

Briefing Material

for the year ended Dec. 31, 2023

Feb. 13, 2024

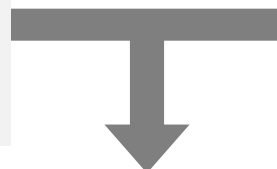
NAKANISHI INC.

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 Actual
Net sales	36,543	35,418	33,055	44,857	48,671	59,692
EBITDA Margin	11,269 30.8%	11,051 31.2%	10,350 31.3%	15,612 34.8%	17,493 35.9%	17,775 29.8%
OP profit	9,721	9,299	8,542	13,750	15,389	14,296
Depreciation	1,522	1,684	1,759	1,807	2,049	2,929
Amortization	24	67	49	54	55	549

Consolidated financial result for FY2023

Net sales and EBITDA achieved record-high performance due to Jaeger, DCI and Refine acquisitions and the depreciation of yen. Increase in amortization of goodwill resulted in a decrease in operating profit. The record net profit was attributed to an extraordinary income not affecting cash flows.

The resolution of parts shortage and progress in production expansion have allowed production activities to proceed as planned. Construction of "M1" is progressing smoothly, and the first section, an assembly plant, will begin operations in April 2024.

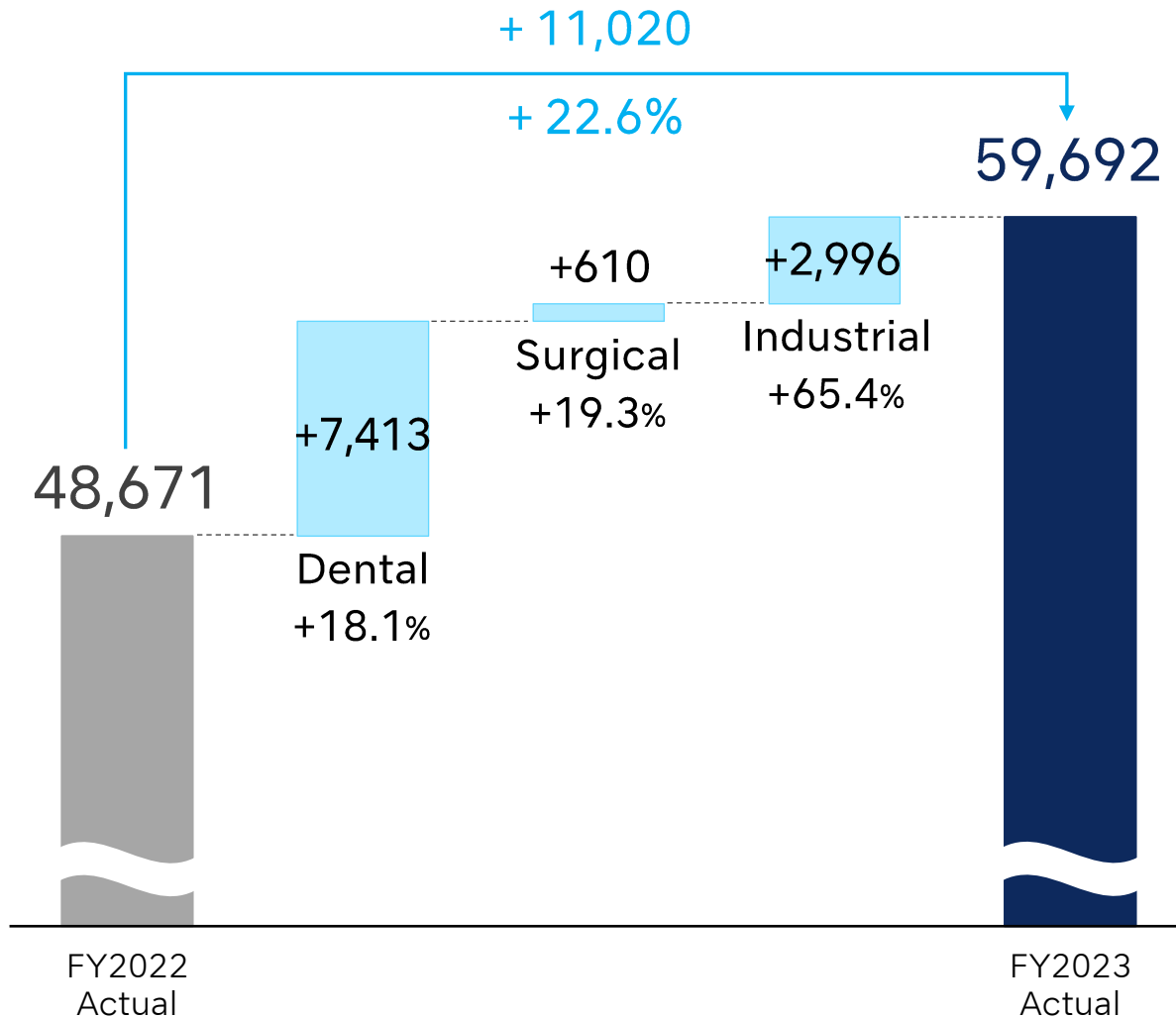
Total payout ratio is 63% when adjusted net profit is taken into account, except for the "gain on step acquisitions," which is a temporary and extraordinary profit to DCI acquisition.

M of JPY

	FY2023 Actual	FY2022 Actual	YoY Comparison		FY2023 Forecast	
			Amount	Ratio	Revision on Nov. 10	vs. Forecast
Net sales	59,692	48,671	+11,020	+22.6 %	60,569	-1.4 %
Gross profit	36,124	31,221	+4,902	+15.7 %	36,547	-1.2 %
Ratio to net sales	60.5%	64.1 %	-3.6 pt	—	60.3 %	—
EBITDA *	17,775	17,493	+281	+ 1.6%	18,294	-2.8 %
Margin	29.8%	35.9 %	-6.2 pt	—	30.2 %	—
Operating profit	14,296	15,389	-1,092	-7.1 %	14,836	-3.6 %
Ratio to net sales	24.0%	31.6 %	-7.7 pt	—	24.5 %	—
Ordinary profit	17,238	17,646	-408	-2.3 %	18,246	-5.5 %
Ratio to net sales	28.9%	36.3 %	-7.4 pt	—	30.1 %	—
Profit attributable to owners of parent	22,835	12,471	+10,364	+83.1 %	24,613	-7.2 %
Ratio to net sales	38.3%	25.6 %	+12.6 pt	—	40.6 %	—
E P S (JPY)	268.04	145.48	—	—	289.42	—
* EBITDA = OP profit + Depreciation + Amortization						
Currency rate - Against the US dollar (JPY)	140.54	130.77	+9.77	—	140.63	-0.09
- Against the EURO (JPY)	152.27	137.90	+14.37	—	151.61	+0.66

・ Forex impact : Net sales +2,527M of JPY (vs FY2022 Actual), +3,675M of JPY (vs FY2022 Forecast)

M of JPY

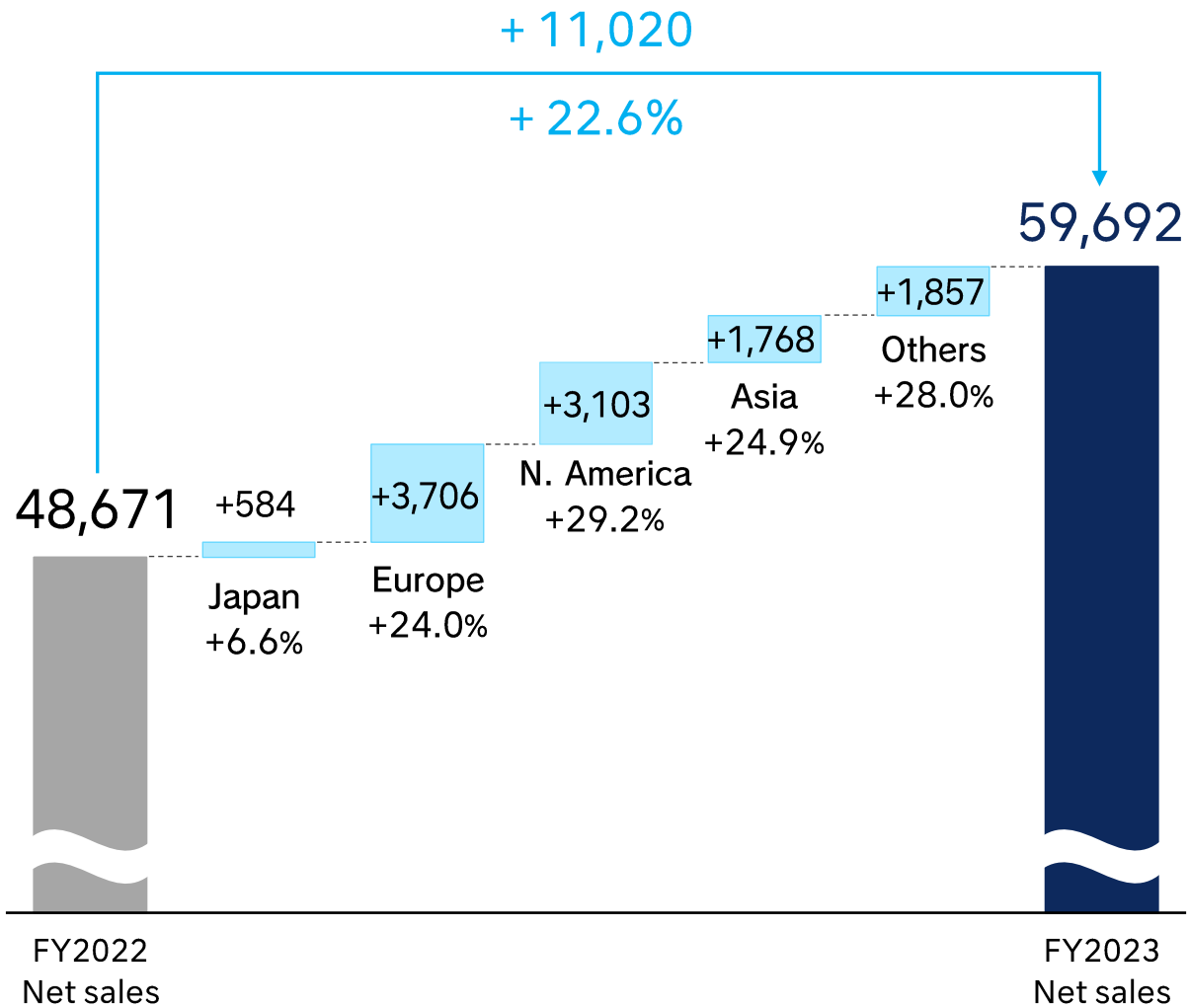


	FY2022 Actual	FY2023 Actual	Change
Dental	40,926	48,340 DCI 3,974	+ 18.1%
Surgical	3,160	3,770	+ 19.3%
Industrial	4,584	7,581	+ 65.4%
Total	48,671	59,692	+ 22.6%

Forex impact +2,527 M of JPY (+5.2%)

M&A effect +7,147 M of JPY (+14.7%)

M of JPY



	FY2022 Actual	FY2023 Actual	Change
Japan	8,891	9,475	+6.6 %
Europe	15,432	19,138	+24.0 %
N. America	10,620	13,724	+29.2 %
Asia	7,091	8,860	+24.9 %
Others	6,636	8,493	+28.0 %
Total	48,671	59,692	+22.6 %

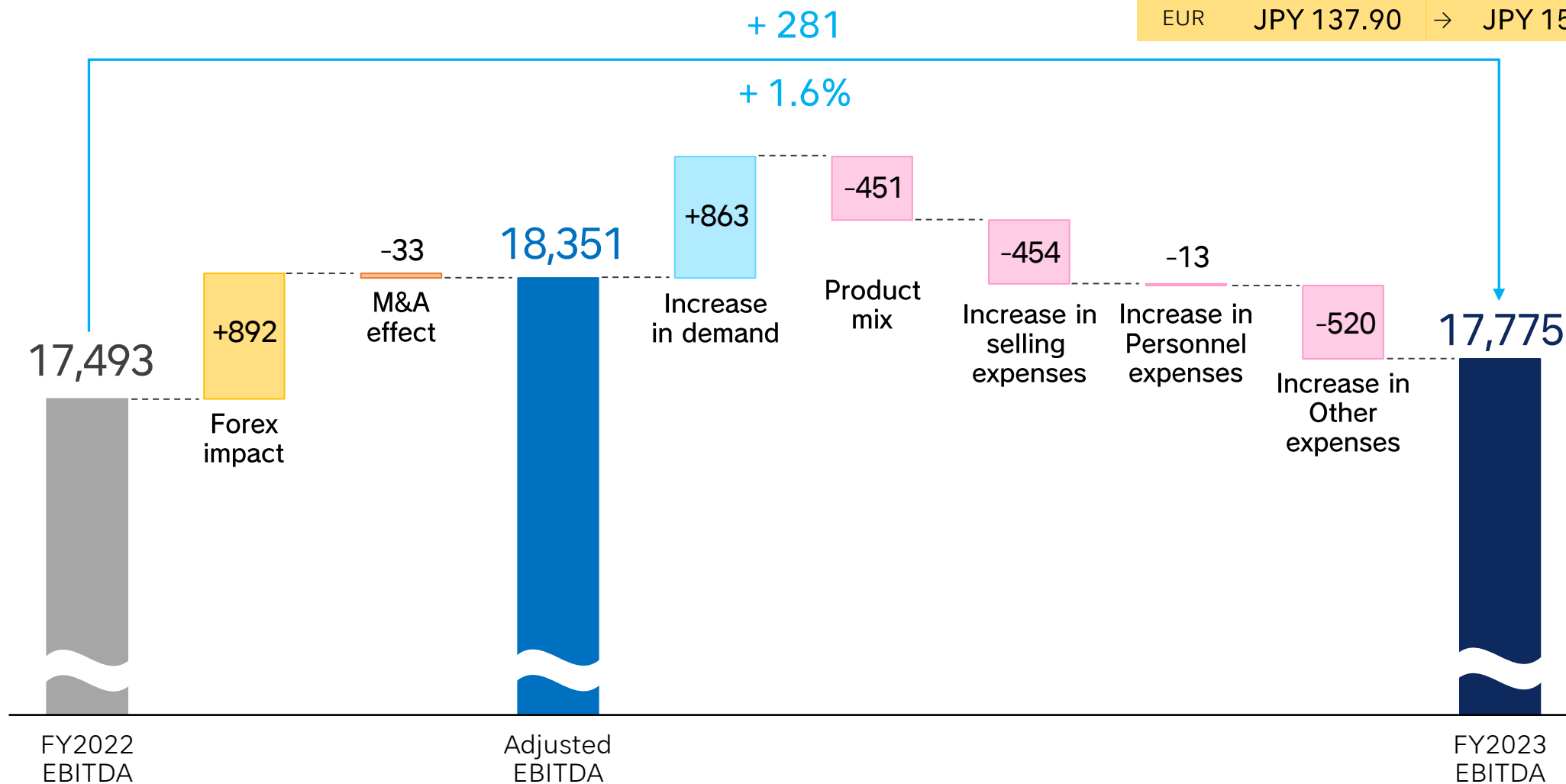
Forex impact +2,527 M of JPY (+5.2%)

M&A effect +7,147 M of JPY (+14.7%)

Change in EBITDA

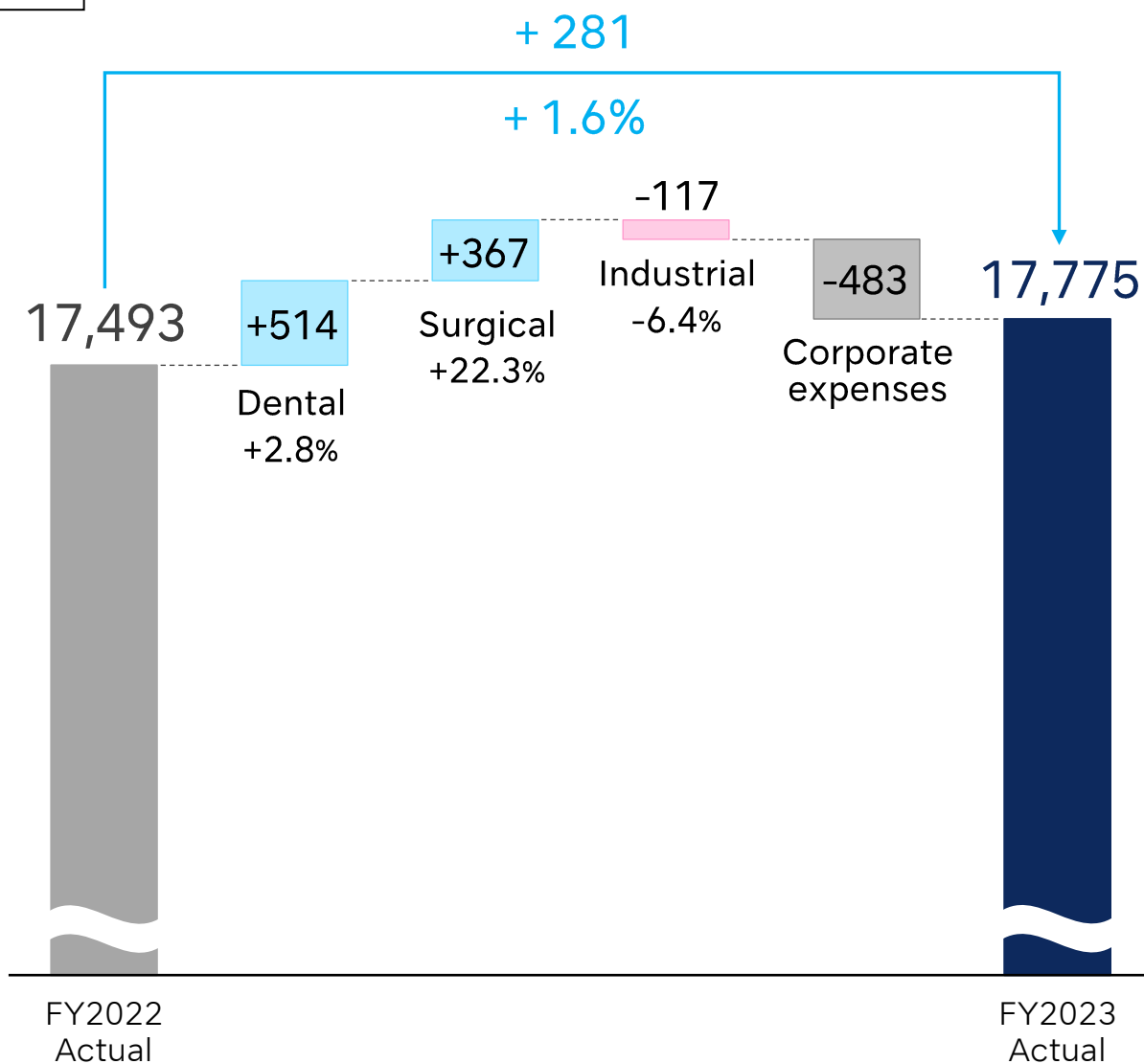
M of JPY

Currency rate (Average)		
	FY2022 Average	FY2023 Average
USD	JPY 130.77	→ JPY 140.54
EUR	JPY 137.90	→ JPY 152.27



Change in EBITDA by business segment

M of JPY

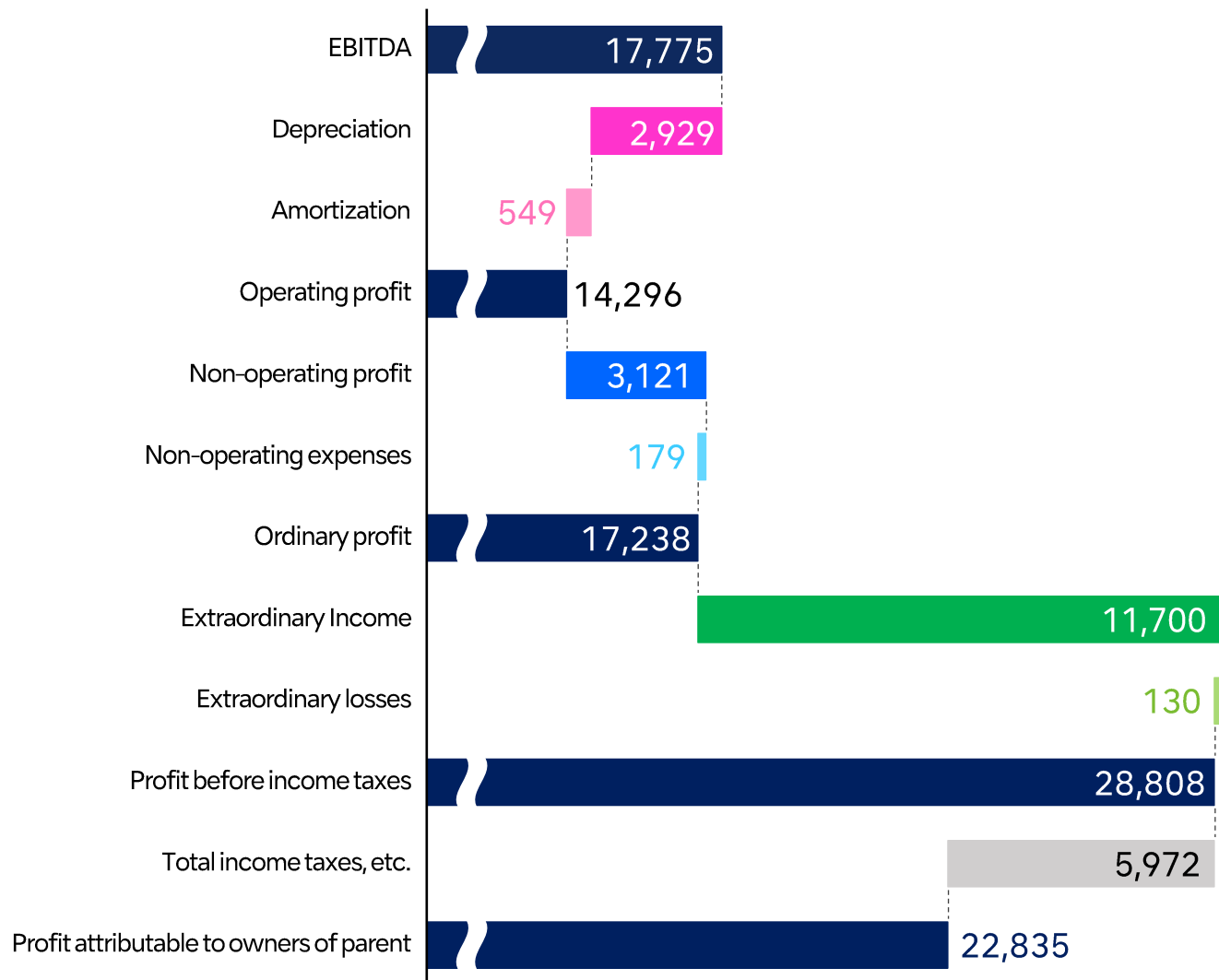


	FY2022 Actual	FY2023 Actual	Change
Dental	18,451	18,966	+2.8 %
Surgical	1,651	2,018	+22.3 %
Industrial	1,843	1,726	-6.4 %
Corporate expenses	-4,453	-4,936	—
Total	17,493	17,775	+1.6 %

Forex impact +892 M of JPY (+5.1%)

M&A effect -33 M of JPY (-0.2%)

M of JPY



Non-operating profit

· interest income	591
· Foreign exchange gain	2,088

Non-operating expenses

· Share of loss of entities accounted for using equity method	100
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Extraordinary income

· Gain on sales of investment securities	201
· Gain on step acquisitions	11,497

Extraordinary losses

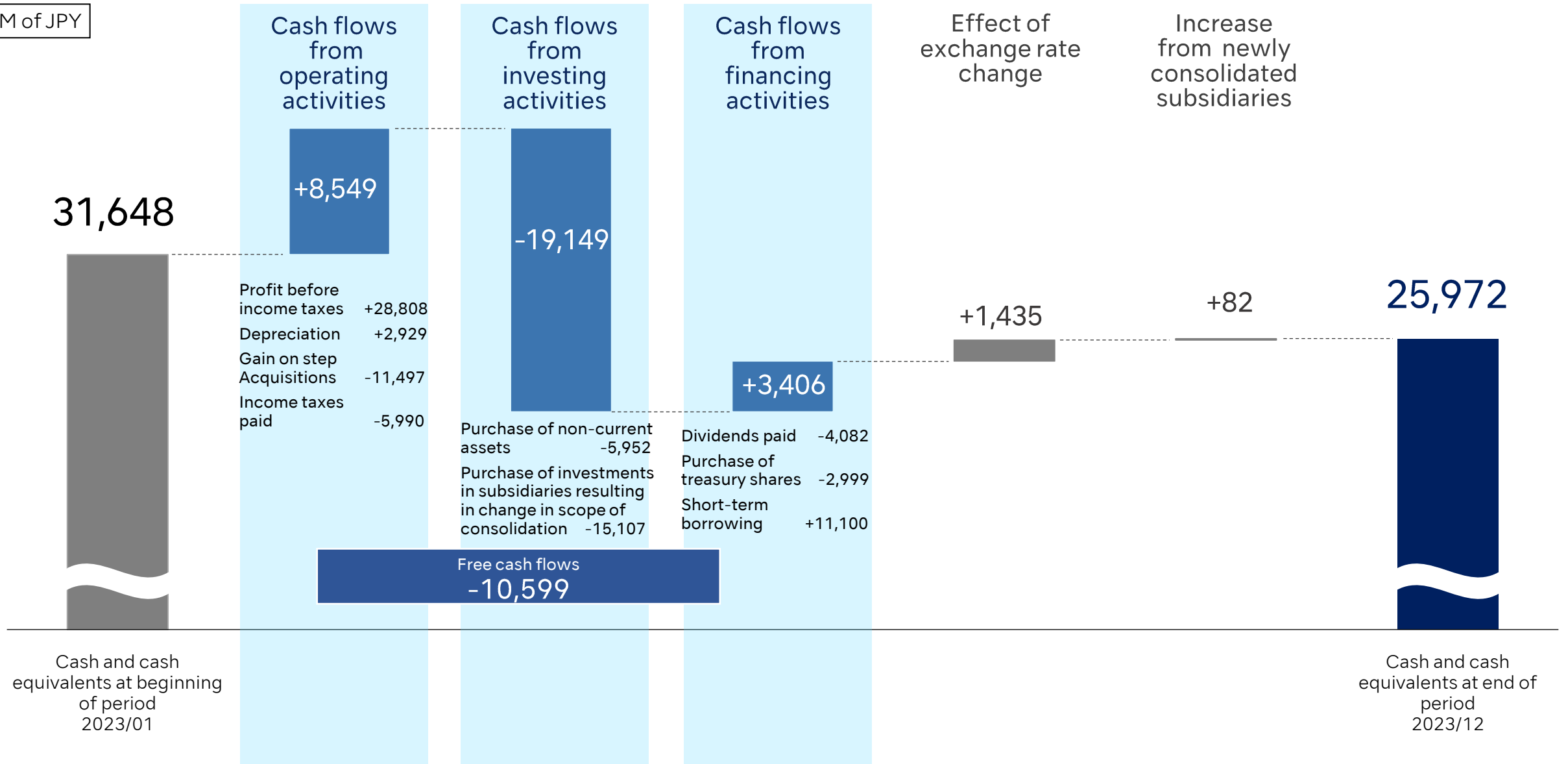
· Expense on scrapping fixed assets	100
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Consolidated balance sheet

M of JPY

	As of Dec. 31, 2023	As of Dec. 31, 2022	Change	Note
Total assets	140,713	102,636	+38,076	· Buildings and structures +2,959
- Cash and deposits	31,718	34,992	-3,274	
- Inventories	23,984	16,526	+7,457	
- Goodwill	21,934	1,482	+20,452	· Merchandise and finished goods +4,976 · Work in process +994 · Raw materials and supplies +1,486
Liabilities	27,512	11,613	+15,898	· Deferred tax liabilities +4,022
- Loans payable	11,668	480	+11,187	· Short-term borrowing +11,738
Net assets	113,200	91,022	+22,178	· Foreign currency translation reserve +2,536
- Retained earnings	112,346	93,628	+18,718	
Return on equity (ROE)	22.4 %	14.4 %	+8.0 pt	
Return on assets (ROA)	14.2 %	17.9 %	-3.7 pt	
	FY2023 Actual	FY2022 Actual	Change	Note
Capital investments	5,984	4,058	+1,926	· New factory "M1" 2,934
Depreciation expenses	2,929	2,049	+880	

M of JPY

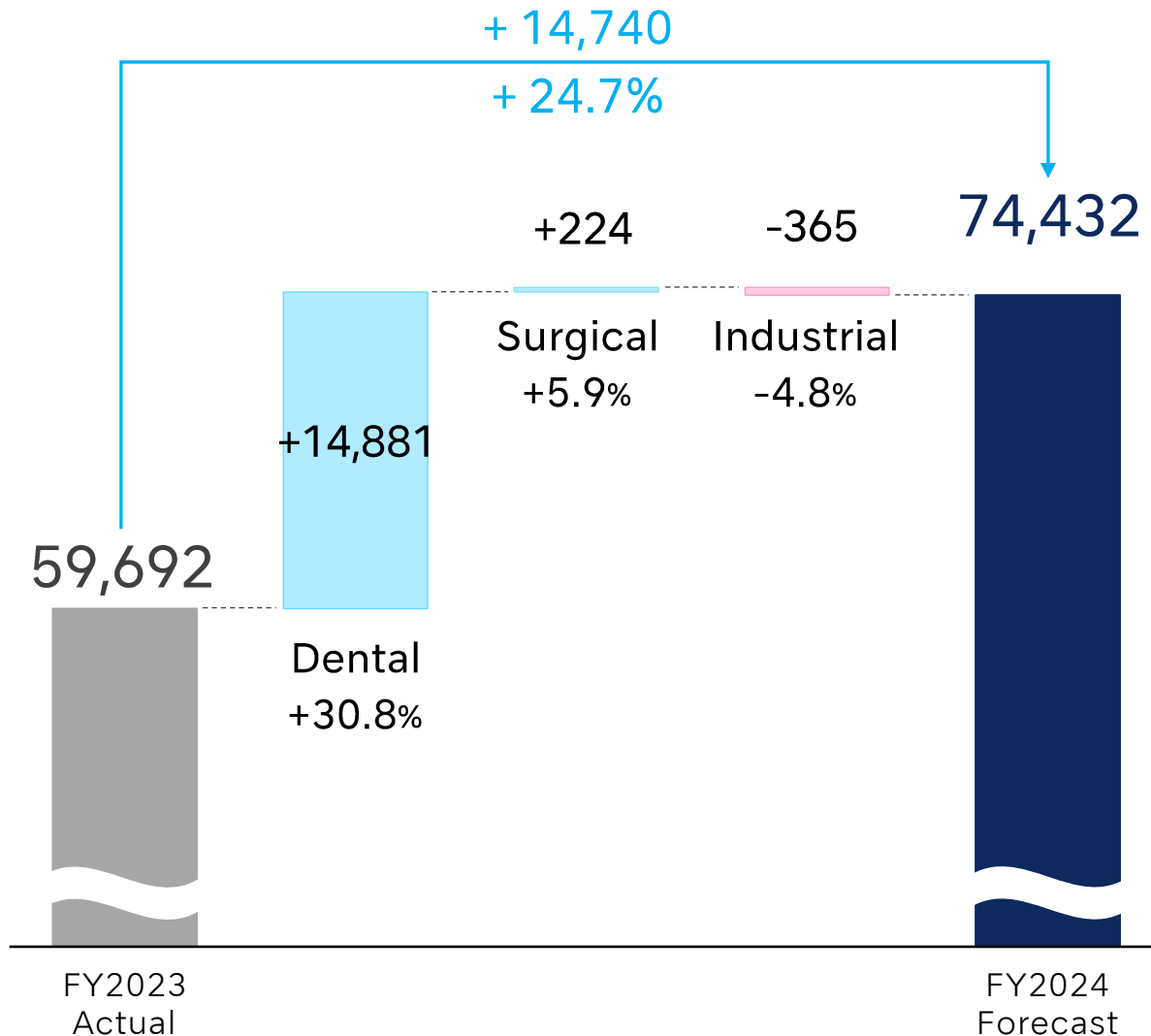


Consolidated financial forecast for FY2024

M of JPY

	FY2024 Forecast	FY2023 Actual	Change		Note
			Amount	Ratio	
Net sales	74,432	59,692	+14,740	+24.7%	
Gross profit	41,324	36,124	+5,200	+14.4%	
Ratio to net sales	55.5%	60.5%	-5.0 pt	—	
E B I T D A *	17,770	17,775	-4	-0.0%	
Margin	23.9%	29.8%	-5.9 pt	—	
Operating profit	12,652	14,296	-1,643	-11.5%	
Ratio to net sales	17.0%	24.0%	-7.0 pt	—	
Ordinary profit	13,088	17,238	-4,149	-24.1%	
Ratio to net sales	17.6%	28.9%	-11.3 pt	—	
Profit attributable to owners of parent	8,894	22,835	-13,941	-61.1%	
Ratio to net sales	11.9%	38.3%	-26.3 pt	—	
E P S (JPY)	104.28	268.04	—	—	
Capital investments	8,617	5,984	+2,632	—	New factory "M1", etc.
Depreciation expenses	3,615	2,929	+685	—	
Currency rate					
- Against the US dollar (JPY)	135.00	140.54	-5.54	—	Forex sensitivity: 214Mof JPY
- Against the EURO (JPY)	150.00	152.27	-2.27	—	Forex sensitivity: 98Mof JPY

M of JPY



	FY2023 Actual	FY2024 Forecast	Change
Dental	48,340 DCI 3,974	63,222 DCI 16,412	+30.8%
Surgical	3,770	3,994	+5.9%
Industrial	7,581	7,215	-4.8%
Total	59,692	74,432	+24.7%

Forex impact -1,096 M of JPY (-1.8%)

M&A effect +14,427 M of JPY (+24.2%)

M of JPY

	FY2024 Forecast (reference data) excluding DCI and Refine	FY2023 Actual (reference data) excluding DCI and Refine	Change		Note
			Amount	Ratio	
Net sales	55,648	55,335	+312	+0.6%	
Gross profit	34,405	34,979	-574	-1.6%	
Ratio to net sales	61.8%	63.2%	-1.4 pt	—	
E B I T D A *	16,428	17,593	-1,164	-6.6%	
Margin	29.5%	31.8%	-2.3 pt	—	
Operating profit	13,523	14,892	-1,368	-9.2%	
Ratio to net sales	24.3%	26.9%	-2.6 pt	—	
Ordinary profit	13,971	18,026	-4,054	-22.5%	
Ratio to net sales	25.1%	32.6%	-7.5 pt	—	
Profit attributable to owners of parent	9,893	12,023	-2,130	-17.7%	
Ratio to net sales	17.8%	21.7%	-4.0 pt	—	
Currency rate					
- Against the US dollar (JPY)	135.00	140.54	-5.54	—	Forex sensitivity: 214M of JPY
- Against the EURO (JPY)	150.00	152.27	-2.27	—	Forex sensitivity: 98M of JPY

Shareholder return

Variable factors without cashflow arose to net profit, a standard of dividend, due to extraordinary income of DCI acquisition.



[temporary profit increase factor]

Gain on step acquisitions
(Extraordinary income)

11,497M of JPY



[continuous profit decrease factor]

Amortization of goodwill
increasing by
gain on step acquisitions

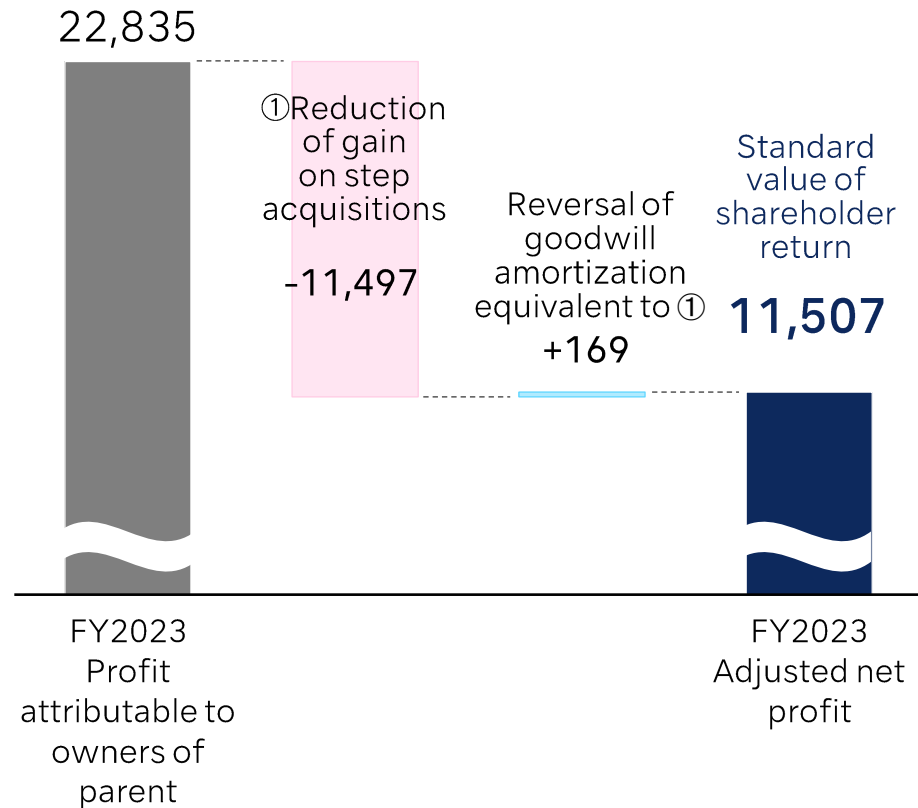
676M of JPY/ year (^{amortization}
period
16 years)

The above factors will be excluded from the calculation of the dividend forecast for the current and subsequent fiscal years.

* Amortization amount may change after completion of PPA.

M of JPY

Adjustment of shareholder return standard



Shareholder return in FY2023

Repurchase of own shares

March,2023	Number of shares 180,600	Amount of repurchase costs 499 M of JPY
October,2023	Number of shares 755,100	Amount of repurchase costs 2,499 M of JPY
total		2,999 M of JPY

Dividend

Interim (actual)	Per share 24 JPY	Total amount of dividend 2,039 M of JPY
Year-end (forecast)	Per share 26 JPY	Total amount of dividend 2,217 M of JPY
total		4,257 M of JPY

Shareholder return in FY2023 (forecast)

Adjusted net profit base	Dividend payout ratio	37.0%
Adjusted net profit base	Total payout ratio	63.1%

Shareholder return policy

We position the return of profits to our shareholders as one of the important management issues; therefore, we plan to enhance business foundation and promote investment in growth areas properly and proactively, as well as to return profits to shareholders in a well-balanced manner.

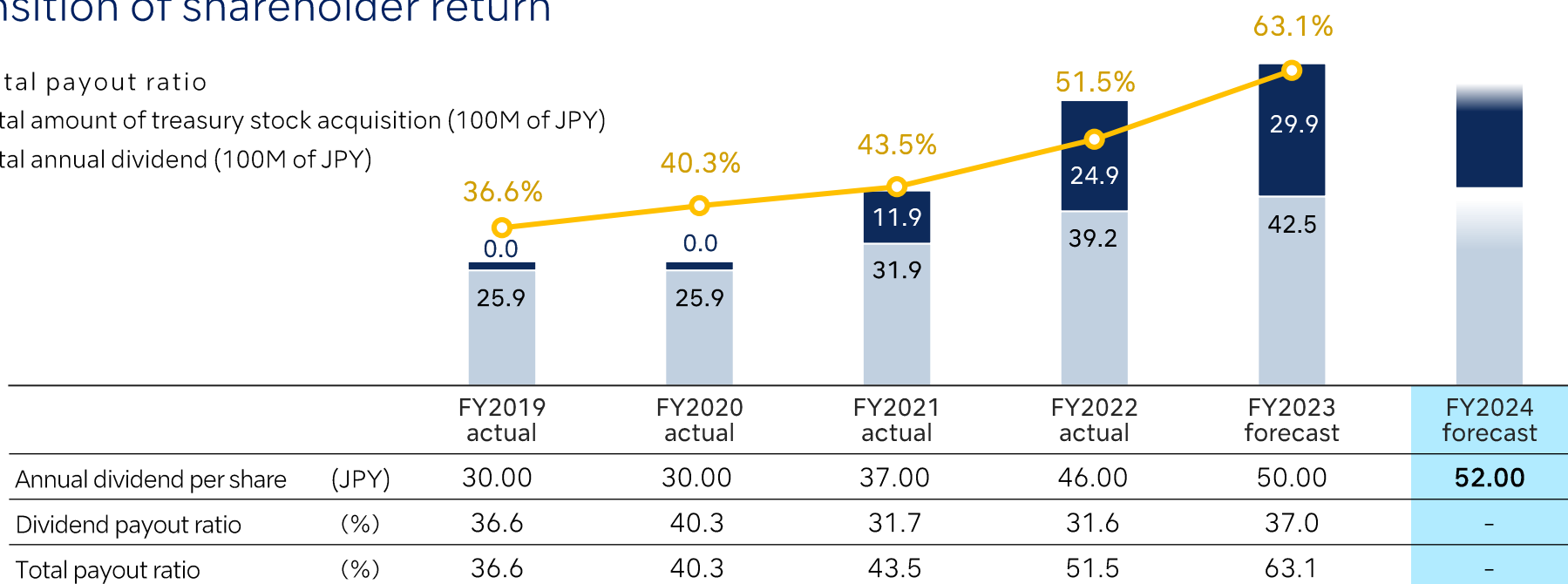
We endeavor to perform **flexible acquisition of treasury stock** and **stable and continuous dividend increase** with considering retained earnings required for future growth investment, and setting **the standard for medium-term profit return as a total return ratio of 50%**.

Transition of shareholder return

○ Total payout ratio

■ Total amount of treasury stock acquisition (100M of JPY)

■ Total annual dividend (100M of JPY)



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