Briefing Material

for 1st quarter ended Mar. 31, 2025

May 12, 2025

NAKANISHI INC.

I am Suzuki, Corporate Vice President & Group CFO.
Thank you for joining the conference call.
Without further ado, I would like to start with the briefing.

Product Lineup

Dental Business

Development, production and sales of wide range of dental equipment, which cover such as restorative dentistry, periodontics, oral surgery, mobile dental care, etc.


Handpiece


Implant motor


Oral hygiene system


Clinical micro motor

DCI Business

Presenting results of DCI, acquired in 2023, as an independent segment. Development, production and sales of dental chairs and related equipment in the U.S.


Dental chair


Dental cabinet


Dental parts

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.


Console


Surgical motor


Attachment


Bur

Industrial Business

Development, production and sales of spindles which can be used in high-precision processes in wide range of industrial areas such as automobile, aircraft, precision parts industries.


Controller & Spindle


Spindle


Electric hand grinder


Ultrasonic cutter

Performance Highlights of FY2025 Q1

Sales maintained the record-high level of the previous year. There was almost no forex impact. Sales increased double-digit in Surgical segment, remained flat in Dental and DCI segments, while decreased in Industrial segment.

The increase in SGA expenses due to growth investments such as participation in International Dental Show 2025, strengthening sales in the United States, and reinforcing the surgical business structure is in line with the initial plan. Although EBITDA decreased compared to the previous year, it exceeded the plan.

The appreciation of the yen led to the recording of foreign exchange losses. Additionally, Income Taxes for Prior Periods related to consolidated taxation were recorded, based on the National Tax Agency's pointed out items, resulting in a significant decrease in net profit. The financial forecast has been revised.

* Retrospective adjustment was made for the results for FY2024Q1 following the completion of the PPA of REFINE in FY2024Q2.

About the performance highlights, the top line has just been following our forecasts with almost no unexpected elements. There were minimal impacts from exchange rates and M&A activities.

The surgical business continued to be strong with a 15% increase in sales, while the dental and DCI businesses remained flat.
The dental business showed regional variations, which will be explained later.
The industrial business experienced a decline in sales. The Nakanishi brand showed signs of bottoming out, but the Jaeger, which is undergoing with the rebuilt, continued to be sluggish.

EBITDA decreased compared to the previous year but exceeded the forecast by approximately 1 billion yen. This was due to an improvement in gross profit by about 800 million yen from unrealized profits.

This term, we have invested in exhibiting at the world's largest dental exhibition "IDS2025," strengthening sales in North America (NSK America and DCI), and growth investments in the surgical business, with expenses progressing as planned.
The effects of these growth investments are beginning to be visible.

The third point is that at the end of the quarter, we recorded a foreign exchange loss due to the appreciation of the yen, and we also recorded income taxes for prior periods related to consolidated taxation based on tax audit by the National Tax Agency, which significantly reduced quarterly net profit.

Consequently, we have revised the financial forecast for this term. Business trends are progressing as planned, and we have not revised the forecasts from sales to ordinary profit, only the net profit for the term was revised.

NSK

Consolidated P/L

M of JPY

	FY2025Q1 Actual	FY2024Q1 Actual	YoY comparison Amount	Ratio
Net sales	18,542	18,159	+382	+2.1%
Gross Profit	11,076	10,972	+104	+1.0%
Ratio to net sales	59.7%	60.4%	-0.7pt	–
EBITDA ＊	4,755	5,287	-531	-10.1%
Margin	25.6%	29.1%	-3.5pt	–
Operating Profit	3,361	3,988	-626	-15.7%
Ratio to net sales	18.1%	22.0%	-3.8pt	–
Ordinary Profit	2,626	5,043	-2,417	-47.9%
Ratio to net sales	14.2%	27.8%	-13.6pt	–
Profit attributable to owners of parent	440	3,339	-2,899	-86.8%
Ratio to net sales	2.4%	18.4%	-16.0pt	–
EPS (JPY)	5.23	39.24	–	–

＊ EBITDA = Operating profit + Depreciation + Amortization

		FY2025Q1	FY2024Q1	Amount	Ratio
Currency rate	- Against the US dollar (JPY)	152.95	147.87	+5.08	-
	- Against the EURO (JPY)	160.74	160.90	-0.16	-

• Forex impact: Net sales +178M of JPY (vs FY2024Q1 Actual), +626M of JPY (vs FY2025 Forecast)

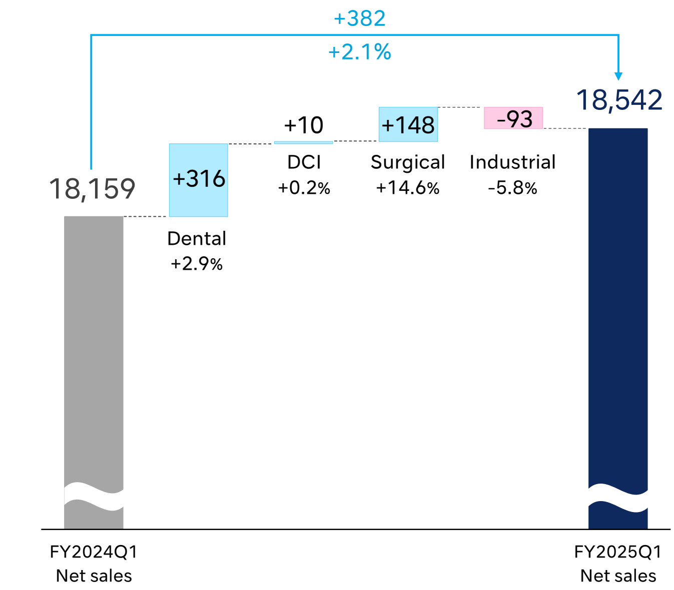
Here, I will explain the overall figures for the company.

The top line remained almost the same as the previous year. EBITDA decreased by approximately 500 million yen compared to the previous year but exceeded our budget by about 1 billion yen.

Below operating profit, we recorded a foreign exchange gain of about 700 million yen in the same period last year, but this term, we recorded a foreign exchange loss of 1 billion yen due to the appreciation of the yen at the end of March.

We also recorded additional 1.2 billion yen in income taxes for prior periods, as previously explained, resulting in a quarterly profit of 440 million yen.

The impact of forex increased sales by 178 million yen, but most of this was coming from the DCI business, with almost no impact on the dental business.



	FY2024Q1 Actual A	FY2025Q1 Actual B	(Forex impact)	Change B/A-1
Dental	11,007	11,323	(+5)	+2.9%
DCI	4,536	4,547	(+151)	+0.2%
Surgical	1,015	1,164	(+8)	+14.6%
Industrial	1,600	1,507	(+13)	-5.8%
Total	18,159	18,542	(+178)	+2.1%

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Here I will explain Sales Status by Business Segment.

The dental business will be explained in detail on the next page, so it is skipped here.

The DCI business remained flat compared to the previous year. Without the positive impact of forex, organic growth was -3%. Compared to the forecast, it was +4%, progressing almost as planned.

Sales to major DSOs, which account for about a quarter of DCI's sales, weakened.

Regarding the status of the DCI business, DCI, located in Oregon, USA, manufactures and sells dental chairs in North America. Transactions with Patterson, a major US dealer, was started from FY2025.

In Q1, we incurred upfront costs for product training for sales representatives due to the start of transactions with Patterson. In Q2, orders from Patterson began to come in stronger than expected, and the start-up is going smoothly.

Additionally, DCI has been recognized as a Tier 1 supplier by Patterson.

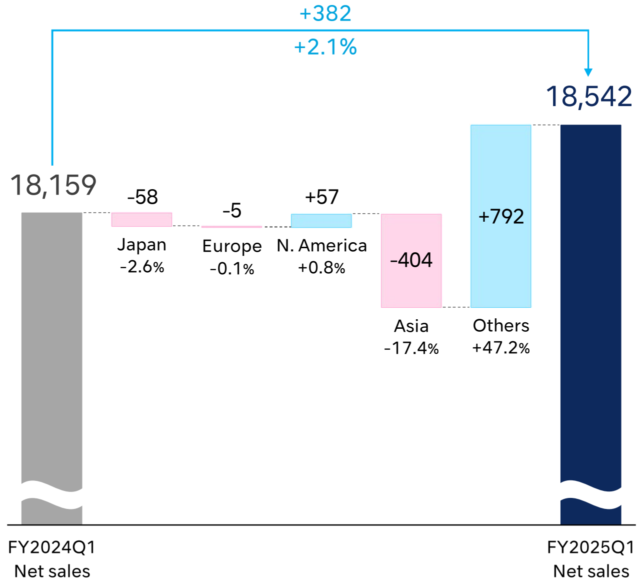
This improves incentives for sales representatives selling DCI products, which is expected to promote sales.

The surgical business continued to be strong, with double-digit sales growth compared to the same period last year.

The industrial business experienced a sales decrease of 93 million yen compared to the same period previous year. The Nakanishi brand saw a sales increase of 100 million yen, while the Jaeger brand saw a sales decrease of 200 million yen. The market sentiment for the industrial business is perceived to be bottoming out.

Change in Net Sales by Region

M of JPY



	FY2024Q1 Actual A	FY2025Q1 Actual B	(Forex impact)	Change B/A-1
Japan	2,226	2,168	(-)	-2.6%
Europe	4,939	4,934	(+19)	-0.1%
N. America	6,994	7,052	(+236)	+0.8%
Asia	2,319	1,915	(-18)	-17.4%
Others	1,679	2,471	(-57)	+47.2%
Total	18,159	18,542	(+178)	+2.1%

Looking at sales by region, there are two layers. One is the emerging markets (Asia and other regions) which saw significant fluctuations, and the other is developed markets which saw almost no changes.

First, looking at the emerging markets, Asia experienced a decline due to a drop in sales in China. Unfortunately, there are no signs of bottoming out in the Chinese market.

On the other hand, other regions saw a significant increase in sales, with contributions from South America and Russia.

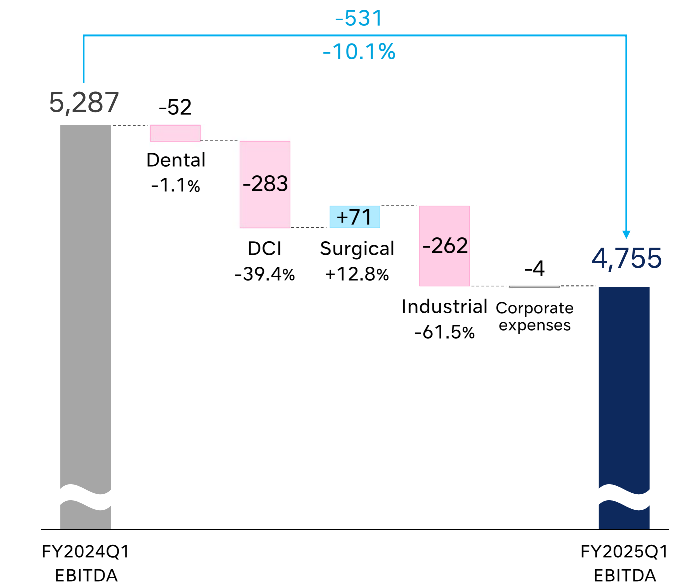
Next, in the developed markets, which appeared to have little fluctuation, OEM sales in North America and Japan increased, while sales of our own brand weakened. In North America, we maintained market share, and sell-out (sales from distributors to end-users such as dental clinics) remained strong, so the weakness in our own brand sales is perceived to be due to inventory adjustments by dealers.

In Japan, the impact of distribution restructuring has begun to appear, with some wholesalers reducing inventory, resulting in a weak trend.

NSK

Change in EBITDA by Business Segment

M of JPY

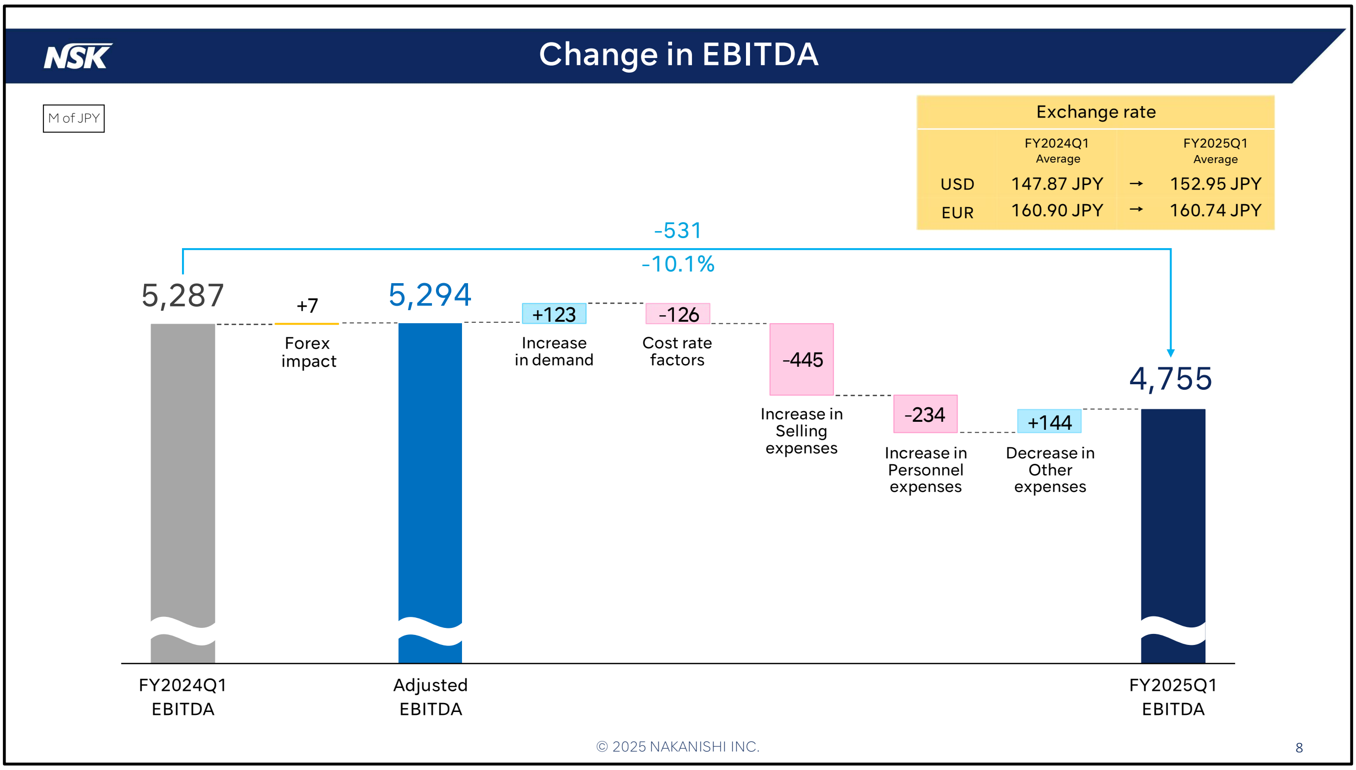


	FY2024Q1 Actual A	FY2025Q1 Actual B	Change B/A-1
Dental	4,784	4,731	-1.1%
DCI	720	436	-39.4%
Surgical	559	631	+12.8%
Industrial	426	164	-61.5%
Corporate expenses	-1,203	-1,208	-
Total	5,287	4,755	-10.1%

Forex impact +7 M of JPY (+0.1%)

Looking at EBITDA by business segment, the EBITDA of the DCI business has decreased. As for the performance of DCI alone, it has secured a positive EBITDA margin of around 10%. As explained earlier, Q1 incurred upfront costs, but EBITDA has been secured while controlling expenses, progressing as planned.

The decline in EBITDA for the industrial business is due to Jaeger.



When looking at the changes in EBITDA elements, there is a mix of planned and unplanned/unexpected factors.

The increase in selling expenses and personnel costs progressed as planned. This includes expenses for exhibiting at the dental exhibition IDS2025, strengthening sales for DCI, and enhancing the structure of surgical business.

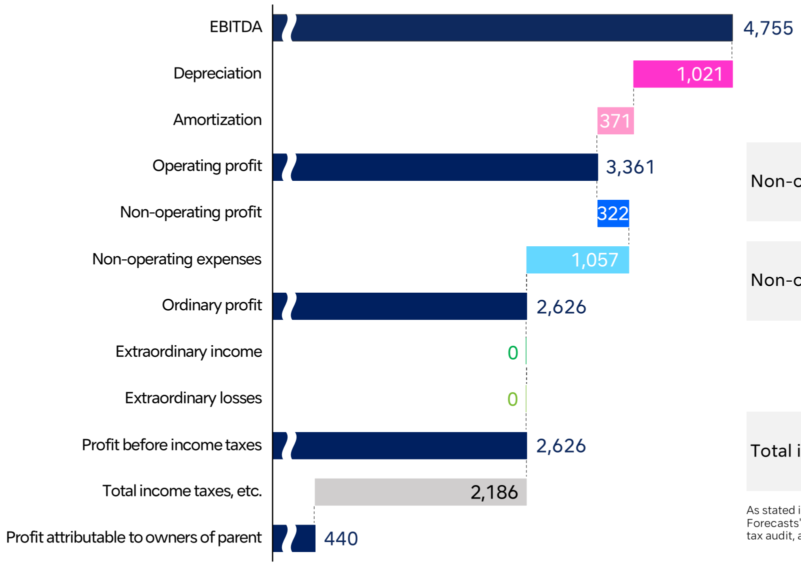
On the other hand, the unplanned/unexpected factors were related to cost elements. In the same period previous year, the high factory operating rate and work-in-progress adjustments (the combined value of beginning and ending work-in-progress) compressed the cost of sales, but this year, it was expected that this would not occur, and the cost of sales would not be compressed, leading to a decrease in gross profit.

In the current term, while the impact of work-in-progress adjustments indeed disappeared, unrealized profits were compressed instead, boosting gross profit by about 800 million yen.

This is why the combined value of "increase in demand" and "cost rate factors" in this material approached zero. Additionally, the planned R&D expenses was not consumed, reducing costs by about 170 million yen. These two factors combined resulted in an approximately 1 billion yen positive variance from the forecast.

Other Income / Expense, Taxes

M of JPY



Non-operating profit	· Interest income	226
Non-operating expenses	· Interest expenses	35
	· Foreign exchange losses	1,011
Total income taxes, etc.	· Income taxes -current	838
	· Income taxes for prior periods	1,200

As stated in the "Notice Regarding Recording of Income Taxes for Prior Periods and Revisions to Financial Forecasts" announced on May 12, 2025, we plan to file an amended tax return based on the findings of a tax audit, and have recorded an estimated amount of 1.2 billion yen as Income Taxes for Prior Periods.

This shows figures from EBITDA to net profit.

As explained in the performance highlights, there were negative profit factors of 1 billion yen due to foreign exchange losses and 1.2 billion yen due to income taxes for prior periods.

Consolidated Balance Sheet

M of JPY

	As of Mar. 31, 2025	As of Dec. 31, 2024	Change	Notes
Total assets	151,834	158,299	-6,465	· Machinery, equipment and vehicles +147 · Tools, furniture and fixtures +97
- Cash and deposits	43,830	46,051	-2,220	
- Inventories	24,976	25,024	-47	· Merchandise and finished goods +16 · Work in process -41 · Raw materials and supplies -22
- Goodwill	19,864	21,389	-1,525	
Liabilities	36,802	37,100	-297	· Accounts payable - trade -39 · Current liabilities - other -1,652
- Loans payable	20,273	18,728	+1,545	· Current portion of long-term borrowings +700 · Long-term borrowings +865
Net assets	115,031	121,199	-6,167	· Treasury shares -1,303 · Foreign currency translation adjustment -2,795
- Retained earnings	114,837	116,593	-1,755	
Return on equity	1.5%	7.3%	-5.8pt	
Return on assets	6.8%	11.6%	-4.8pt	

	FY2025Q1 Actual	FY2024Q1 Actual	Change	Notes
Capital investments	1,031	1,704	-673	
Depreciation expenses	1,021	915	+106	

There are two key points at Balance Sheet.

First, the reduction in inventory assets. Inventory assets had been increasing for the past three years, but this term, they reversed and began to decrease. The inventory turnover period decreased from 12.9 months last year to 11.7 months currently. Although it has not yet reached the target period, we will continue to promote inventory reduction and optimization.

Second, the amount of capital investment has stabilized. It decreased from 1.7 billion yen last year to 1 billion yen this term. This is due to the near completion of the new factory M1. Some exterior construction remains, but the amount is limited.

Consolidated Financial Forecast for FY2025

Supplementary Explanation of Consolidated Financial Forecast

Initial Financial Forecast Announced on February 12, 2025

- Sales increase by 5% (YoY). The actual growth rate of 9%, after deducting the forex impact (annual decrease of 3.2 billion yen due to yen appreciation). Plan to aim for sales growth in all (Dental, DCI, Surgical and Industrial) business segments.
- Although profit should increase due to sales growth, SGA expenses has been increased intentionally, in order to timely promote growth investments in our U.S. business (NSK, DCI) and surgical business, which are our growth drivers. As a result, EBITDA and other profits are planned to decrease.
- Set the forex rate assuming that the trend of yen depreciation will reverse and gradually shift to yen appreciation. Incorporated the overall decline in profitability and the loss of foreign exchange gains that had been recorded until the previous year.

Revision to Financial Forecast on May 12, 2025

- In addition to the initial financial forecast above, the net profit was decreased due to the recording of 1.2 billion yen in Income Taxes for Prior Periods in Q1.

Factors Not Yet Reflected to the Current Financial Forecast

- Although the U.S. tariff policy poses a risk factor for our business, it has not been reflected at this time due to the uncertain outlook.

We have revised consolidated financial forecast.

Due to the recording of income taxes for prior periods, we have revised the net profit forecast downward, but there have been no changes to the profits from sales to ordinary profit.

The tariff policy introduced by the US government is expected to have a certain impact on our performance, but due to the uncertain outlook, it has not yet been incorporated into the financial forecast.

Consolidated Financial Forecast for FY2025Q2

M of JPY

	Revised FY2025Q2 Forecast	Previous FY2025Q2 Forecast	Change Amount	Change Ratio	FY2024Q2 Actual
Net sales	38,616	38,616	+-0	–	38,557
Gross profit	21,452	21,452	+-0	–	22,863
Ratio to net sales	55.6%	55.6%	–	–	59.3%
EBITDA*	8,368	8,368	+-0	–	11,051
Margin	21.7%	21.7%	–	–	28.7%
Operating profit	5,478	5,478	+-0	–	8,287
Ratio to net sales	14.2%	14.2%	–	–	21.5%
Ordinary profit	5,854	5,854	+-0	–	10,522
Ratio to net sales	15.2%	15.2%	–	–	27.3%
Profit attributable to owners of parent	2,727	3,927	-1,200	-30.6%	7,026
Ratio to net sales	7.1%	10.2%	-3.1pt	–	18.2%
EPS (JPY)	32.30	46.51	–	–	82.88

Currency rate	Revised	Previous	Forex sensitivity
- Against the US dollar (JPY)	145.00	145.00	242 M of JPY (Annual net sales)
- Against the EURO (JPY)	155.00	155.00	98 M of JPY (Annual net sales)

There are no changes from sales to ordinary profit, but quarterly net profit and EPS have been revised.

Consolidated Financial Forecast for FY2025

M of JPY

	Revised FY2025 Forecast	Previous FY2025 Forecast	Change Amount	Change Ratio	FY2024 Actual
Net sales	80,655	80,655	+-0	–	77,041
Gross profit	44,784	44,784	+-0	–	44,418
Ratio to net sales	55.5%	55.5%	–	–	57.7%
EBITDA＊	18,932	18,932	+-0	–	20,460
Margin	23.5%	23.5%	–	–	26.6%
Operating profit	13,150	13,150	+-0	–	14,596
Ratio to net sales	16.3%	16.3%	–	–	18.9%
Ordinary profit	13,840	13,840	+-0	–	17,283
Ratio to net sales	17.2%	17.2%	–	–	22.4%
Profit attributable to owners of parent	8,372	9,572	-1,200	-12.5%	8,577
Ratio to net sales	10.4%	11.9%	-1.5pt	–	11.1%
EPS (JPY)	99.14	113.34	–	–	101.37
Capital investments	5,768	5,768	+-0	–	5,335
Depreciation expenses	4,365	4,365	+-0	–	4,208
Currency rate			Forex sensitivity		
- Against the US dollar (JPY)	145.00	145.00	242 M of JPY (Annual net sales)		
- Against the EURO (JPY)	155.00	155.00	98 M of JPY (Annual net sales)		

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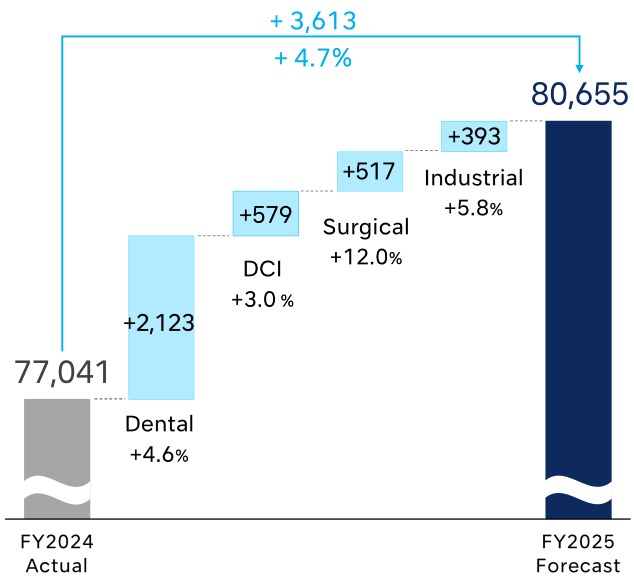
There are no changes from sales to ordinary profit, but net profit and EPS have been revised.

Consolidated Financial Forecast for FY2025
Change in Net Sales by Business Segment

M of JPY



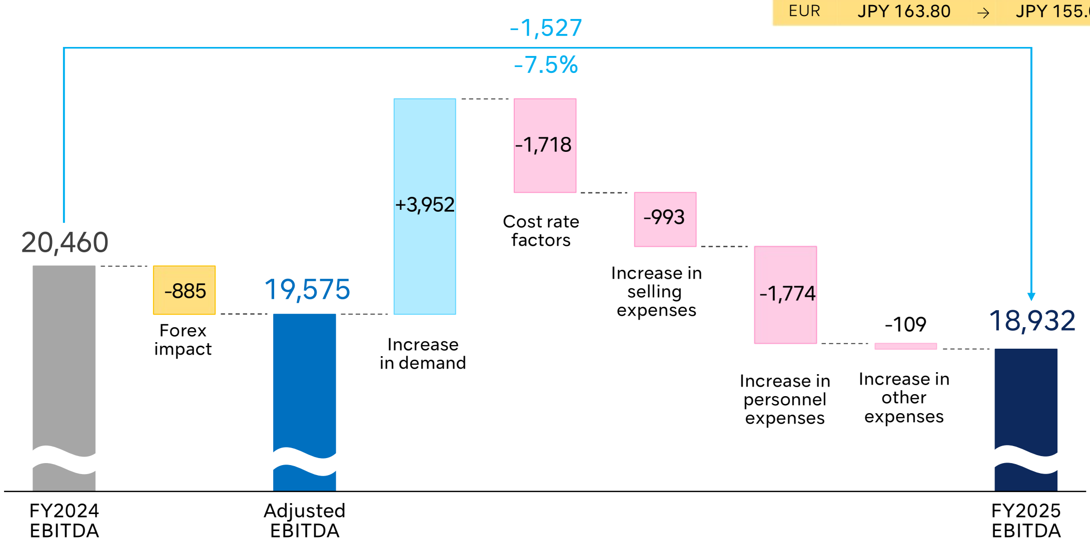
	FY2024 Actual	FY2025 Forecast	Change
Dental	46,527	48,650	+4.6%
DCI	19,454	20,034	+3.0%
Surgical	4,321	4,839	+12.0%
Industrial	6,738	7,131	+5.8%
Total	77,041	80,655	+4.7%

Forex impact -3,241 M of JPY (-4.2%)

Consolidated Financial Forecast for FY2025
Change in EBITDA

M of JPY

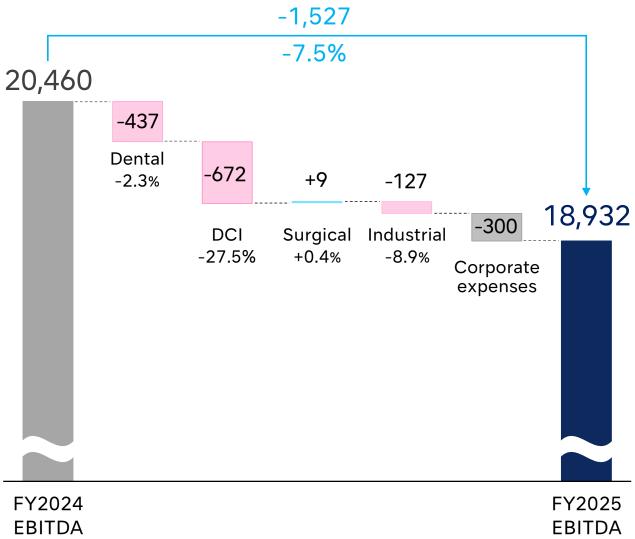
Exchange rate	FY2024 Actual		FY2025 Forecast
USD	JPY 151.44	→	JPY 145.00
EUR	JPY 163.80	→	JPY 155.00



NSK

Consolidated Financial Forecast for FY2025
Change in EBITDA by Business Segment

M of JPY



	FY2024 Actual	FY2025 Actual	Change
Dental	19,337	18,900	-2.3%
DCI	2,444	1,772	-27.5%
Surgical	2,379	2,388	+0.4%
Industrial	1,434	1,306	-8.9%
Corporate expenses	-5,135	-5,436	-
Total	20,460	18,932	-7.5%

Forex impact -885M of JPY（-4.3%）

NSK

Impact of U.S. tariff policy

Finally, I will explain the impact of the US government's tariff policy.

NSK

Impact of U.S. Tariff Policy

The increase in U.S. tariffs is expected to have a certain impact on our business. However, at this point, the direct and indirect effects on this fiscal year's performance have not been foreseen, therefore, they have not been incorporated into the consolidated financial forecast for the fiscal year ending December 2025 (revised on May 12th).

<table>
<tr><th></th><th>Dental Business</th><th>DCI Business</th><th>Surgical Business</th><th>Industrial Business</th></tr>
<tr><td>Expected direct effects</td><td>Since almost all dental products sold in the U.S. are manufactured at our headquarters and exported to the U.S., they are expected to be subject to tariffs.

A 10% tariff is currently applied to products imported from Japan.

Although a reciprocal tariff of 24% with Japan is expected to be applied, it is currently suspended.</td><td>Some components of dental chairs are imported from China, and they are expected to be subject to particularly high tariffs.

A 145% tariff is currently applied to products imported from China.

A 10% tariff is currently applied to certain products imported from other countries.</td><td>Since almost all surgical products sold in the U.S. are manufactured at our headquarters and exported to the U.S., they are expected to be subject to tariffs.

A 10% tariff is currently applied to products imported from Japan.

Although a reciprocal tariff of 24% with Japan is expected to be applied, it is currently suspended.</td><td>Since industrial products sold in the U.S. are manufactured in Japan and Germany and exported to the U.S., they are expected to be subject to tariffs.

A 10% tariff is currently applied to products imported from Japan and Germany.

Although reciprocal tariffs of 24% with Japan and 20% with Europe are expected to be applied, they are currently suspended.</td></tr>
<tr><td rowspan="3">Expected indirect effects</td><td>The main competitors also manufacture their products overseas, so there is no change in competitive conditions.</td><td>There is a risk of rising costs, so measures including changing suppliers are necessary.</td><td>Although our competitors are U.S. companies, we could raise prices and maintain our competitiveness.</td><td>Many of our products are specialized to meet individual needs, so there is no change in competitive conditions.</td></tr>
<tr><td colspan="4">The extent to which the cost increase due to tariffs can be passed on to prices will be examined and adjusted, considering the trends of competitors.</td></tr>
<tr><td colspan="4">There are concerns that the acceleration of inflation in the U.S. and the resulting deterioration in economic sentiment may lead to a decline in product demand.</td></tr>
</table>

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Our company operates in four business areas, each of which is affected differently by US tariffs.

In the dental business, dental handpieces manufactured in Japan are sold in the US, but major competitors also export their products to the US, so we do not expect changes in competitive conditions. The extent to which increased costs due to tariffs can be passed on to prices will affect demand, but dental handpieces are semi-consumable items and have defensive characteristics.

In the surgical business, the same way as the dental business, we sell surgical drills manufactured in Japan to the US. Major competitors are US companies, and tariff policies disadvantage us competitively. However, our surgical products have a high competitive advantage, which ensures high profitability for the surgical business. We have sufficient room to raise prices, so we do not expect to lose in market competition. We believe we can continue to compete effectively.

The industrial business is a very niche market with many products tailored to individual needs, making it easier to raise prices, so the impact of tariffs is expected to be limited. Unlike the dental and surgical businesses, production bases are located not only in Japan but also in Germany.

Finally, the DCI business. DCI is based in the US, but some parts of dental chairs are imported from China, so tariff policies directly impact this business. The US government imposes high tariffs on imports from China, so the DCI business needs comprehensive strategies, including changing procurement sources, in addition to passing on costs to prices. We need to consider demand trends, competitor movements, and temporary demand declines while advancing countermeasures.

This is all for my briefing. Thank you very much for your attention.