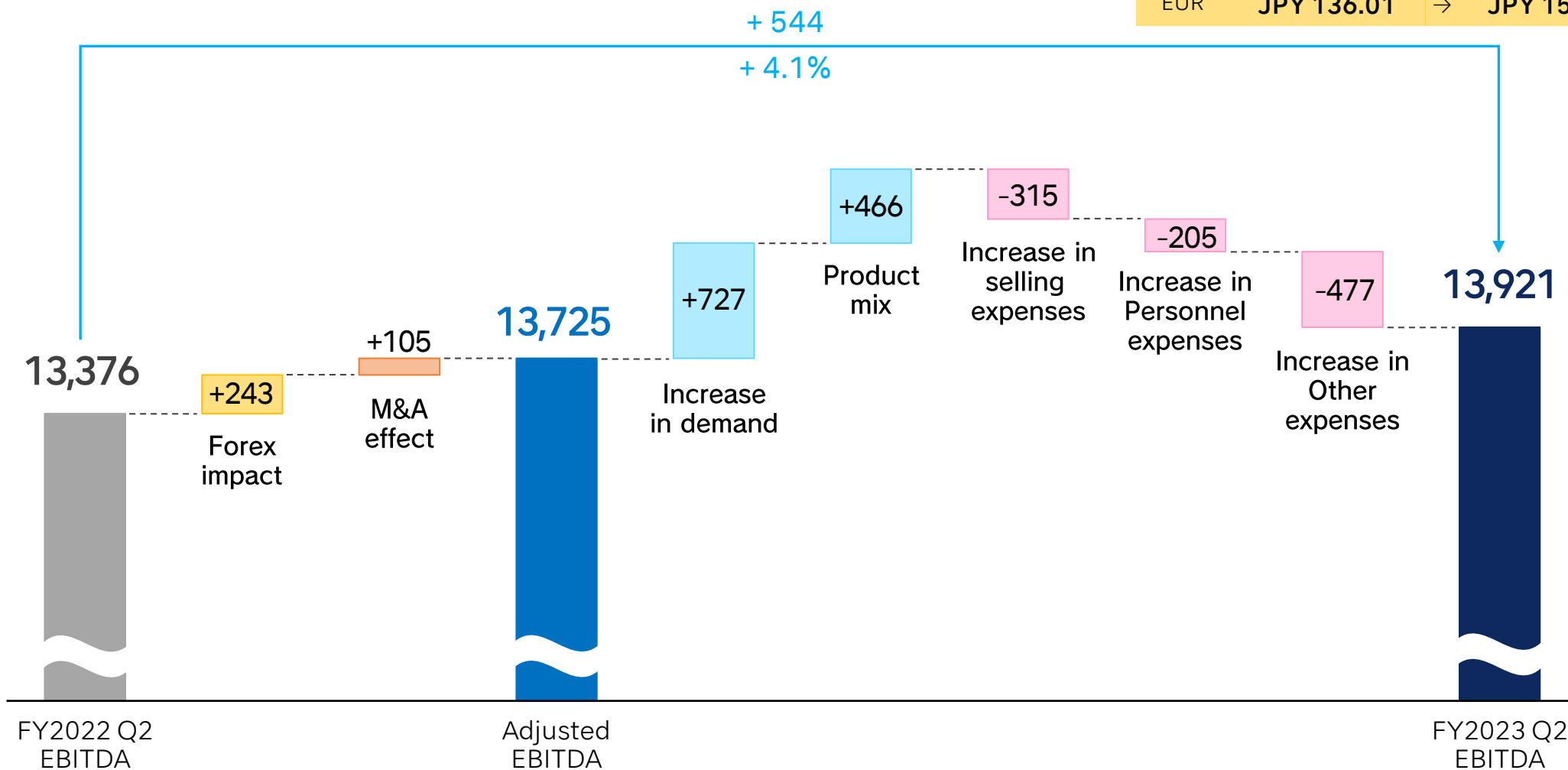
Forex impact +243 M of JPY (+1.8%)

M&A effect +105 M of JPY (+0.8%)

# Change in EBITDA

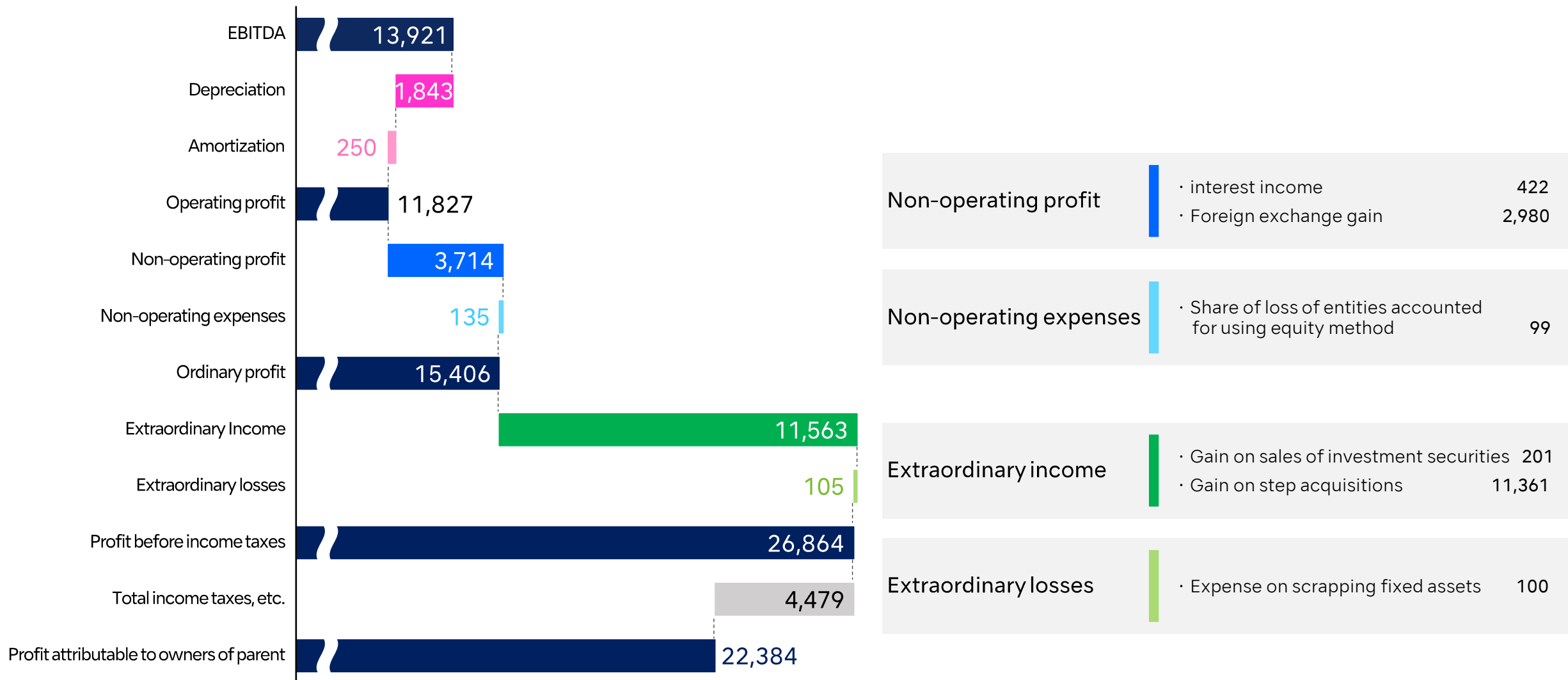
M of JPY

Currency rate (Average)		
	FY2022 Q3 Actual	FY2023 Q3 Actual
USD	JPY 128.02	→ JPY 138.87
EUR	JPY 136.01	→ JPY 150.22





M of JPY



## Consolidated balance sheet

M of JPY

	As of Sep. 30, 2023	As of Dec. 31, 2022	Change	Notes
<b>Total assets</b>	<b>136,369</b>	<b>102,154</b>	<b>+34,214</b>	
- Cash and deposits	31,799	34,992	-3,192	
- Notes and accounts receivable - trade	8,380	6,106	+2,273	
- Inventories	23,584	16,284	+7,299	<ul style="list-style-type: none"> <li>· Merchandise and finished goods +5,048</li> <li>· Work in process +830</li> <li>· Raw materials and supplies +1,420</li> </ul>
<b>Liabilities</b>	<b>19,316</b>	<b>11,131</b>	<b>+8,184</b>	<ul style="list-style-type: none"> <li>· Accounts payable-trade +936</li> <li>· Non-current liabilities - others +1,420</li> </ul>
- Loans payable	7,100	480	+6,619	<ul style="list-style-type: none"> <li>· Short-term loans payable +7,000</li> <li>· Long-term borrowings -358</li> </ul>
<b>Net assets</b>	<b>117,053</b>	<b>91,022</b>	<b>+26,030</b>	<ul style="list-style-type: none"> <li>· Treasury stock +635</li> <li>· Foreign currency translation adjustment +4,632</li> </ul>
- Retained earnings	111,896	93,628	+18,267	
<b>Return on equity</b>	<b>28.8%</b>	<b>14.4%</b>	<b>+14.4pt</b>	
<b>Return on assets</b>	<b>17.2%</b>	<b>18.0%</b>	<b>-0.8pt</b>	

	FY2023 Q3 Actual	FY2022 Q3 Actual	Change	Notes
<b>Capital investments</b>	<b>4,875</b>	<b>3,064</b>	<b>+1,811</b>	· M1 factory 2,933
<b>Depreciation expenses</b>	<b>1,843</b>	<b>1,441</b>	<b>+402</b>	

# Revision of consolidated financial forecast for FY2023

## Revision of consolidated financial forecast for FY2023

M of JPY

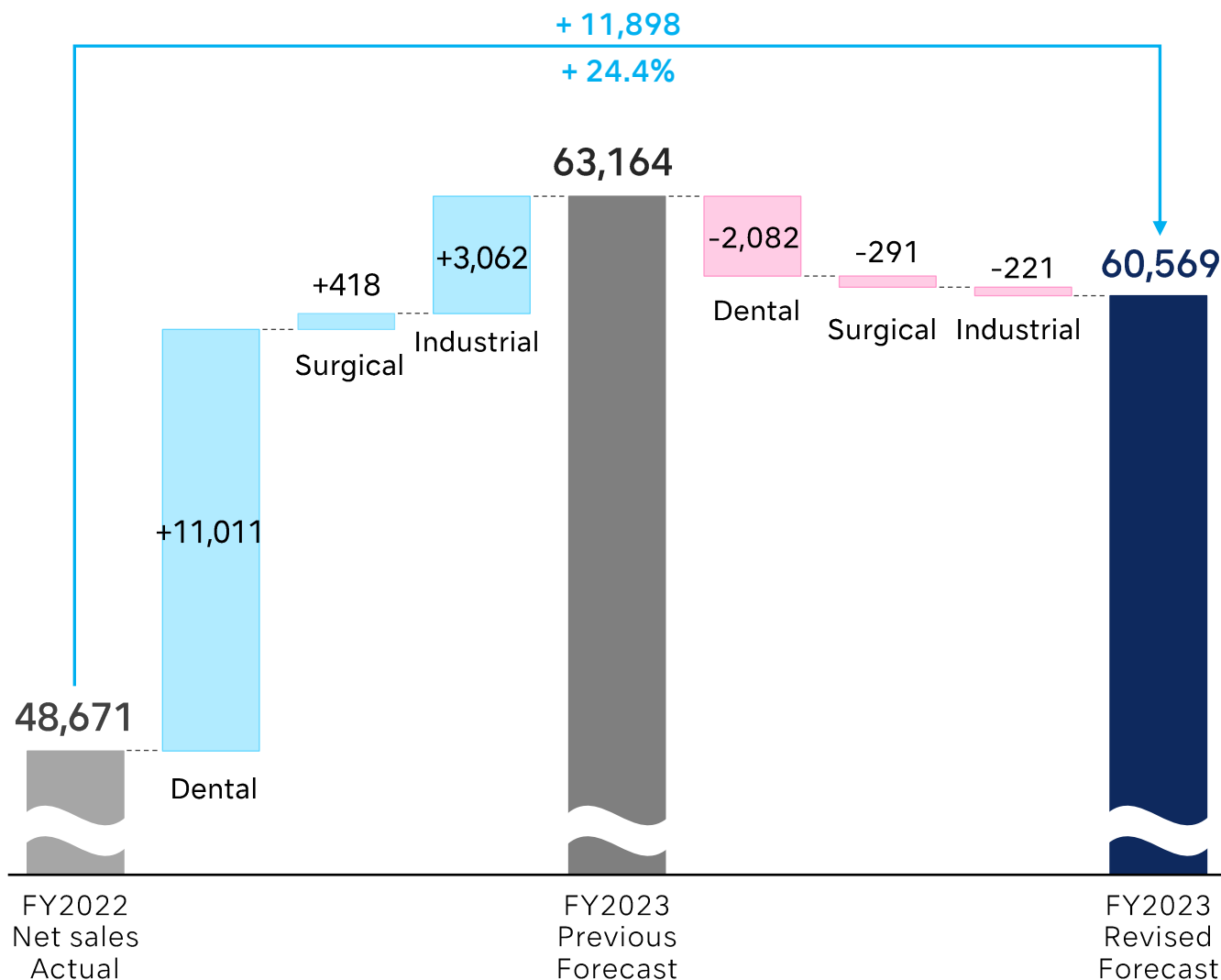
	Revised forecast for FY2023 announced on Nov 10	Previous forecast for FY2023 announced on Aug. 21	vs. Previous Fcst		FY2022 Actual	YoY comparison	
			Amount	Ratio		Amount	Ratio
Net sales	60,569	63,164	-2,595	-4.1%	48,671	+11,897	+24.4%
Gross Profit	36,547	37,932	-1,385	-3.7%	31,221	+5,325	+17.1%
Ratio to net sales	60.3%	60.1%	+0.3pt	—	64.1%	-3.8pt	—
EBITDA*	18,294	19,683	-1,389	-7.1%	17,493	+800	+4.6%
Margin	30.2%	31.2%	-1.0pt	—	35.9%	-5.7pt	—
Operating Profit	14,836	16,618	-1,781	-10.7%	15,389	-552	-3.6%
Ratio to net sales	24.5%	26.3%	-1.8Pt	—	31.6%	-7.1pt	—
Ordinary Profit	18,246	19,725	-1,478	-7.5%	17,646	+600	+3.4%
Ratio to net sales	30.1%	31.2%	-1.1Pt	—	36.3%	-6.1pt	—
Profit attributable to owners of parent	24,613	13,894	+10,719	+77.2%	12,471	+12,141	+97.4%
Ratio to net sales	40.6%	22.0%	+18.6pt	—	25.6%	+15.0pt	—
EPS (JPY)	289.42	163.37	—	—	145.48	—	—

\* EBITDA = Operating profit + Depreciation + Amortization

Assumed Currency rate (Annual average)		Revised forecast	Previous forecast	change	
- Against the US dollar	(JPY)	140.63	135.99	+4.64	Assumed currency rate for November and December 1USD = 145.00JPY 1EUR = 155.00JPY
- Against the EURO	(JPY)	151.61	148.80	+2.81	

# Change in net sales by business segment

M of JPY



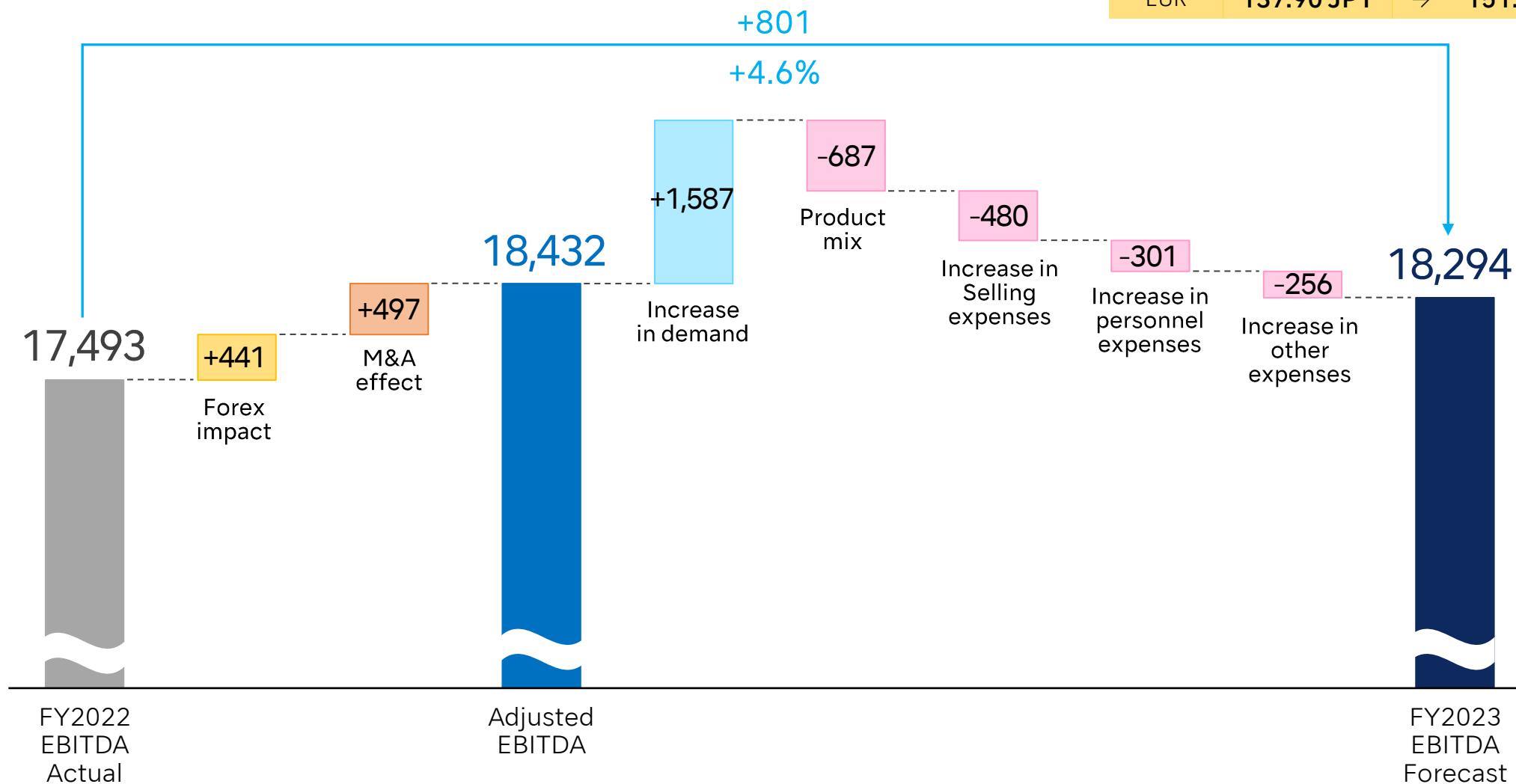
	FY2022 Actual	Previous forecast Aug. 21	Revised forecast Nov. 10	Change
Dental	40,926	51,938	49,855	+21.8%
Surgical	3,160	3,578	3,287	+4.0%
Industrial	4,584	7,647	7,426	+62.0%
Total	48,671	63,164	60,569	+24.4%

Forex impact +2,529 M of JPY (+5.2%)

M&A effect +6,893 M of JPY (+14.2%)

M of JPY

Currency rate (Average)		
	FY2022 Actual	FY2023 Forecast
USD	<b>130.77 JPY</b>	→ <b>140.63 JPY</b>
EUR	<b>137.90 JPY</b>	→ <b>151.61 JPY</b>



# Acquisition of REFINE ,

Chinese dental equipment manufacturer

# Guilin Refine Medical Instrument Co., Ltd. (Refine)



Guilin Refine Medical Instrument Co., Ltd.

## REFINE MEDICAL

Dental equipment manufacturer

Established: May 2017  
Location: Qixing District, Guilin  
Main product: Oral hygiene  
Endodontics  
Employee: 140  
Business segment: Dental Business



▲ Headquarters



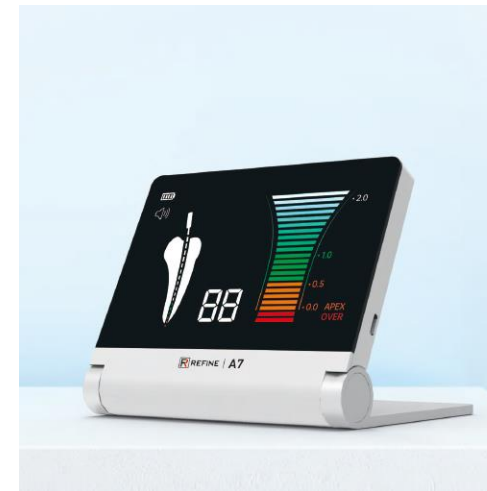
▲ Factory



▲ Dentech China 2023



▲ Oral hygiene





▲ Endodontics



▲ Oral hygiene



	High-end	Middle-range	Low-end
Category A	<b>NSK</b> Strong		
Category B	<b>NSK</b> Strong		
Oral hygiene	<b>NSK</b> Strong	 Strong	
Endodontics			
Category C	<b>NSK</b> Strong		
Production of instruments	<b>NSK</b> Strong		
Production of console unit	 Strong		

Leverage REFINE's strengths to enhance our comprehensive strength as the NSK group

***NSK***