

# Presentation Material

for 2<sup>nd</sup> quarter ended Jun. 30, 2024

Aug. 23, 2024

NAKANISHI INC.

#### Disclaimer

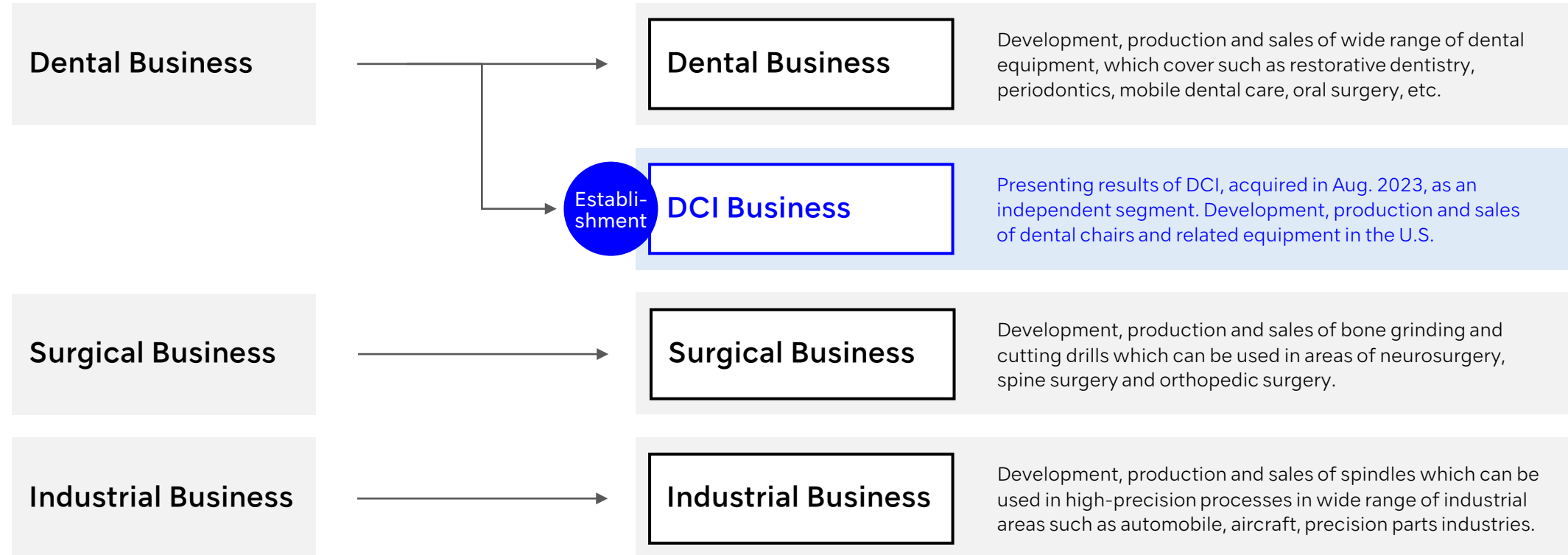
The information presented in these materials contains forward-looking statements about future business performance. These statements by definition involve risks and uncertainties and are not intended to guarantee future performance. Actual results in the future may differ from expectations and the projections presented in these materials due to changes in the global economy and fluctuations in foreign currency exchange rates and so on.

## Key change

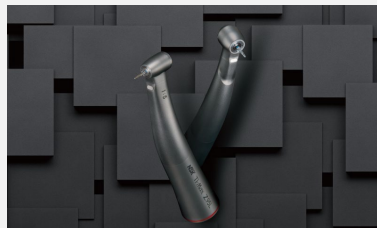
Presenting results of DCI, acquired in Aug. 2023, as an independent segment.

### Previous reporting segments

### New reporting segments \* Starting from FY2024 Q1



## Dental Business



Handpiece



implant motor



Oral hygiene system



Clinical micro motor

Establishment

## DCI Business



Dental chair



Dental Parts (H.P. Cart)



Dental Parts (Syringe)

## Surgical Business



Console



Slim motor



Attachment



Bur

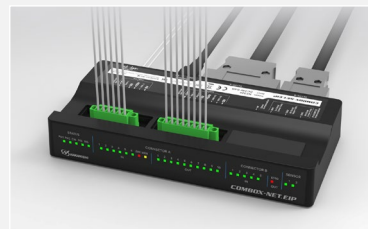
## Industrial Business



Controller & Spindle



Spindle



Network interface module



Ultrasonic Cutter

# Consolidated financial result for FY2024 Q2

**C**onsolidated net sales was increased by 36% (vs. 2023Q2) due to the depreciation of the yen and the effects of acquisitions. Sales increased in Dental, DCI and Surgical segments, while decreased significantly in Industrial segment.

**E**BITDA was increased by double-digit, reaching over 11 billion yen, mainly boosted by FOREX and M&A.

**T**he full-year financial forecasts has been revised upward considering actual results for the first half and the current exchange rates, although the business environment is assumed to remain challenging until the end of the fiscal year.

\* Retrospective adjustment was made for the results for 2023Q2 following the completion of the PPA of acquired company (JAEGER).

M of JPY

		FY2024Q2	FY2023Q2	YoY comparison	
		Actual	Actual	Amount	Ratio
Net sales		38,557	28,259	+10,297	+36.4%
Gross Profit		22,863	17,793	+5,070	+28.5%
	Ratio to net sales	59.3%	63.0%	-3.7pt	—
EBITDA *		11,051	9,379	+1,672	+17.8%
	Margin	28.7%	33.2%	-4.5pt	—
Operating Profit		8,287	8,038	+248	+3.1%
	Ratio to net sales	21.5%	28.4%	-7.0pt	—
Ordinary profit		10,522	11,039	-517	-4.7%
	Ratio to net sales	27.3%	39.1%	-11.8pt	—
Profit attributable to owners of parent		7,026	7,972	-945	-11.9%
	Ratio to net sales	18.2%	28.2%	-10.0pt	—
EPS	(JPY)	82.88	93.74	—	—

\* EBITDA = Operating profit + Depreciation + Amortization

Currency rate	- Against the US dollar (JPY)	152.31	135.99	+16.32	-
	- Against the EURO (JPY)	164.83	147.01	+17.82	-

▪ Forex impact: Net sales +3,209M of JPY (vs FY2023Q2 Actual), +3,147M of JPY (vs FY2024 Forecast)

M of JPY

	Reference data excluding DCI and REFINE		YoY comparison	
	FY2024Q2 Actual	FY2023Q2 Actual	Amount	Ratio
Net sales	27,796	28,259	-462	-1.6%
Gross profit	18,543	17,793	+750	+4.2%
Ratio to net sales	66.7%	63.0%	+3.7pt	—
EBITDA *	9,444	9,379	+64	+0.7%
Margin	34.0%	33.2%	+0.8pt	—
Operating profit	8,001	8,038	-37	-0.5%
Ratio to net sales	28.8%	28.4%	+0.3pt	—
Ordinary profit	10,212	11,039	-826	-7.5%
Ratio to net sales	36.7%	39.1%	-2.3pt	—
Profit attributable to owners of parent	7,069	7,972	-902	-11.3%
Ratio to net sales	25.4%	28.2%	-2.8pt	—
EPS (JPY)	83.38	93.74	—	—

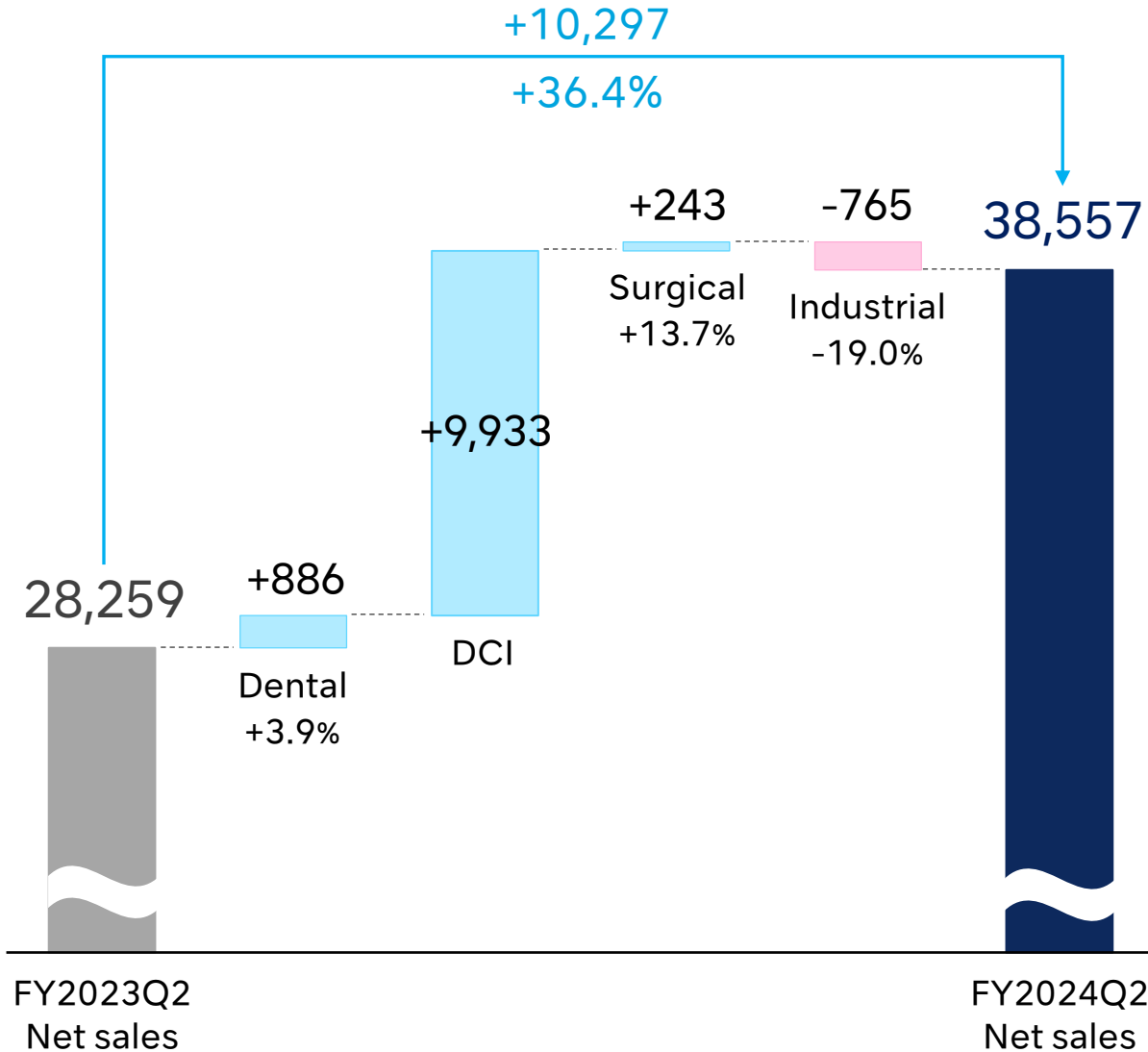
\* EBITDA = Operating profit + Depreciation + Amortization

Currency rate - Against the US dollar (JPY)	152.31	135.99	+16.32	—
- Against the EURO (JPY)	164.83	147.01	+17.82	—

▪ Forex impact: Net sales +2,083M of JPY (vs FY2023Q2 Actual), +1,938M of JPY (vs FY2024 Forecast)

# Change in net sales by business segment

M of JPY



	FY2023Q2 Actual	FY2024Q2 Actual	Change
Dental	22,448	23,335	+3.9%
DCI	-	9,933	-
Surgical	1,779	2,022	+13.7%
Industrial	4,031	3,266	-19.0%
<b>Total</b>	<b>28,259</b>	<b>38,557</b>	<b>+36.4%</b>

Forex impact +2,083M of JPY (+7.4%)

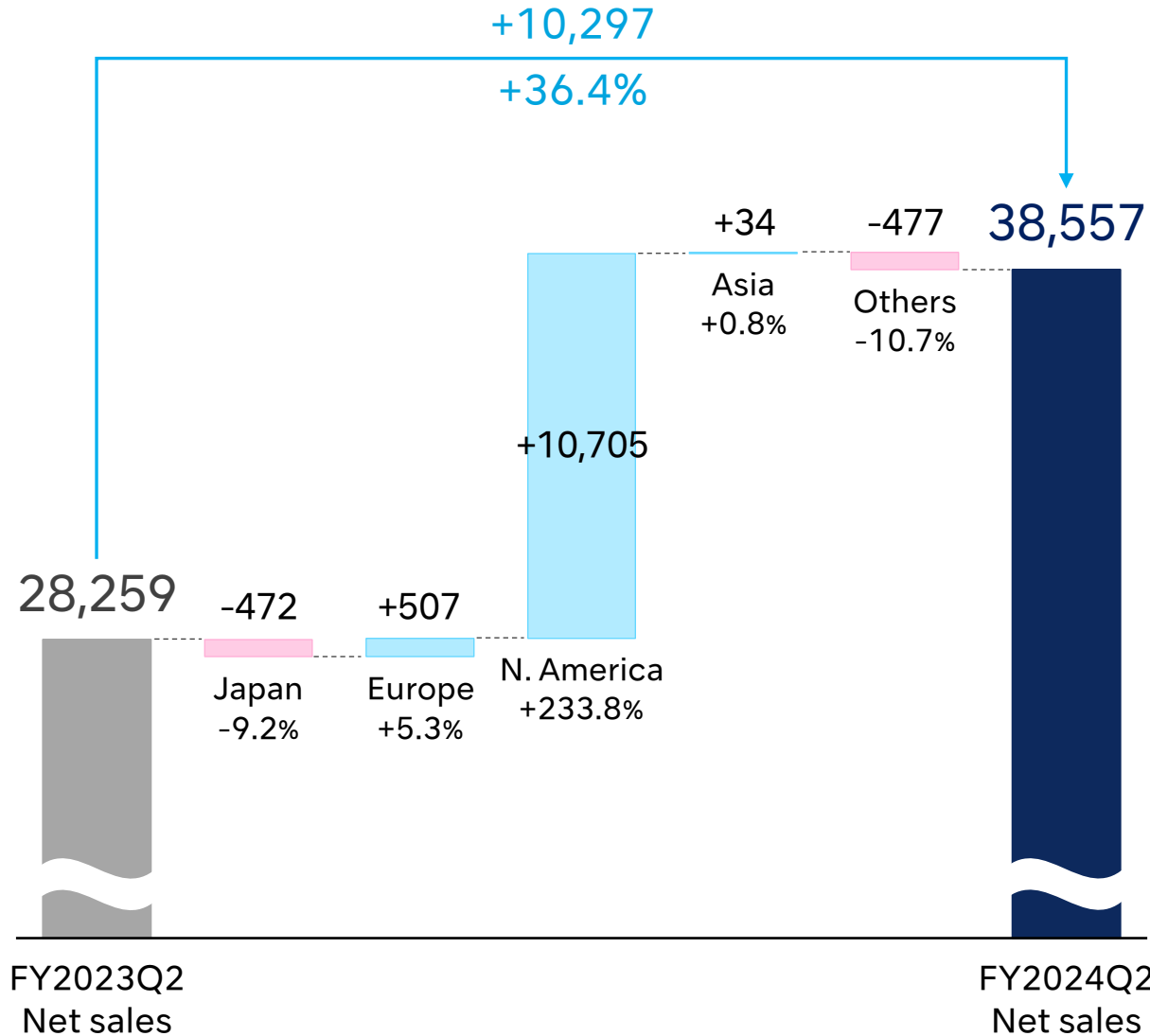
M&A effect (DCI and Refine) +10,760M of JPY (+38.1%)

Reference :  
DCI's net sales in FY2023Q2 7,751M of JPY (unaudited) (1USD=133.26JPY)



# Change in net sales by region

M of JPY



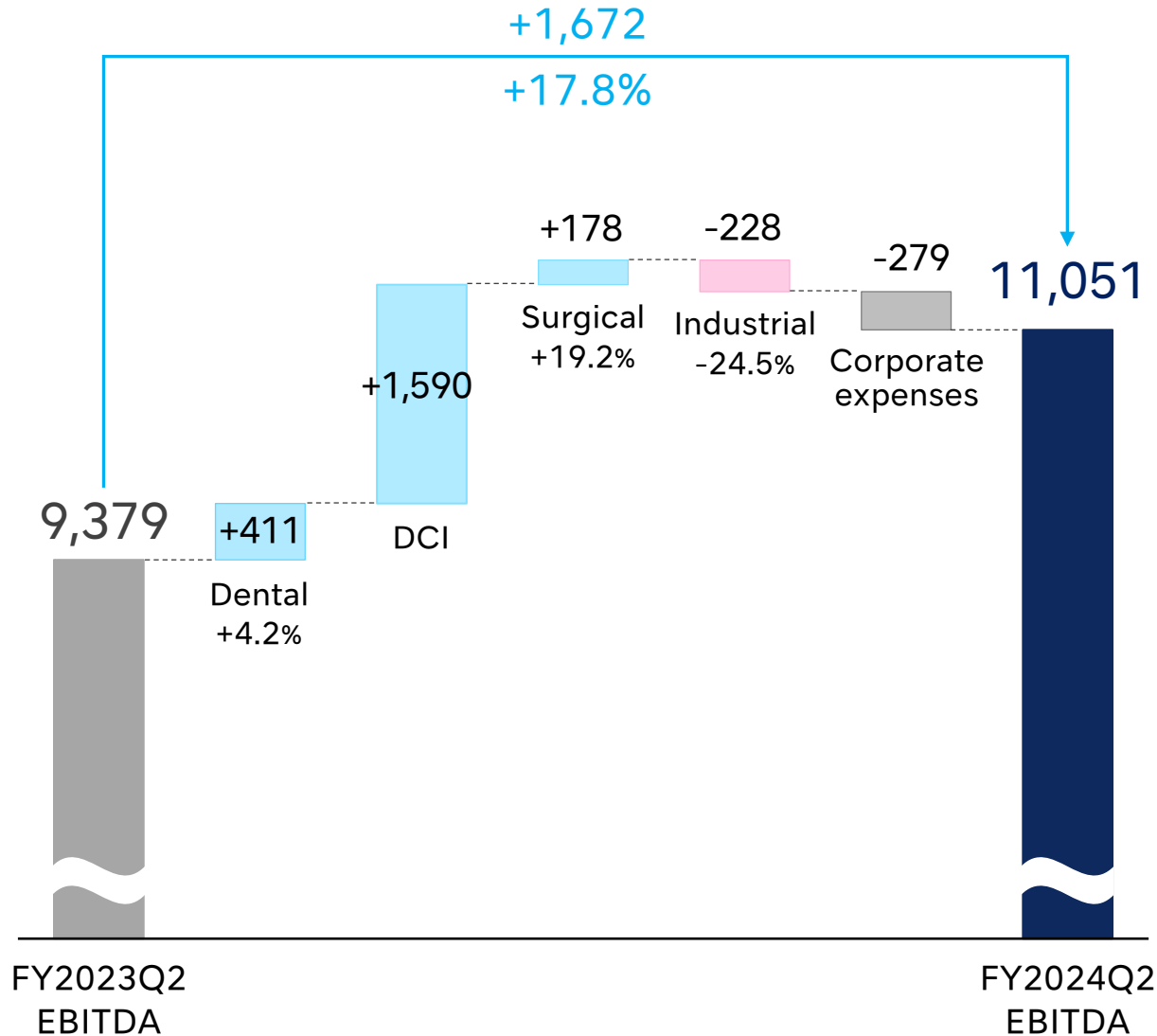
	FY2023Q2 Actual	FY2024Q2 Actual	Change
Japan	5,120	4,648	-9.2%
Europe	9,596	10,103	+5.3%
N. America	4,578	15,284	+233.8%
Asia	4,483	4,517	+0.8%
Others	4,480	4,002	-10.7%
<b>Total</b>	<b>28,259</b>	<b>38,557</b>	<b>+36.4%</b>

Forex impact +2,083M of JPY (+7.4%)

M&A effect (DCI and Refine) +10,760M of JPY (+38.1%)

# Change in EBITDA by business segment

M of JPY



	FY2023Q2 Actual	FY2024Q2 Actual	Change
Dental	9,825	10,237	+4.2%
DCI *	-5	1,585	-
Surgical	928	1,106	+19.2%
Industrial	931	703	-24.5%
Corporate expenses	-2,301	-2,581	-
<b>Total</b>	<b>9,379</b>	<b>11,051</b>	<b>+17.8%</b>

Forex impact +453M of JPY (+4.8%)

M&A effect (DCI and Refine) +1,578M of JPY (+16.8%)

Reference :

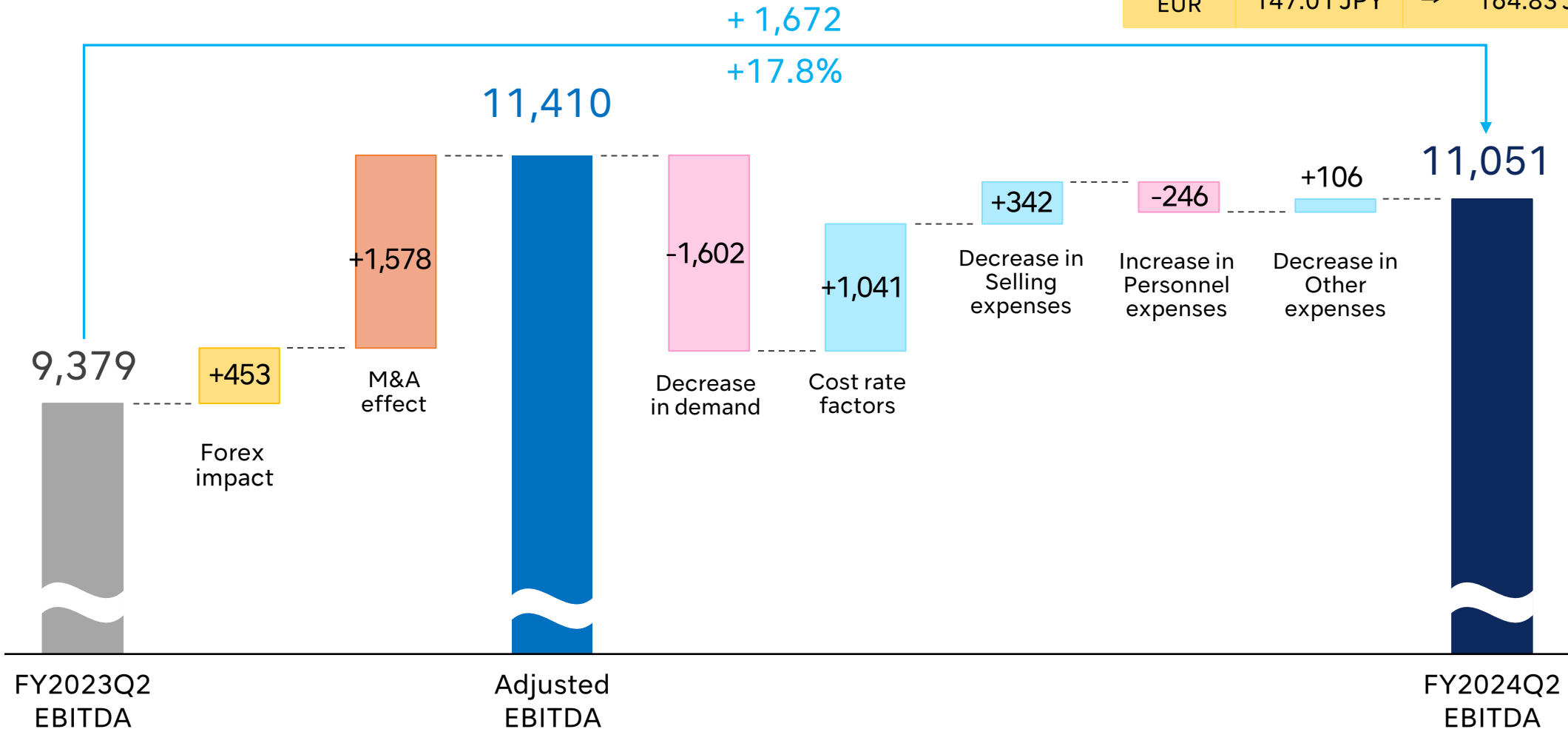
\* DCI's EBITDA in FY2023Q2 1,190M of JPY (unaudited) (1USD=133.26PY)

\* DCI's EBITDA in FY2023Q2 includes the profit and loss of NAH, an intermediate holding company.

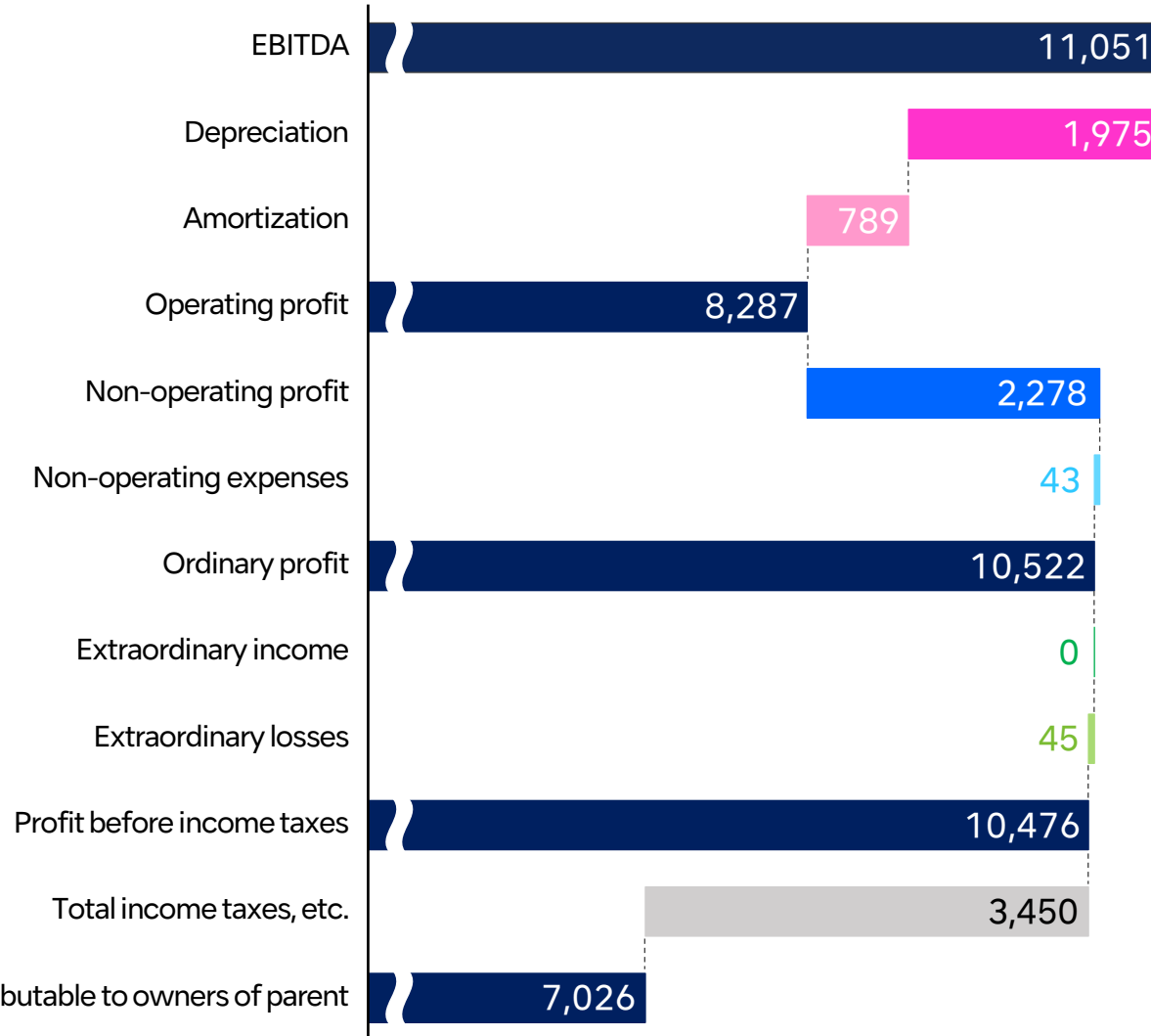
# Change in EBITDA

M of JPY

Exchange rate			
	FY2023Q2 Average		FY2024Q2 Average
USD	135.99 JPY	→	152.31 JPY
EUR	147.01 JPY	→	164.83 JPY



M of JPY



### Non-operating profit

· Interest income	281
· Foreign exchange gain	1,563
· Miscellaneous income	204

### Non-operating expenses

· Interest expenses	23
· Miscellaneous losses	17

### Extraordinary losses

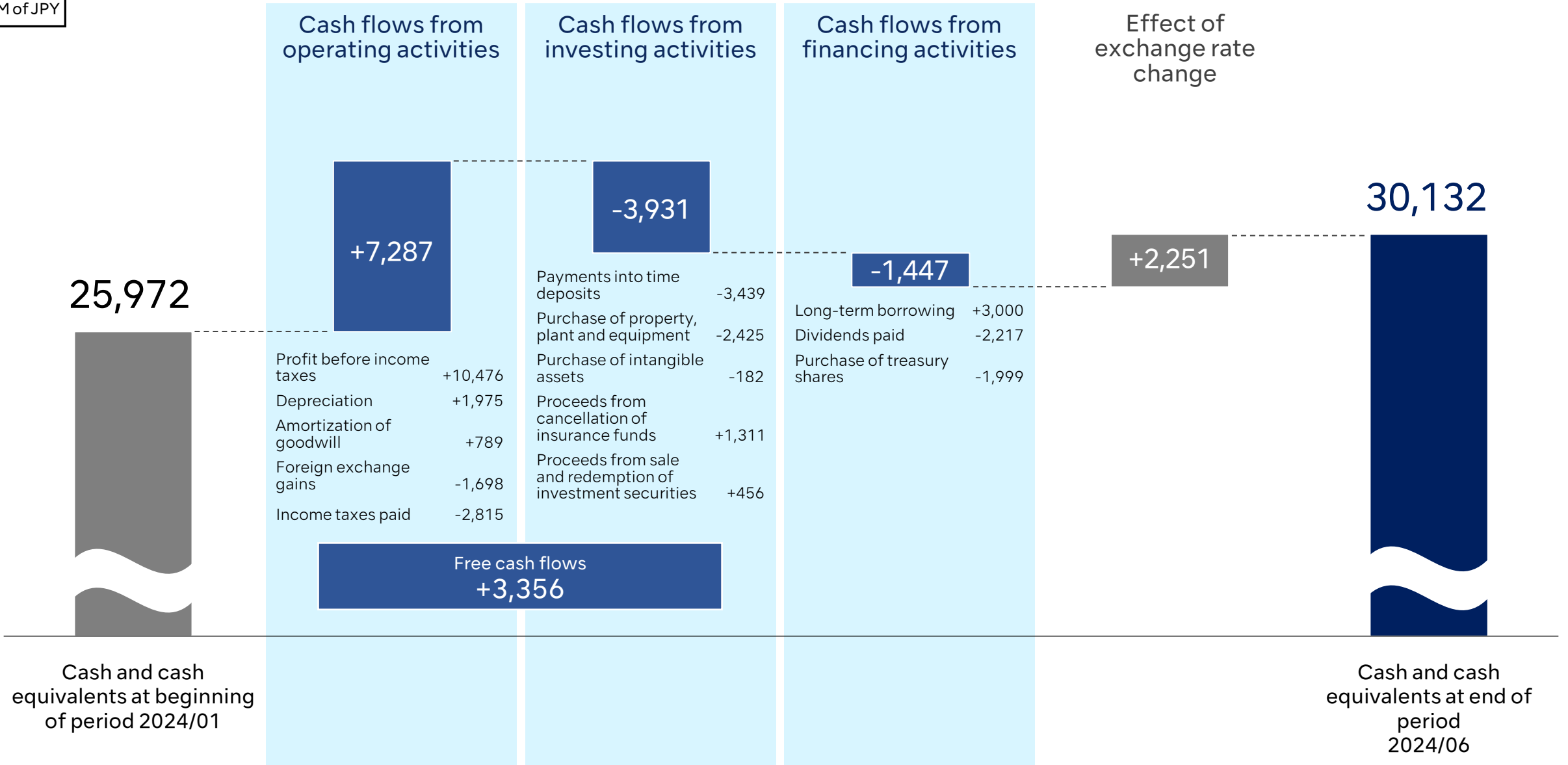
· Loss on retirement of non-current assets	19
· Expense on scrapping fixed assets	23

M of JPY

	As of Jun. 30, 2024	As of Dec. 31, 2023	Change	Notes
<b>Total assets</b>	<b>156,758</b>	<b>140,768</b>	<b>+15,989</b>	· Buildings and structures +4,836 · Construction in progress -3,136
- Cash and deposits	- 39,324	31,718	+7,606	
- Inventories	- 26,265	24,016	+2,249	· Merchandise and finished goods +1,050 · Work in process +645 · Raw materials and supplies +553
- Goodwill	- 23,352	21,378	+1,973	
<b>Liabilities</b>	<b>32,722</b>	<b>27,603</b>	<b>+5,118</b>	· Accounts payable - trade +536 · Current liabilities - other +503
- Loans payable	- 14,489	11,668	+2,821	· Current portion of long-term borrowings +1,001 · Long-term borrowings +1,768
<b>Net assets</b>	<b>124,035</b>	<b>113,164</b>	<b>+10,870</b>	· Treasury shares -866 · Foreign currency translation adjustment +7,574
- Retained earnings	- 117,119	112,310	+4,808	
<b>Return on equity</b>	<b>11.9%</b>	<b>22.4%</b>	<b>-10.5pt</b>	
<b>Return on assets</b>	<b>14.1%</b>	<b>14.2%</b>	<b>-0.1pt</b>	

	FY2024Q2 Actual	FY2023Q2 Actual	Change	Notes
<b>Capital investments</b>	<b>2,458</b>	<b>3,113</b>	<b>-654</b>	· M1 factory 1,085 · Machinery and equipment 536
<b>Depreciation expenses</b>	<b>1,975</b>	<b>1,239</b>	<b>+735</b>	

M of JPY



# Upward revision of consolidated financial forecast for FY2024

M of JPY

	Revised forecast for FY2024 announced on Aug. 9	Previous forecast for FY2024 announced on Feb. 13	vs. Previous Fcst		FY2023 Actual	YoY comparison	
			Amount	Ratio		Amount	Ratio
<b>Net sales</b>	<b>75,208</b>	<b>74,432</b>	<b>+776</b>	<b>+1.0%</b>	<b>59,692</b>	<b>+15,516</b>	<b>+26.0%</b>
<b>Gross Profit</b>	<b>43,669</b>	<b>41,324</b>	<b>+2,345</b>	<b>+5.7%</b>	<b>36,092</b>	<b>+7,577</b>	<b>+21.0%</b>
Ratio to net sales	58.1%	55.5%	+2.5pt	—	60.5%	-2.4pt	—
<b>EBITDA *</b>	<b>19,013</b>	<b>17,770</b>	<b>+1,242</b>	<b>+7.0%</b>	<b>17,710</b>	<b>+1,302</b>	<b>+7.4%</b>
Margin	25.3%	23.9%	+1.4pt	—	29.7%	-4.4pt	—
<b>Operating Profit</b>	<b>13,427</b>	<b>12,652</b>	<b>+775</b>	<b>+6.1%</b>	<b>14,251</b>	<b>-824</b>	<b>-5.8%</b>
Ratio to net sales	17.9%	17.0%	+0.9pt	—	23.9%	-6.0pt	—
<b>Ordinary Profit</b>	<b>14,635</b>	<b>13,088</b>	<b>+1,547</b>	<b>+11.8%</b>	<b>17,193</b>	<b>-2,557</b>	<b>-14.9%</b>
Ratio to net sales	19.5%	17.6%	+1.9pt	—	28.8%	-9.3pt	—
<b>Profit attributable to owners of parent</b>	<b>9,652</b>	<b>8,894</b>	<b>+758</b>	<b>+8.5%</b>	<b>22,799</b>	<b>-13,147</b>	<b>-57.7%</b>
Ratio to net sales	12.8%	11.9%	+0.9pt	—	38.2%	-25.4pt	—
<b>EPS</b> (JPY)	<b>113.85</b>	<b>104.28</b>	<b>—</b>	<b>—</b>	<b>267.62</b>	<b>—</b>	<b>—</b>

\* EBITDA = Operating profit + Depreciation + Amortization

Assumed Currency rate (Annual average) Revised forecast Previous forecast change

- Against the US dollar (JPY)	<b>146.00</b>	<b>135.00</b>	<b>+11.00</b>
- Against the EURO (JPY)	<b>159.00</b>	<b>150.00</b>	<b>+9.00</b>

Assumed exchange rate for 2nd-half 1USD = 140.00JPY  
1EUR = 155.00JPY

Forex sensitivity USD 216 M of JPY(Annual net sales)  
EUR 93 M of JPY(Annual net sales)



M of JPY

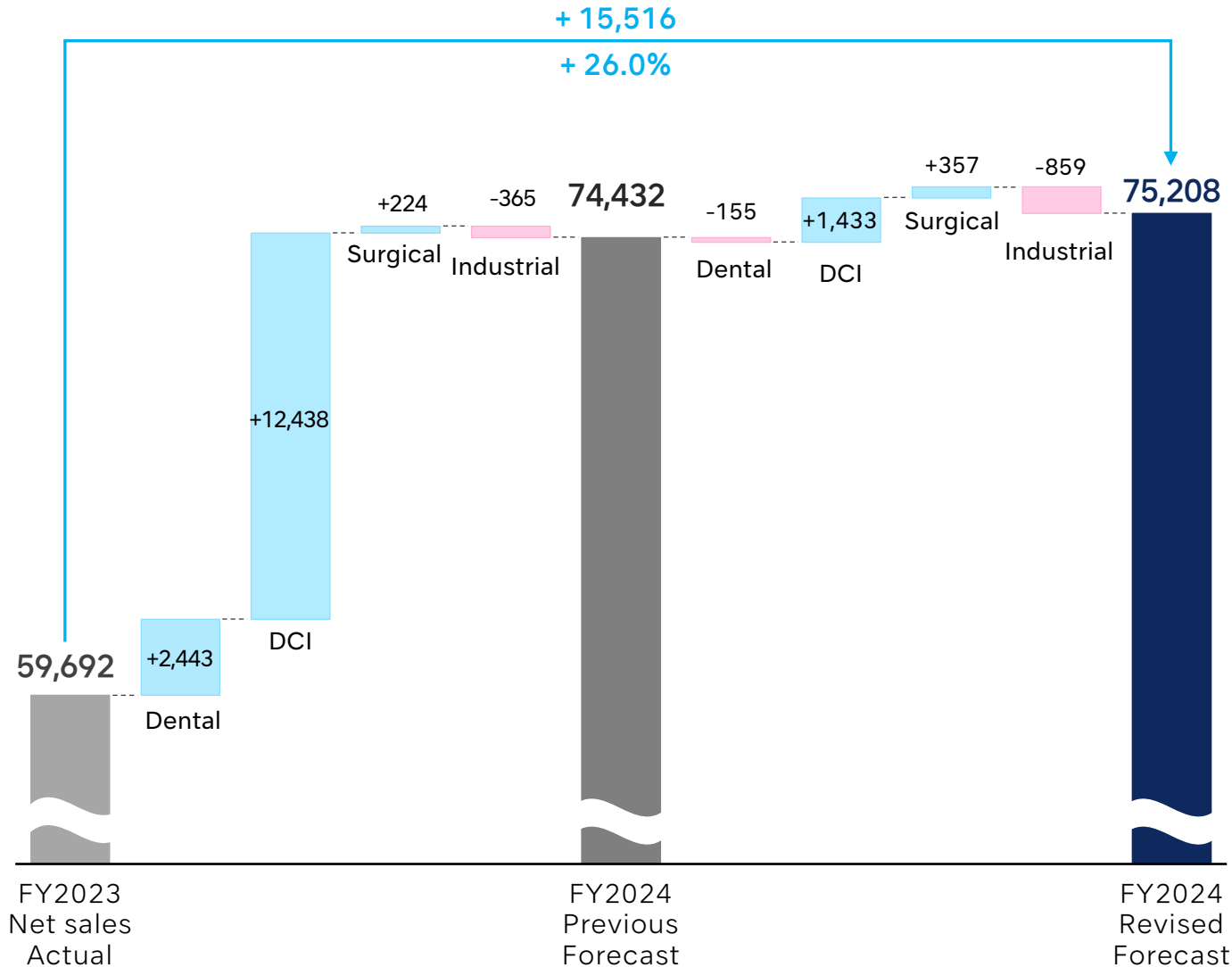
	Revised forecast excluding DCI and REFINE announced on Aug. 9	Previous forecast excluding DCI and REFINE announced on Feb. 13	vs. Previous Fcst		FY2023 Actual excluding DCI and REFINE	YoY comparison	
			Amount	Ratio		Amount	Ratio
Net sales	55,225	55,648	-422	-0.8%	55,335	-110	-0.2%
Gross Profit	35,944	34,405	+1,539	+4.5%	34,979	+964	+2.8%
Ratio to net sales	65.1%	61.8%	+3.3pt	—	63.2%	+1.9pt	—
EBITDA *	17,105	16,428	+676	+4.1%	17,754	-649	-3.7%
Margin	31.0%	29.5%	+1.5pt	—	32.1%	-1.1pt	—
Operating Profit	14,180	13,523	+657	+4.9%	14,948	-768	-5.1%
Ratio to net sales	25.7%	24.3%	+1.4pt	—	27.0%	-1.3pt	—
Ordinary Profit	15,370	13,971	+1,398	+10.0%	18,082	-2,712	-15.0%
Ratio to net sales	27.8%	25.1%	+2.7pt	—	32.7%	-4.8pt	—
Profit attributable to owners of parent	10,633	9,893	+739	+7.5%	12,180	-1,547	-12.7%
Ratio to net sales	19.3%	17.8%	+1.5pt	—	22.0%	-2.8pt	—
EPS (JPY)	125.42	115.99	—	—	142.97	—	—

\* EBITDA = Operating profit + Depreciation + Amortization

Assumed Currency rate (Annual average)	Revised forecast	Previous forecast	change	
- Against the US dollar (JPY)	146.00	135.00	+11.00	Assumed exchange rate for 2nd-half 1USD = 140.00JPY 1EUR = 155.00JPY
- Against the EURO (JPY)	159.00	150.00	+9.00	
				Forex sensitivity USD 216 M of JPY (Annual net sales) EUR 93 M of JPY (Annual net sales)

# Change in net sales by business segment

M of JPY



	FY2023 Actual	Previous forecast Feb. 13	Revised forecast Aug. 9	Change
Dental	44,366	46,809	46,654	+5.2%
DCI	3,974	16,412	17,846	-
Surgical	(Oct.-Dec.) 3,770	(Jan.-Dec.) 3,994	(Jan.-Dec.) 4,352	+15.4%
Industrial	7,581	7,215	6,355	-16.2%
<b>Total</b>	<b>59,692</b>	<b>74,432</b>	<b>75,208</b>	<b>+26.0%</b>

Forex impact (YoY comparison) +2,137 M of JPY (+3.6%)

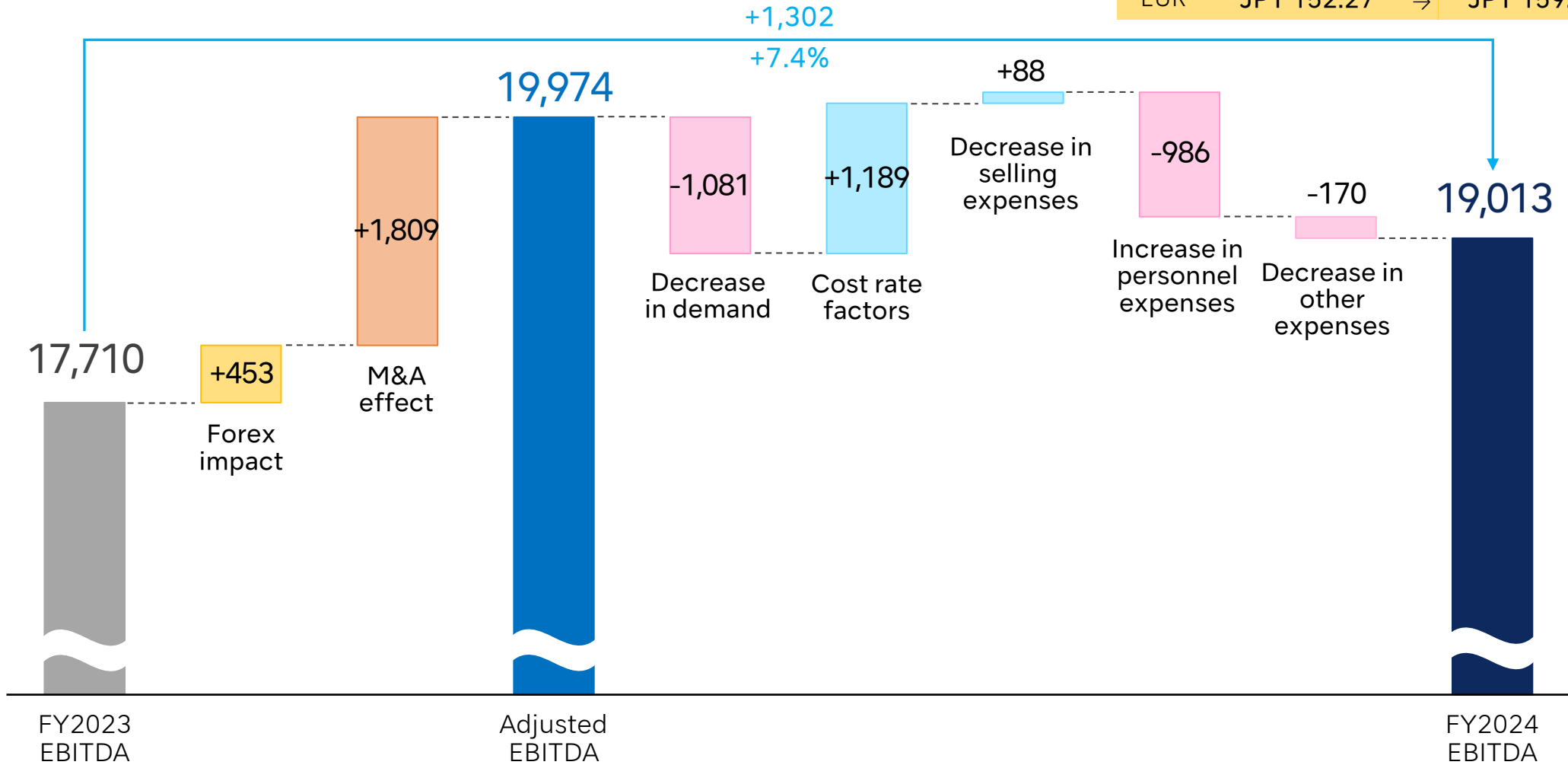
M&A effect (YoY comparison) +14,937 M of JPY (+25.0%)

\*DCI's results were included and presented under Dental business segment in FY2023, but in this slide, it is separated and presented individually based on business segment as of FY2024.

# Change in EBITDA

M of JPY

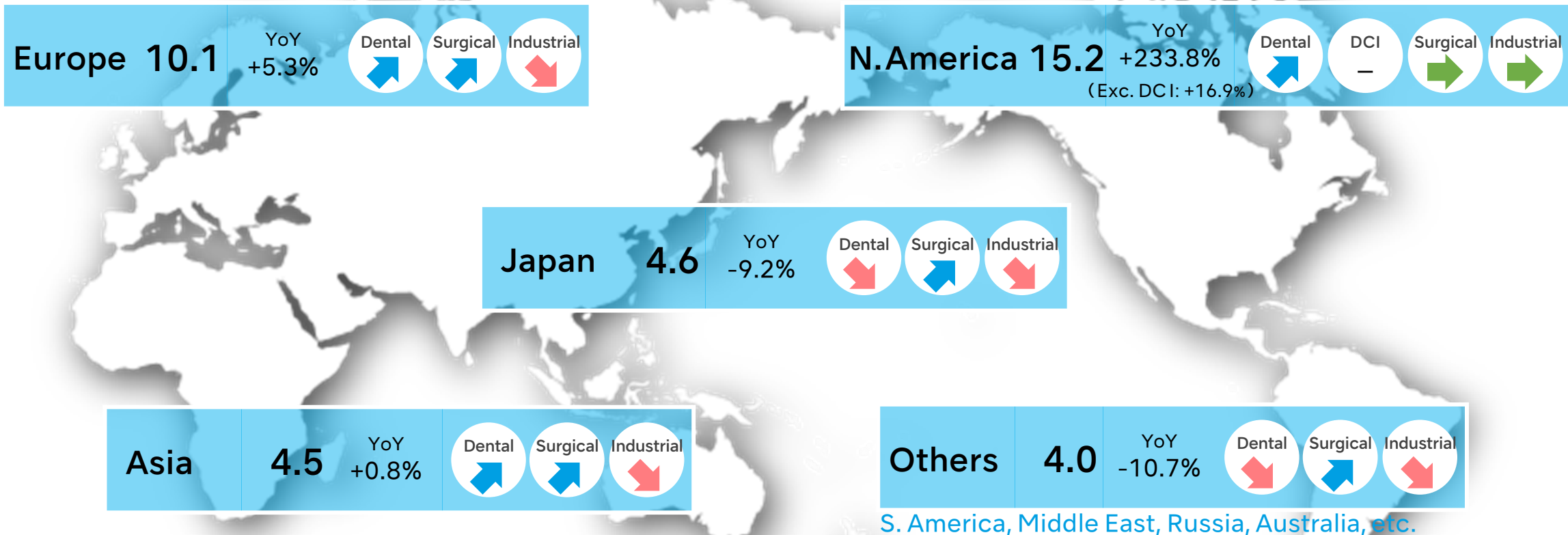
Exchange rate		
	FY2023 Actual	FY2024 Forecast
USD	JPY 140.54 →	JPY 146.00
EUR	JPY 152.27 →	JPY 159.00



# Overviews of Each Segment and Future Initiatives

BofJPY

Sales grew significantly in North America.  
 Achieved double-digit sales growth excluding DCI acquisition effect.

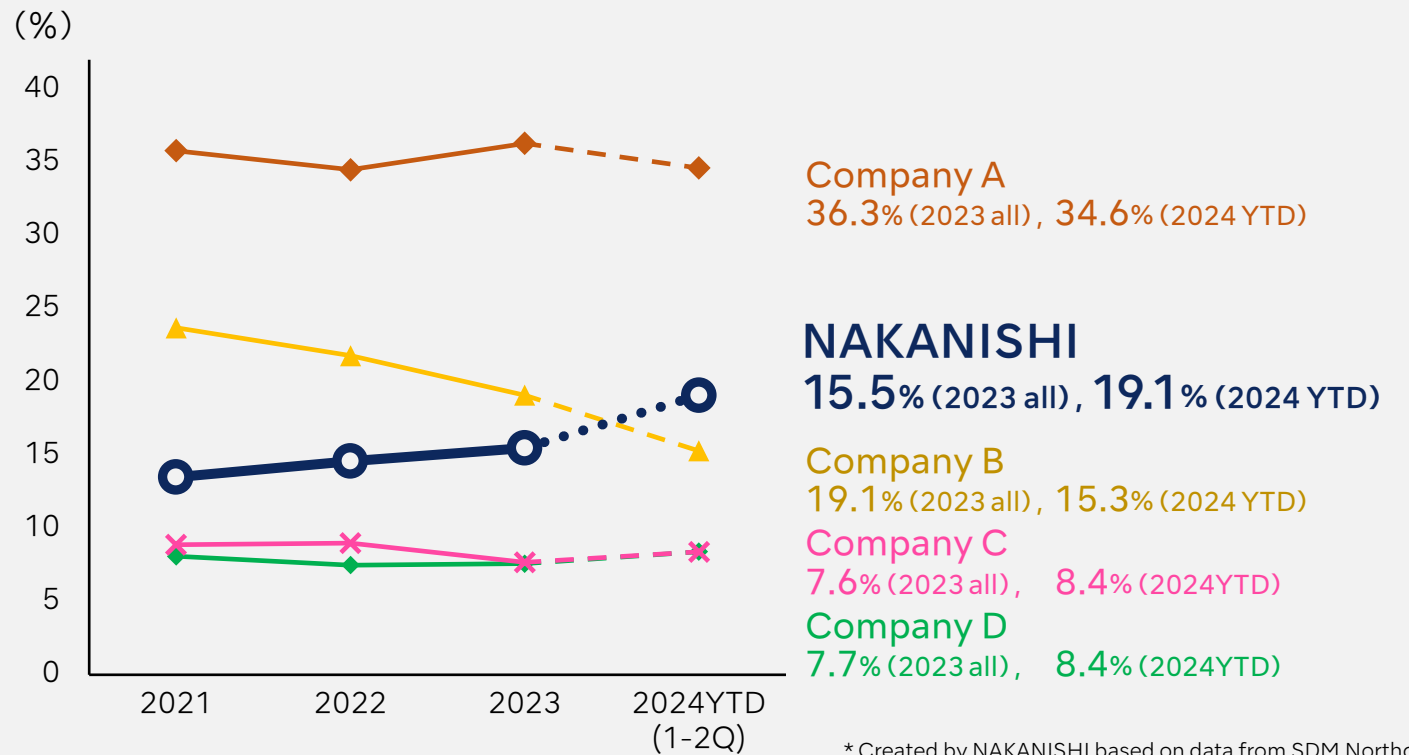




Dental hand piece (Air turbine)

# Ti-Max Z990L / Z890L

■ The U.S.: Trends in market shares of air turbines with lights



\* Created by NAKANISHI based on data from SDM Northcoast

Ultrasonic equipment for oral surgery

# VarioSurg4

Started shipping to Europe in May 2024

**Features high grinding power while reducing power consumption**

**Seamless connectivity with various equipment using built-in Bluetooth**

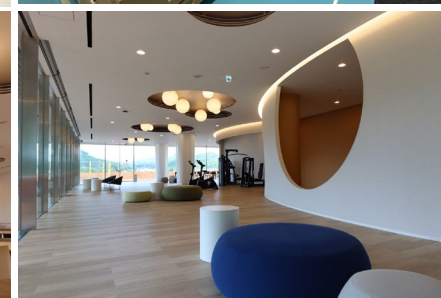
- ▶ Unit that is smaller and lighter is equipped with a high-brightness LED handpiece
- ▶ Features a color LCD panel for excellent visibility and ease of operation
- ▶ System-level connectivity with equipment for oral surgery, "Surgic Pro2"  
Provides a seamless operating environment (added value) for oral surgeons

**Scheduled for sequential release in each global market**

# M1

1<sup>st</sup> section: Operation started at Assembly factory

2<sup>nd</sup> section: Warehouse & service center is scheduled to start operation in April 2025





## Japan



Feb. 17-18, 2024 Central Japan Dental Show

### Overview of 1st half

Actual Sales   
YoY

- Sales recovered to a level similar to the previous FY from March onward with the glut in distribution inventory being resolved.
- OEM sales declined due to a push-back in special demand from FY2023.

### Measure for 2nd half

Sales forecast   
YoY

- Aim to recover sales through deepening cooperative ties with dealers and promotional measures.
- OEM will continue to be impacted by the decrease in special demand.

## Europe



Mar. 14-16, 2024 Expodental Madrid

### Overview of 1st half

Actual Sales   
YoY

- Although sales of OEM business decreased significantly due to termination of large contract, sales in Europe overall grew due to solid sales of local subsidiary.
- Sales remained flat as FY2023 in Germany and the U.K., increased in France and Nordic countries.

### Measure for 2nd half

Sales forecast   
YoY

- Aim to secure sales at a level similar to the previous FY through sales expansion of ultrasonic equipment for oral surgery (new product) and implant motors.

## North America



Feb. 22-24, 2024 Midwinter MTG (Chicago)

### Overview of 1<sup>st</sup> half

Actual Sales   
YoY

- Expanded market share due to continued strong sales of handpieces, including new products.
- OEM sales recovered with the progress in optimizing distribution inventory, contributing to an increase in sales.

### Measure for 2<sup>nd</sup> half

Sales forecast   
YoY

- Aim to expand sales with competitive handpieces at the core to further expand market share.
- OEM sales are expected to become strong.

## Asia



Jun. 9-12, 2024 Sino-Dental 2024 (Beijing)

### Overview of 1<sup>st</sup> half

Actual Sales   
YoY

- China:  
With the significant impact of economic deterioration and anti-corruption policies, sales remained flat. Sales increased due to new consolidation with REFINE.
- Korea:  
Strong sales in both own products and OEM.
- Southeast Asia:  
Sales declined due to weak demand.

### Measure for 2<sup>nd</sup> half

Sales forecast   
YoY

- China:  
Aim to steadily capture demand while monitoring bidding trends. Increased sales due to new consolidation with REFINE.
- Korea:  
Sluggish sales expected due to weak market conditions.
- Southeast Asia:  
Weak demand is expected to continue.



## Others

### Overview of 1st half

Actual Sales   
YoY

### Measure for 2nd half

Sales forecast   
YoY

#### Middle East

- Sales declined due to deteriorating market conditions in addition to the significant impact of loss of large-scale government bidding contracts, etc.

- Uncertain future with heightened geopolitical risks. Sales activities will continue somberly.

#### South America

- Sales declined due to deteriorating market conditions in addition to glut in distribution inventory.

- Aim for optimal inventory levels while continuing to enhance the business promotion structure.

#### Russia

- Sales declined due to push-back in sales growth in the previous FY and excess inventory not being resolved.

- Although the future is uncertain, steadily acquire continued sustained demand.

#### Australia

- Double-digit sales growth due to steadily acquiring government projects, etc.

- Although demand is weak, sales will be supported by expanding sales with handpieces at the core.



Feb. 22-24, 2024 Midwinter MTG (Chicago)



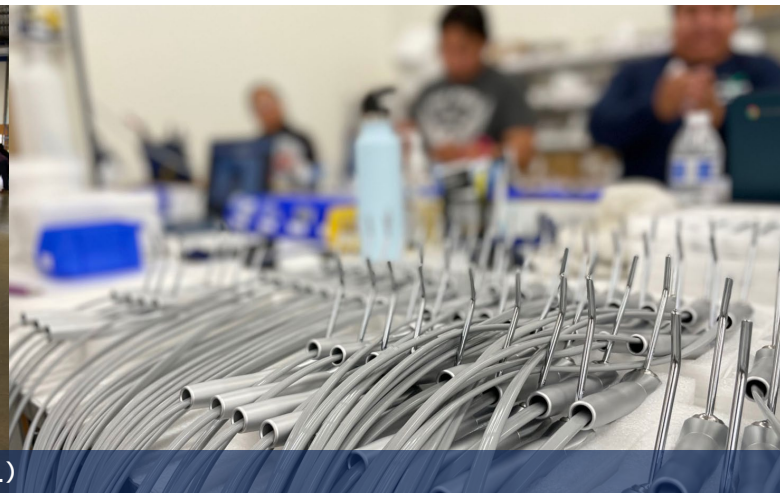
Whereas the U.S. dental chair market has shrunk compared to the previous FY, it is on a recovery trend.

Although the number of DCI dental chairs sold has declined compared to the previous FY, the number sold in Q2 (Apr. to Jun.) has recovered to similar year-on-year levels.

Increased sales at DCI when measured in local currency.



DCI dental chair manufacturing factory (Newberg, OR, U.S.)



Number of dental chairs sold in the U.S. Jan.-Jun. 2024 cumulative (YoY)

Overall market:	<b>-13%</b>
DCI:	<b>-4%</b>

## Overview of 1<sup>st</sup> half

Surgical case volumes remain steady, with sales growth in global markets. Increased production of disposables contributed to an increase in sales.

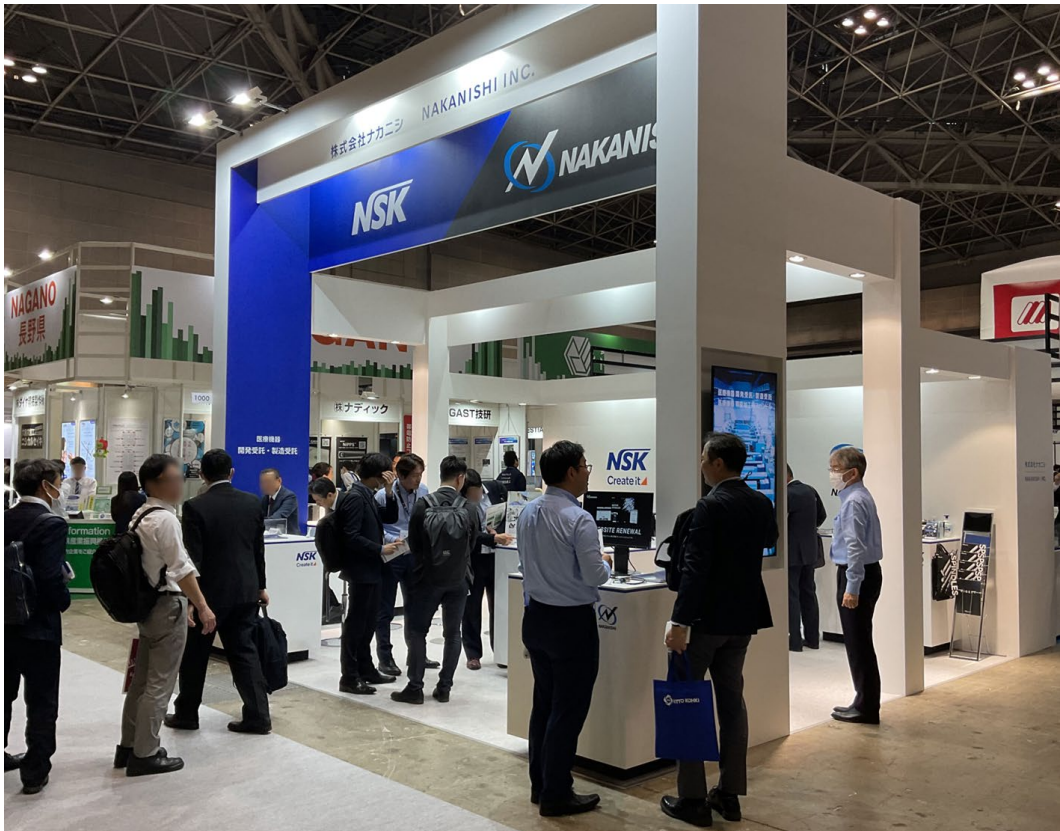
Actual sales YoY	Japan	Sales increased by capturing demand of strong demand for disposables. The number of console installations continued to grow steadily.
Actual sales YoY	Europe	Although market conditions are difficult as many hospitals face financial hardship, sales grew with steady acquisitions of inquiries.
Actual sales YoY	N. America	While fierce market competitiveness remains, increased sales with successful promotional activities. Also focused on expanding collaborative business.
Actual sales YoY	Asia	Sales in Asia, including China, were strong. Completed delivery of large-scale projects in India and Indonesia.

## Measure for 2<sup>nd</sup> half

To maximize expanding business opportunities due to competitors announcing their withdrawal, develop proactive sales activities.

Sales forecast YoY	Japan	Continue promotional activities, while exploring customer needs and collaboration models through exhibitions and other events.
Sales forecast YoY	Europe	While the outlook for demand looks to remain weak for the time being, sales will be supported by promotional campaigns.
Sales forecast YoY	N. America	Expand collaborative business with surgical support robot manufacturers, and aim to expand capture business opportunities due to competitors withdrawing.
Sales forecast YoY	Asia	Steadily capture sustained demand for disposables. Approach Korea, where demand is recovering.

Strengthen customer contact point through exhibitions, conferences and hands-on seminars both in Japan and overseas.



Apr. 17-19, 2024 **Medtec Japan 2024** at Tokyo Big Sight



**"Primado2"** product group

## Overview of 1<sup>st</sup> half

Sluggish sales due to decline in global demand. Continued with proposal activities to discover needs.

Actual sales YoY	↓	Japan	Sales declined due to difficult market conditions. As a result of focusing on proposal activities, orders have rebound slightly.
Actual sales YoY	↓	Europe	Capital investment projects declined with the strong impact of the rise in interest rates. Sales declined in both Nakanishi and JAEGER products.
Actual sales YoY	↓	N. America	Trend of stagnation in capital investment projects due to rising interest rates. Sales declined as the inventory adjustment phase is taking longer than expected.
Actual sales YoY	↓	Asia	Sales declined due to stagnation in capital investment willingness and decline in large projects. Sales to China recovered slightly at the end of the first half.

## Measure for 2<sup>nd</sup> half

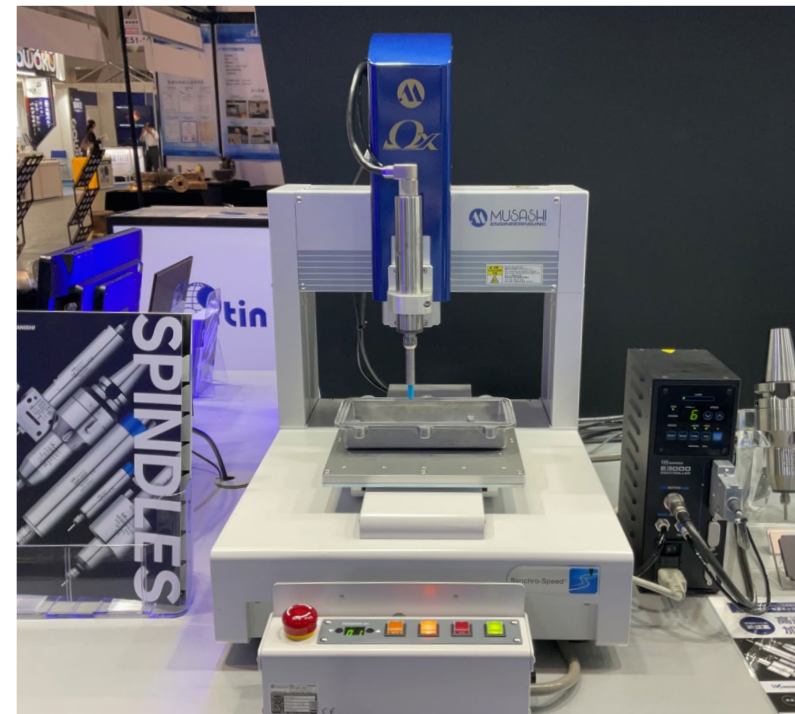
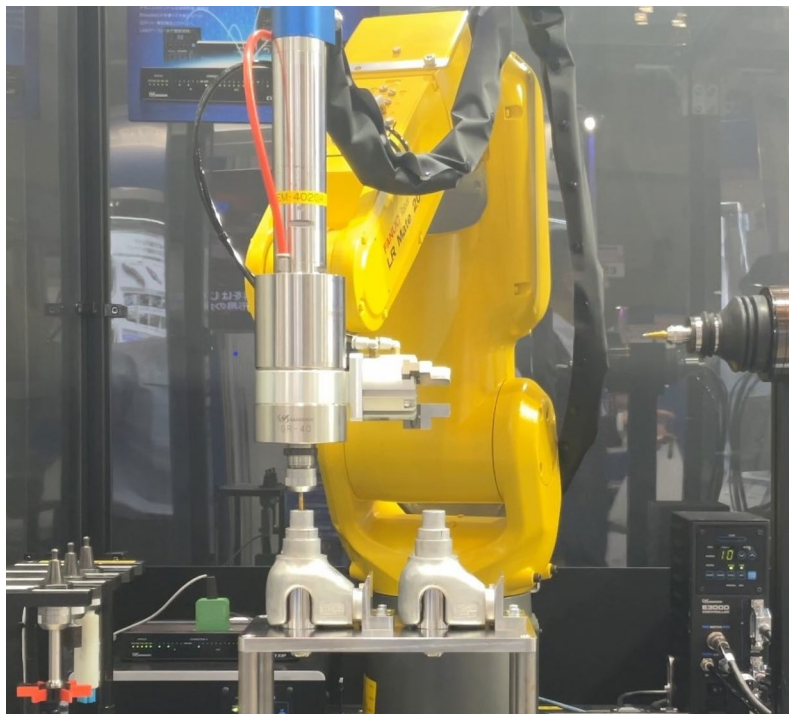
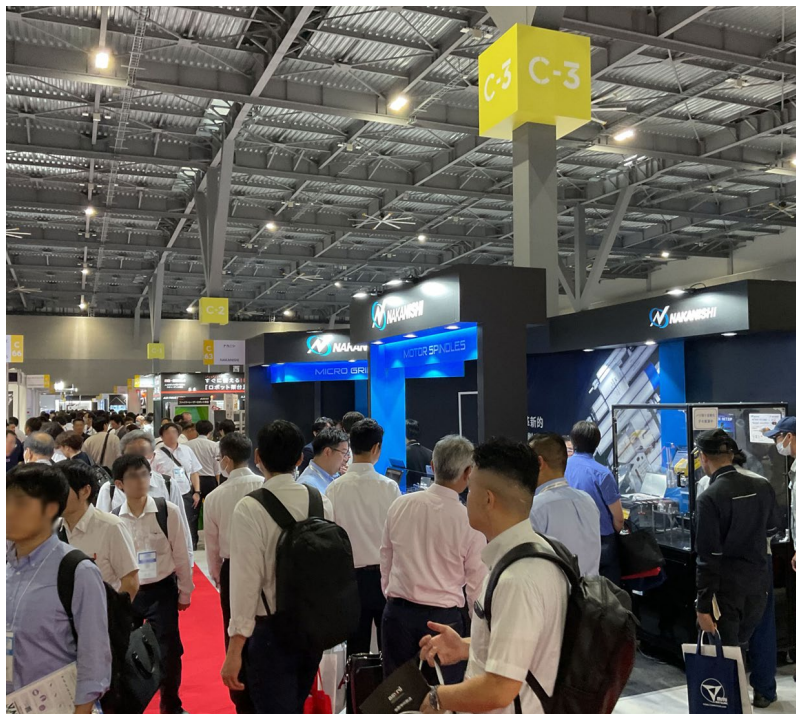
Although there are signs of recovery in demand, sales will not rebound until the next FY onward. Will somberly promote automation and labor-saving proposals.

Sales forecast YoY	↓	Japan	Aim to steadily acquire inquiries as there are signs of recovery in capital investment.
Sales forecast YoY	↓	Europe	Aim to expand the sales coverage area and acquire projects by promoting the establishment of new dealers.
Sales forecast YoY	↗	N. America	Difficult market conditions are expected for the time being. Aim to optimize inventory before demand recovers.
Sales forecast YoY	↓	Asia	Continue sales activities while focusing on capital investment trends in China. Aim to steadily capture demand.

# Mechanical Components & Technology Expo

Jun. 6-21, 2024 at Tokyo Big Sight

Stimulate demand with automating application by robot + spindle





## Dental, Surgical and Industrial Businesses steadily grew in the global market under the current Mid Term Management Plan.

Mid Term Management Plan (2020-2025)

### NV 2025+

#### Basic policies and priority measures

1. Strategic expansion of the dental business in the global market
2. Development of new businesses to respond to needs in a rapidly aging society
3. Building a management base for speedy development and by far the strongest cost competitiveness

#### Performance targets

Net sales	Operation profit	Operating margin	ROE	Total payout ratio	Cash and Marketable Securities to Monthly sales ratio
<b>55.0</b> B JPY	<b>16.5</b> B JPY	<b>30%</b>	<b>&gt;11%</b>	<b>&gt;50%</b>	<b>&lt;12</b> months



## We plan to announce the next Mid Term Management Plan in Feb. 2025.

Establish Mid Term Management Plan as Nakanishi Group including DCI, Refine and Jaeger to ensure sustainable growth.

Continuing from the last fiscal year, again selected as a constituent of the "JPX-Nikkei Index 400", which is an index jointly created by Tokyo Stock Exchange, Inc. and Nikkei Inc., for FY2024 (Aug. 30, 2024 to Aug. 28, 2025).

## "JPX-Nikkei Index 400"

An index of companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives.

<https://www.jpx.co.jp/markets/indices/jpx-nikkei400/index.html>



We have issued "Sustainability Report 2024".  
Please refer to our ESG initiatives.

<https://www.nakanishi-inc.jp/ir/>



***NSK***