

Mid Term Management Plan

Rolling Plan

NV2025+

August 9, 2022
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.

Global share increasing further since the COVID-19 outbreak

▶ **Latest performance results are above plans**

Yen weakening against almost all transaction currencies

▶ **Significant changes to performance target assumptions**



Mid Term Management Plan Rolling Plan

NV2025+

1. No changes to the policy and strategy set out in the previous plan NV2025
2. Sales and profit targets updated based on latest performance results and exchange rates
3. Established new KPIs such as ROE and cash allocation

FY2030 NAKSNISHI INC. Long term Vision

VISION 2030

To be The Leading Excellent Global Medical Device Company



In the Global Dental and Surgical market
To create new products based on
"innovative grinding technology" and
to be the ONLY ONE medical device company
who can contribute all people in the world to
extend Health Expectancy

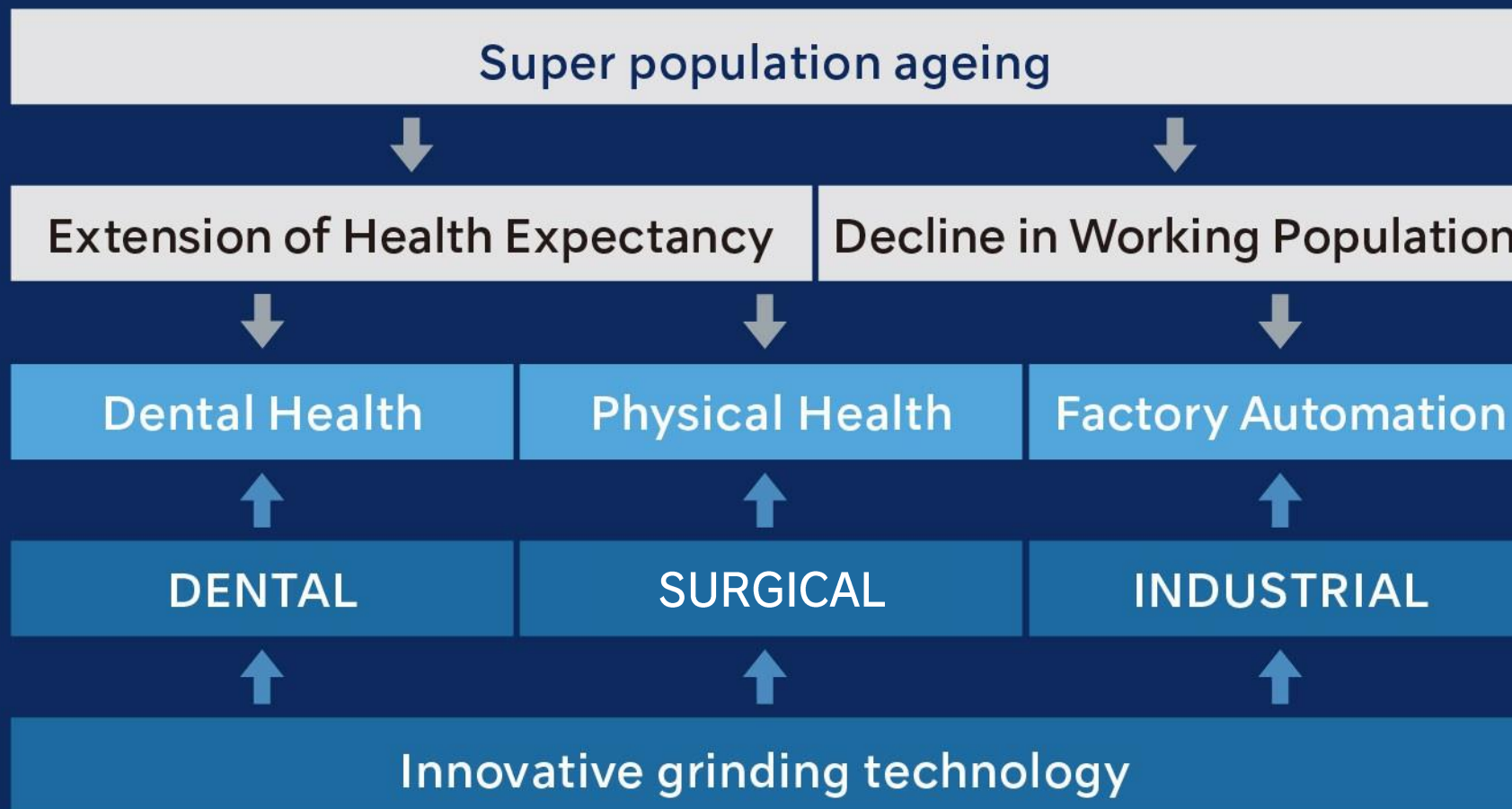
MISSION

To create "brilliant progress" via
innovative "grinding technology"

Keywords in business
development towards 2030

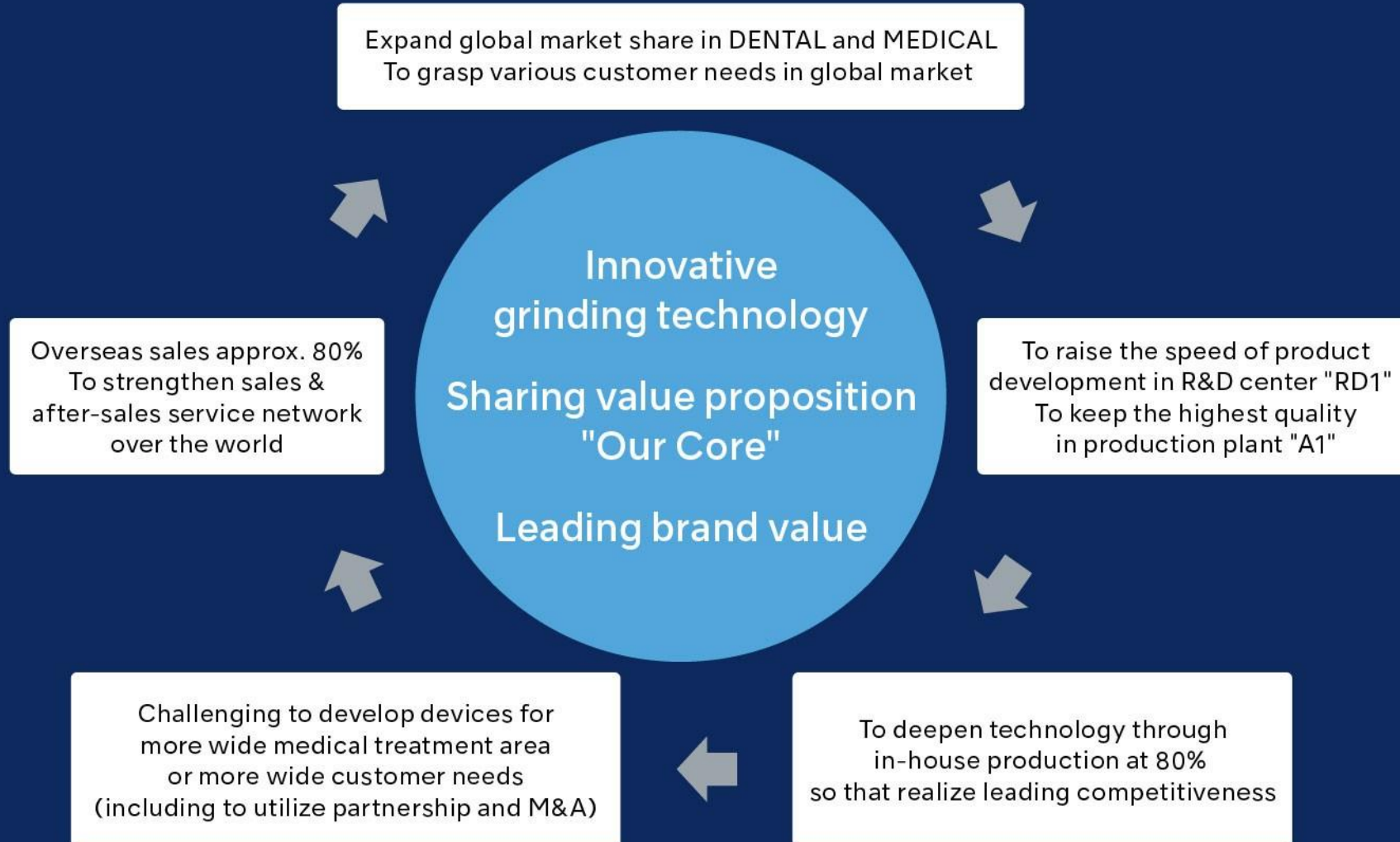
Super population ageing

Keywords in business development towards 2030



MISSION

To be The Leading Excellent Global Medical Device Company





1. Strategic expansion in Dental global market

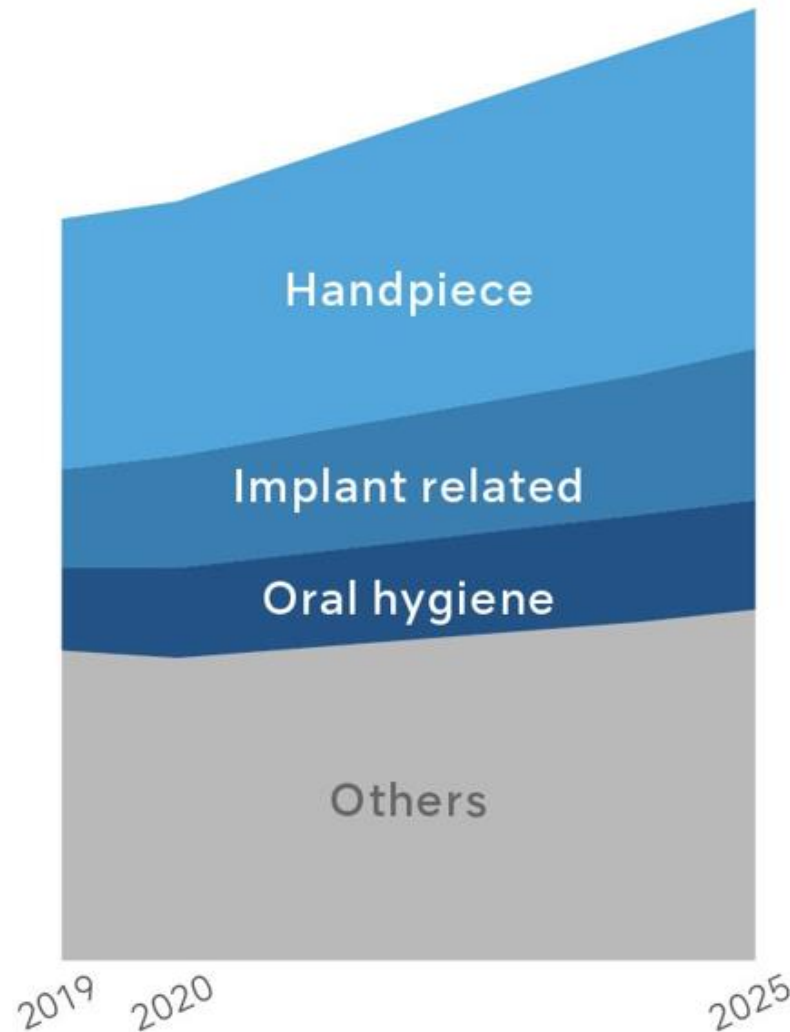
- To keep and expand market share No.1 in Dental rotating instruments through strengthening competitiveness
- To increase market share in Implant related products, Oral hygiene products with upgraded product line-up
- To establish branding in Sterilization and maintenance products under quick demand growing
- To expand business in North and South Americas and China. And to get more firm positioning in Europe
- To prepare sufficient after-sales organization in global market
- To make growth in life-cycle business as parts and consumables
- To strengthen branding and sales organization

2. Growing new business for customer needs in super population ageing

- To expand product portfolio in Surgical
- To utilize external resources flexibly

3. Establish infrastructure for speedy product development and leading cost competitiveness

- To establish appropriate organization in product development and manufacturing
- To strengthen global RA function and prepare for Class 3 QMS
- To reform supply-chain management with implementing new ERP system





S-Max M Turbine



S-Max M Contra Angles

**Middle-class at top level performance in the class
and better cost performance**

Target at 400% in 2025 compared to 2019
as global strategic product



Osseo integration
Monitoring device

Osseo 100+

Innovative technology
measuring stability value
non-invasively
Link function with Surgic
Pro2
〈Launch 2020〉



Oral surgery
micromotor system

Surgic Pro2

Improve operability and
stability
Upgrading world market
share No.1 product
〈Launch 2020〉



Ultrasonic surgical
system

VarioSurg3

By the link function with
Surgic Pro, users can
experience more
efficient operation



Implant / Surgical Handpiece

To be used for more wide
operation
〈Launch 2020〉

Sales target at Implant related 150% at 2025 compared to 2019



Ultrasonic scaler unit and powder therapy **Varios Combi Pro**

Ultrasonic scaler unit **Varios series**

Ultrasonic scaler tips

Air powered tooth polishing system **Prophy-Mate neo**

Biofilm eraser for periodontal pockets **Perio-Mate**

Cleaning powder **FLASH Pearl / Perio-Mate powder**

Sales target at Oral Hygiene 150% at 2025 compared to 2019

To position at specialized manufacturer in small bone cutting device
To contribute better medical treatment though development of innovative surgical machine

Primado series

To enhance product line up of Primado series by P300 attachment

Class 3 level product will be added

Neuro Surgery

Spine Surgery

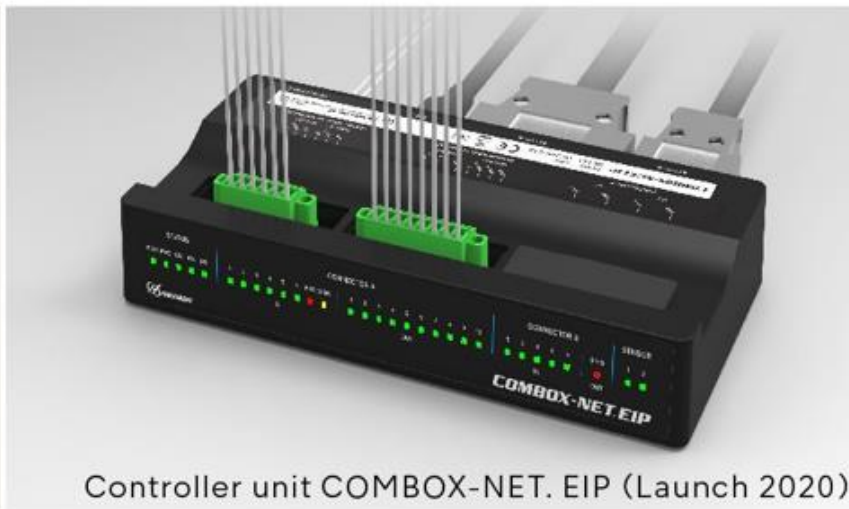
Orthopedic Surgery

Otologic Surgery

Endoscopic Surgery

Sales target at 200% at 2025 compared to 2019

To position at ONLY ONE manufacturer supplying Ultra High-speed Spindle which contribute factory automation



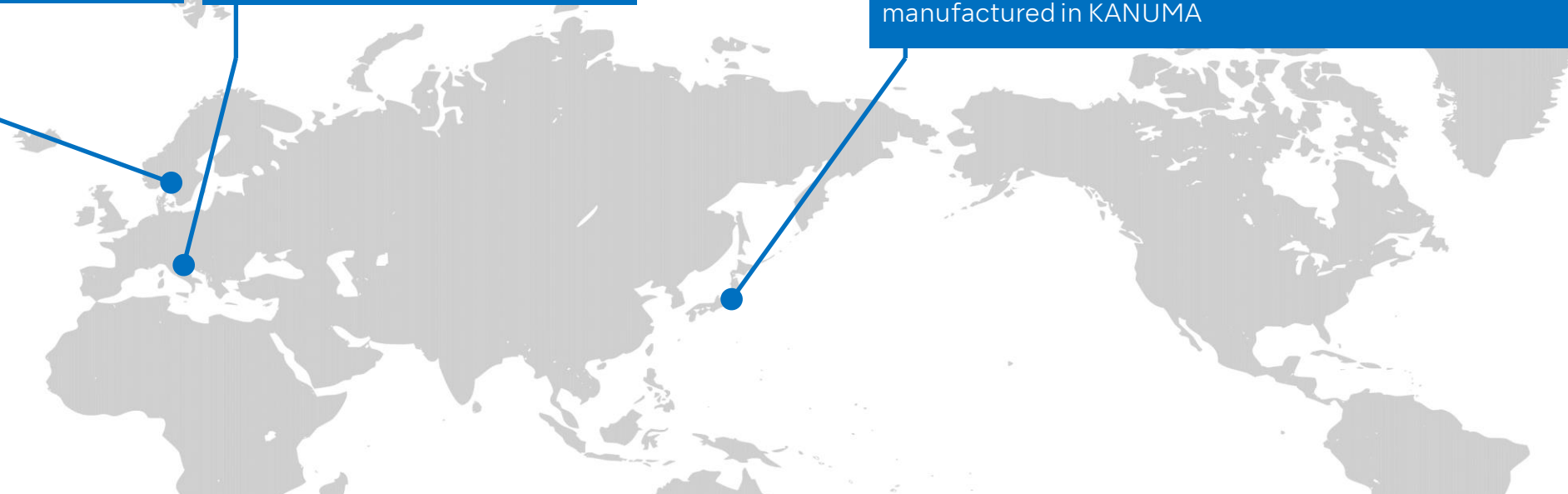
- Contribute factory automation by Highest power and precision in the class and connection with machine robot
- To spread wide industries as Automotive/ Electronics/ Aero/ Medical/ Precision parts via marketing approach to System Integrator

Sales target at 118% at 2025 compared to 2019

NSK Dental Nordic (formerly IDS)
Product development for Osseo-integration measuring device

NSK Dental Italy (formerly Dental X)
Development and production for autoclaves (high-pressure steam sterilizers)

NAKANISHI INC. Headquarters and Plants (RD1, A1, A1+, M1)
Products based on NAKANISHI's core technologies (ultra high-speed rotating technology, ultrasonic technology, and ultra precise micromotor technology) are all developed and manufactured in KANUMA



NSK Dental Nordic
(Integration Diagnostics Sweden)



NSK Dental Italy
(Dental X)



R&D Center RD1 in Headquarters



Parts processing plants A1 and A1+
(under construction)



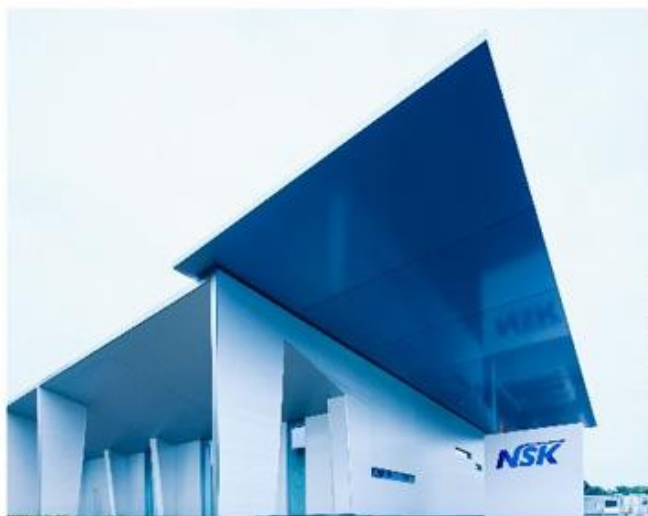
Assembly plant M1 (under construction)



Nucleolus of R&D

"RD1" in headquarter

Speedy product development for customer satisfaction



Nucleolus of Production

"A1" new factory

Jump up of Productivity and cost competitiveness





A1+ New parts processing plant

To transform production operations to ones able to effectively meet globally growing product demand, aim to increase "parts processing" capacity that was previously a bottleneck

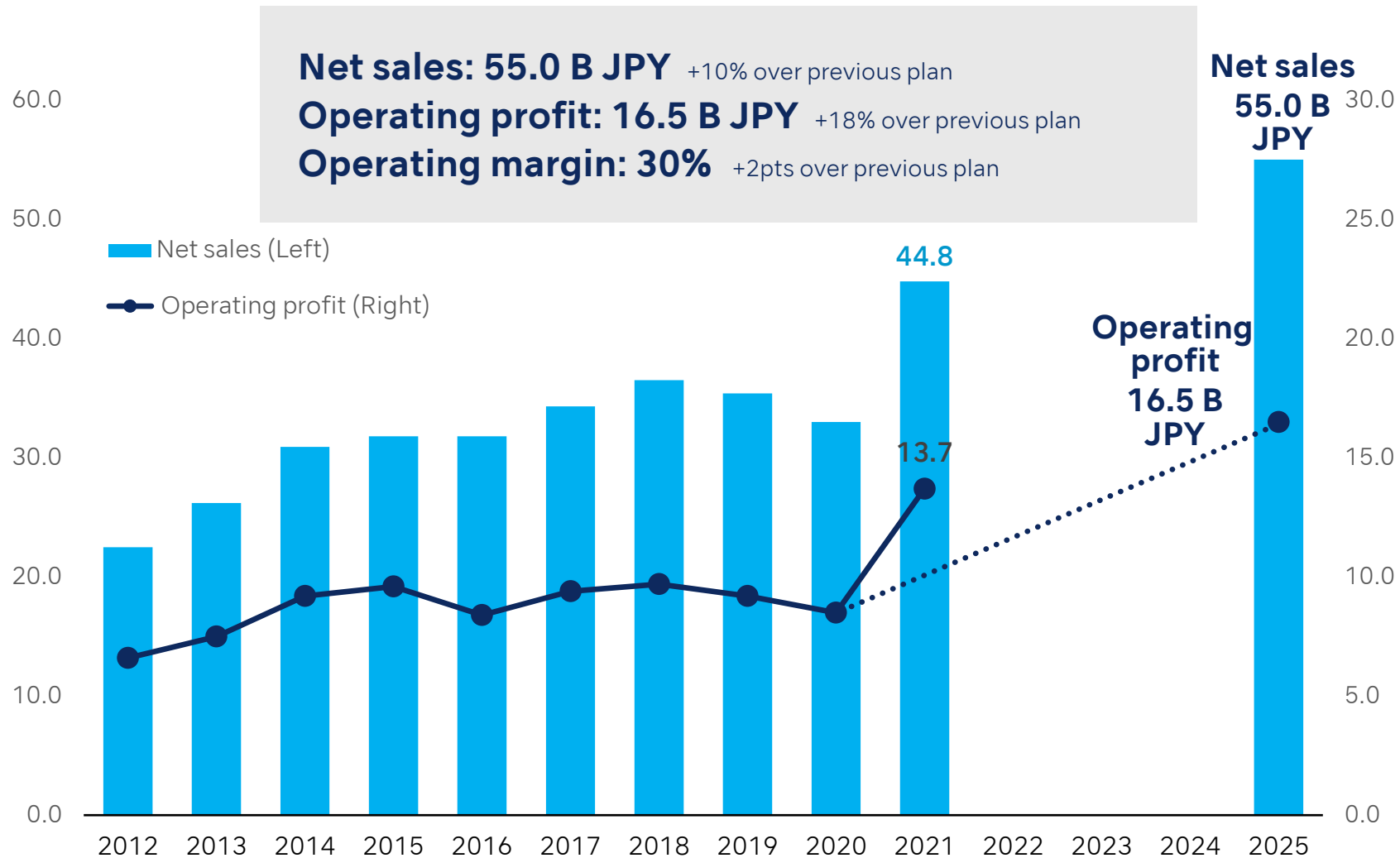
- Location: 990 Fukahodo, Kanuma, Tochigi (on the premises of the A1 plant)
- Total floor area: Approx. 5,500 m²
- Investment: Approx. 1.8 billion yen
- Construction: Began construction in Nov. 2021; scheduled for completion in Aug. 2022



M1 New assembly plant and parts and finished goods warehouse

Determined to construct a new plant to increase capacity for the "assembly process" following the parts processing process that we are working to expand, and secure warehouse space to respond to production scale expansion

- Location: 700 Shimohinata, Kanuma, Tochigi (in the premises of Headquarters)
- Total floor area: Approx. 17,500 m²
- Investment: Approx. 6.2 billion yen
- Construction: Scheduled to begin construction in Apr. 2023 with completion in Jan. 2024 for phase 1 and Oct. 2024 for phase 2

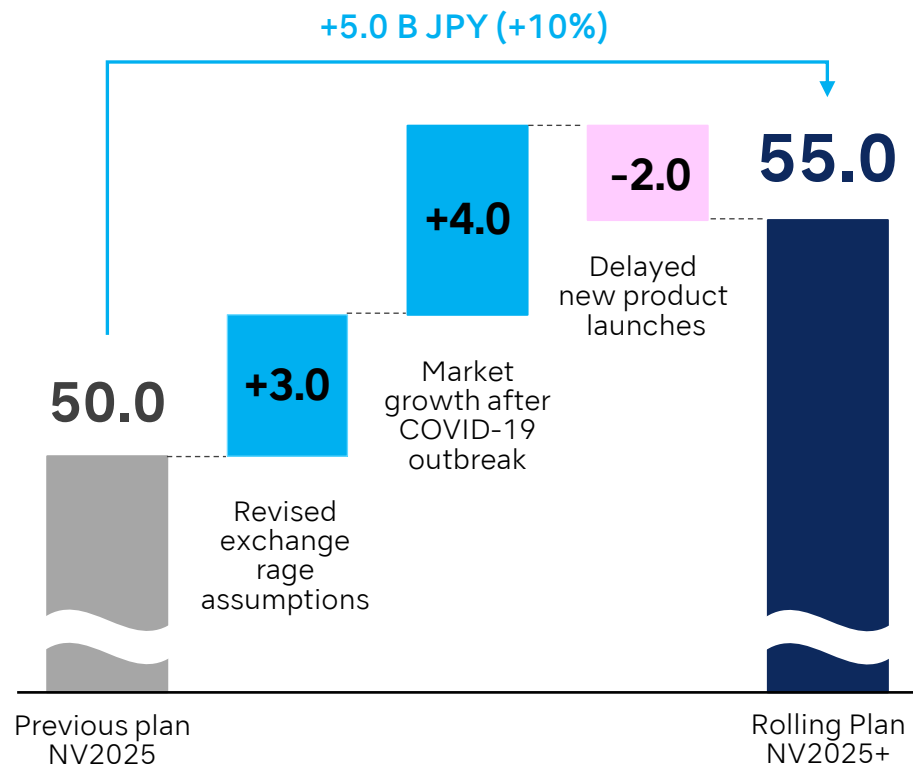


Assumed exchange rates for 2022 to 2025: 1USD=124JPY; 1EURO=131JPY

Changes to Top Line

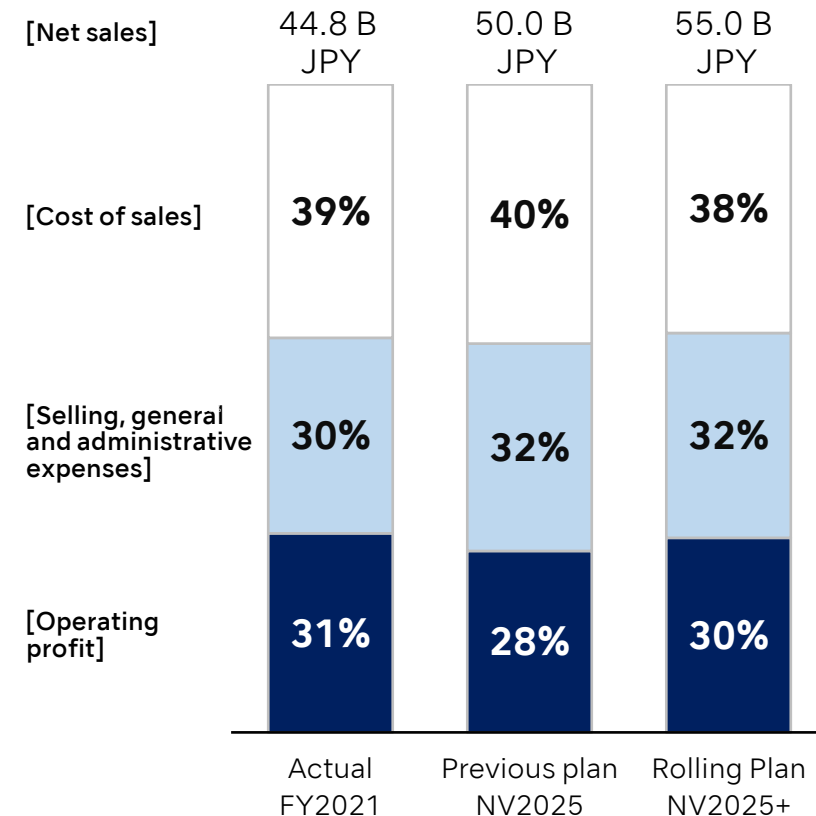
- Revised exchange rate assumptions on which to base sales target
- Reflected market growth realized after the COVID-19 outbreak
- Reflected the effects of delays in new product development

* As we have prioritized measures to meet Medical Device Regulations (MDR) as well as design changes and other initiatives to prevent production disruptions due to parts supply shortages, new product development has been delayed.



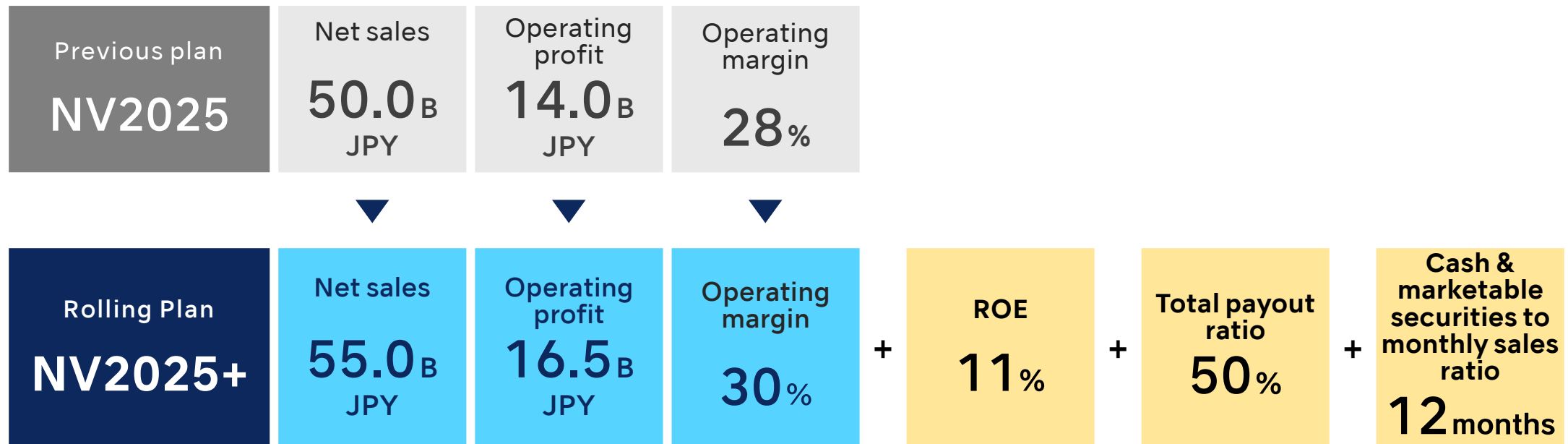
Changes to Profit Structure

- No significant changes to profit structure (composition)
- Reflected the effects of sales increases and weaker yen



In Rolling Plan NV2025+, in addition to updating the sales and profit target sets in the previous plan NV2025, we have added a “capital efficiency indicator” and a “cash allocation indicator” to make our PL, BS, and CFS management policy clearer

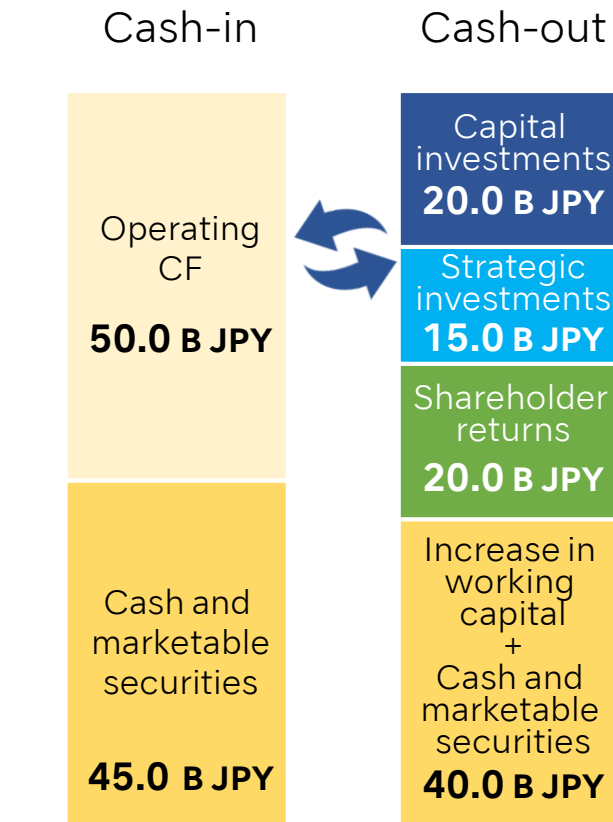
- ▶ **Evolve from PL-oriented management to one that also prioritizes capital efficiency at the same time**
- ▶ **Allocate cash by considering the balance of growth investments, shareholder returns, and resilience to risk**



Allocate cash by using cash flows we generate and considering (1) investments in businesses to achieve sustained growth, (2) enhancement of shareholder returns, and (3) the balance of resilience to risk and capital efficiency with the aim of further enhancing corporate value

Investments in businesses to achieve sustained growth	Strategic investments	Explore and implement strategic investments for strengthening our core businesses (M&As) to ensure sustained growth
	Capital investments	Implement capital investments for establishing and maintaining a robust business foundation to continue winning in global competition
Enhancement of shareholder returns	Dividends	Seek to ensure a steady and continuous increase of dividends as an essential shareholder return measure
	Total payout	Seek to achieve a total payout ratio of 50% as a mid-term standard by flexibly implementing treasury stock acquisitions and other measures
Achievement of resilience to both risk and capital efficiency	Capital efficiency	Seek to achieve, maintain, and exceed ROE of 11% through appropriate balance sheet management
	Cash & marketable securities to monthly sales ratio	Make the 12-month cash & marketable securities to monthly sales ratio a standard to maintain our resilience to changes in the business environment and clarify our financial discipline

Cash allocation for FY2021 ► FY2025



Growth investments

Implement capital investments for strengthening a business foundation that supports our core businesses and carry out strategic investments for accelerating the growth of our core businesses (M&As) while also investing in intangible assets for digital transformation (DX) and R&D, etc., to enhance our management foundation and thereby establish business operations that can win in global competition.

Shareholder returns

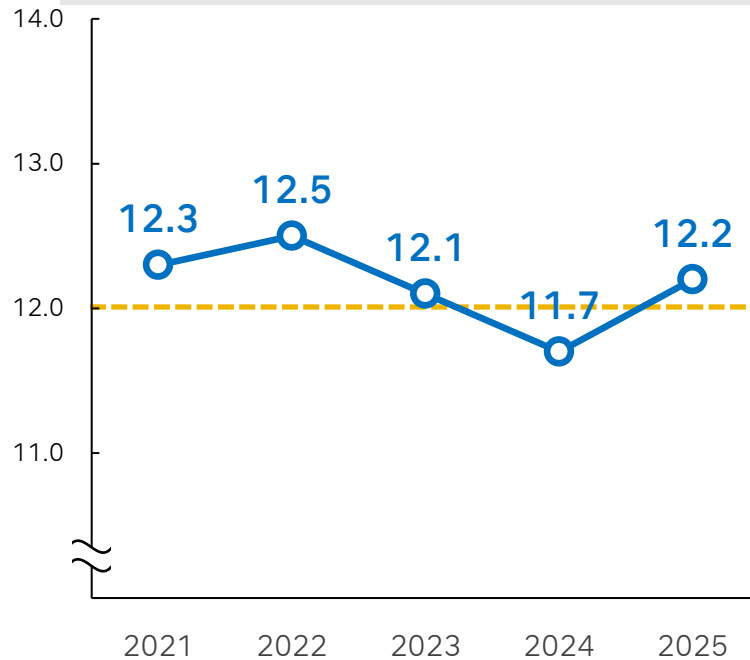
Make a total payout ratio of 50% our mid-term standard by striving to ensure a steady and continuous increase of dividends while also agilely implementing treasury stock acquisitions.

Financial position

Maintain a financial position that enables us to respond to changes in the business environment and secure resilience to risk while balancing these efforts with capital efficiency. Make the 12-month cash & marketable securities to monthly sales ratio our standard and implement disciplined cash allocation.

Trend projections

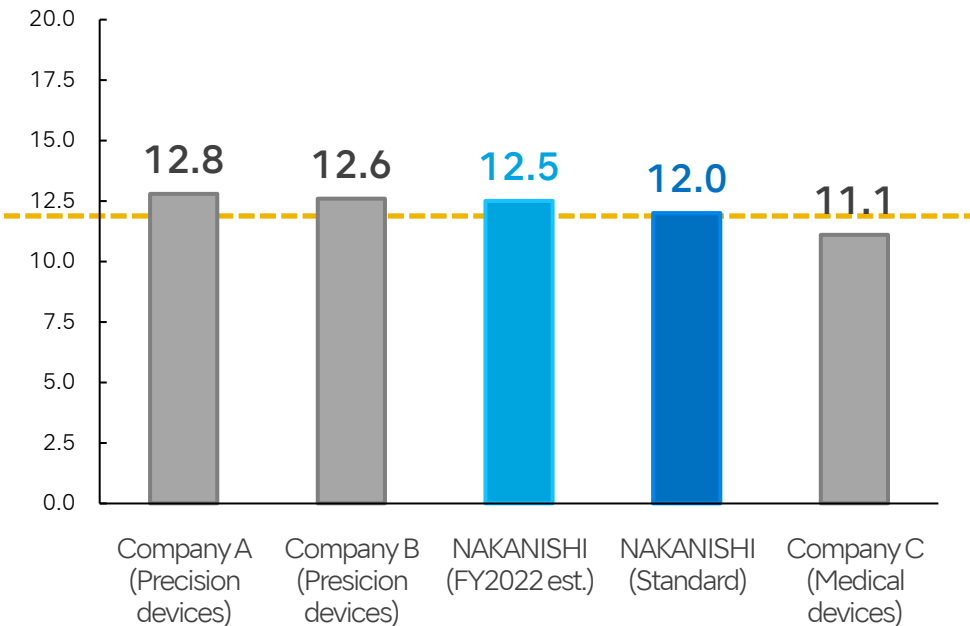
- Cash & Marketable Securities to Monthly Sales Ratio = (Cash + Marketable Securities)/(Monthly Sales)
- Assume that no strategic investments (M&As) will be implemented
- Assume a total payout ratio of 50%



Cash & marketable securities to monthly sales ratio
Our standard:
12.0 months

Benchmarking

- Prepared using information published by listed companies
- Benchmarked against peer companies with a high shareholder equity ratio (medical device and precision device manufacturers) in terms of the cash & marketable securities to monthly sales ratio



NSK