



NAKANISHI INC.

Briefing Material for 2023 M&A Strategy

- Nakanishi Jaeger GmbH (formerly Alfred Jäger GmbH)
- DCI International, LLC
- Guilin Refine Medical Instrument Co., Ltd.

December 20, 2023

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.



Basic M&A Policy and Overview of Recent Acquisitions

Daisuke Suzuki

Corporate Vice President & Group CFO

Basic M&A Policy

Pursue M&A based on the below policy while maintaining the “Dental, Surgical and Industrial” business domains

1. Acquisitions of core technologies and peripheral fields for the growth of existing businesses ▶▶▶ **DCI and JAEGER**
2. Acquisitions aimed at complementing resources and competing against competitors ▶▶▶ **REFINE**
3. Acquisitions of new fields that can capitalize on Nakanishi’s advanced production technology

 Our Target	Companies	NSK’s business domains (Dental, Surgical and Industrial) and peripheral fields
	Regions	No specific regions
	Companies	<ul style="list-style-type: none">• Companies with leading or similar positions in a particular market• Companies with strengths in either development, manufacturing, or distribution• Companies with strong, differentiated brands or products
 Our Strength	Financial soundness	Financing capabilities based on financial soundness and abilities to generate stable cash flows
	Currencies held	Holding cash and cash equivalents in not only the Japanese yen, a stable currency, but also foreign currencies such as the euro and US dollar
	Top niche player	As a market leader, pursuing timely and appropriate M&A with a bird’s-eye view of global market trends

Criteria for M&A

No intention of becoming a conglomerate.

The most important criterion is whether we can strengthen our existing businesses.

Strengthen
core technologies ?

Grinding technology

1. Ultra high-speed rotating technology
2. Micromotor technology
3. Ultrasonic technology

Expand
business ?

Product lineup

1. Dental equipment
2. Surgical equipment
3. Industrial spindle

Enhance
distribution capabilities ?

Distribution network

1. Distribution area
2. Distribution channel
3. Market presence

JAEGER (High-frequency spindles)
REFINE (Preventive dentistry equipment)

JAEGER (Distribution area)
DCI (Distribution channel/market presence)

Recent M&A Track Record

JAEGER

Acquisition completed in Dec. 2022



DCI

Acquisition completed in Aug. 2023



REFINE

Acquisition completed in Nov. 2023



Company name	Nakanishi Jaeger GmbH	DCI International, LLC	Guilin Refine Medical Instrument Co., Ltd.
Founded	1967	1983	2017
Location	Ober-Moerlen, Hessen, Germany	Newberg, Oregon, US	Guilin, Guangxi Zhuang Autonomous Region, China
Representative	Björn Werner, Managing Director	John Spencer, CEO	Akihiko Yamauchi, Chairperson
# of employees	About 120	About 400	About 140
Business outline	Development, manufacture, and sales of high-performance HF spindles	Development, manufacture, and sales of dental chairs and dental equipment parts	Development, manufacture, and sales of dental equipment such as ultrasonic scalers
Production base	Germany	U.S.	China

Product Lineup of Acquired Companies

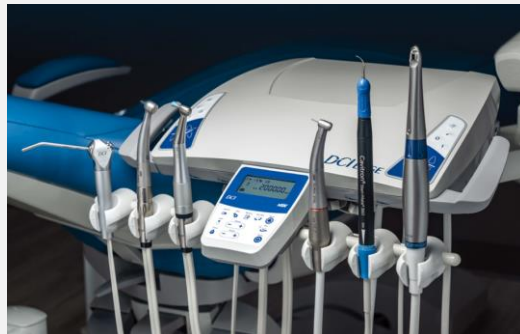
JAEGER

High-frequency spindles, etc.



DCI

Dental chairs, etc.



REFINE

Ultrasonic scalers, etc.



Overview of Acquisitions

JAEGER

Acquisition completed in Dec. 2022

DCI

Acquisition completed in Aug. 2023

REFINE

Acquisition completed in Nov. 2023

Acquisition cost
payment method

€27.4M
(3,881M JPY)
in cash

(i) 33% stake acquired in Oct. 2020

\$25.0M (2,587M JPY) in cash

(ii) 16% stake acquired in Dec. 2021

\$12.1M (1,483M JPY) in cash

(iii) 51% stake acquired in Aug. 2023

\$98.9M (14,469M JPY) in cash

\$24.9M (3,654M JPY) in treasury shares

152M RMB
(3,100M JPY)
in cash

(iv) Earn-out based on FY2023-24 performance

Max \$20M in cash

EBITDA multiple

9 – 10 x

(i) + (ii) + (iii) 8 – 9 x

15 – 16 x

Goodwill / Amortization Period

JAEGER

Acquisition completed in Dec. 2022

DCI

Acquisition completed in Aug. 2023

REFINE

Acquisition completed in Nov. 2023

Goodwill (PPA not completed)	2,706M JPY (1EUR = 137.90JPY)	31,009M JPY (1USD = 149.58JPY)	2,425M JPY (1RMB = 20.46JPY)
Amortization period	Assumption: 10 years To be determined in the full year results of FY2023	Assumption: 10 - 20 years To be determined in the full year results of FY2023	Assumption: 10 years To be determined in the results of Q1 FY2024
Estimated payback period	8 - 9th year	8 - 10th year	8 - 9th year
FY2022 net sales	2,565M JPY (1EUR = 137.90JPY)	19,567M JPY (1USD = 130.77JPY)	2,138M JPY (1RMB = 19.38JPY)
Advisors	Financial DD: EY Tax DD: EY Legal DD: ARQIS	Financial DD: KPMG Tax DD: KPMG Legal DD: Nagashima Ohno & Tsunematsu	Financial DD: PwC Tax DD: PwC Legal DD: Nagashima Ohno & Tsunematsu

Future Outlook for M&A

Focus on PMI of JAEGER, DCI and REFINE. However, M&A processes continue in the Surgical Business field

Dental Business	Acquisitions of DCI and REFINE completed	Focus on PMI of the two companies for the time being *Leave room for M&A from a technological perspective
Surgical Business	No track record	M&A evaluation processes continue
Industrial Business	Acquisition of JAEGER completed	Focus on PMI of Jäger for a while

Current Understanding of 2023 Consolidated Performance

The original Nakanishi business is performing strongly. Among the three acquired companies, there are some concerns over weakening performance of DCI.

NAKANISHI	Dental Business	Although North America is weak due to the halving of OEM business sales, Europe, Japan, and Asia including China are strong.
	Surgical Business	While the impact of the loss of OEM business remains in Europe, sales are strong in major markets such as Japan, the U.S. and China.
	Industrial Business	Despite the slowdown in demand, sales remain steady as we execute the backlog of projects that have built up since last year.
JAEGER	Industrial Business	Sales of Jäger are trending as planned. *Results from January to December 2023 are consolidated.
DCI	Dental Business	Demand for dental chairs in North America has sharply declined since Q3. *Results from October to December 2023 are consolidated.
REFINE	Dental Business	The acquisition completed at the end of last month. Recent sales are going as planned. *Results for December 2023 (1 month) are consolidated.

Improvement of IR Communications

Regular briefing sessions are held in Q1 and Q3. We consider holding extraordinary conferences when IR-related topics emerge.

	Q1			Q2			Q3			Q4		
	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Financial Results announcement		■ Full-year results announcement			■ Q1 results announcement			■ Q2 results announcement			■ Q3 results announcement	
Briefing session (For analysts)		■ Full-year briefing session (CEO & CFO)				■ Q1 briefing session (CFO)		■ Q2 briefing session (CEO & CFO)			■ Q3 briefing session (CFO)	
Annual General Meeting of Shareholders				■ Annual General Meeting of Shareholders								
Shareholder communication (Business Report)				■ Issuance of full-year Business Report						■ Issuance of Q2 Business Report		

Growth Strategy of Nakanishi Including the Three Acquired Companies

Eiichi Nakanishi

President and Group CEO

FY2030 NAKANISHI 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"

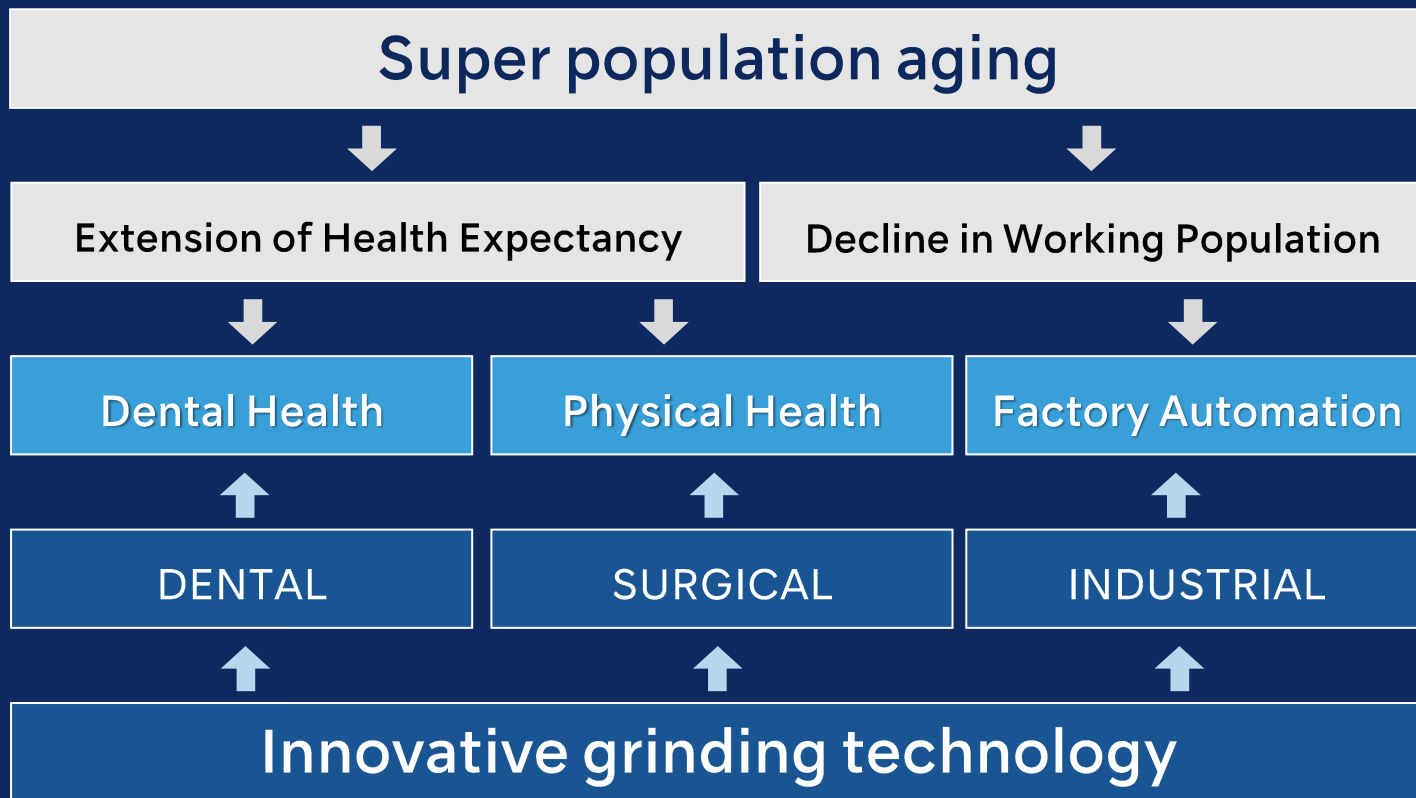
Keywords in business
development towards 2030

Super population ageing

Keyword in business development towards 2030

Super population aging

Keywords in business development towards 2030



NV2025+

Basic Policy and Priority Measures

1. Strategic expansion in Dental global market
2. Growing new business for customer needs in super population ageing
3. Establish infrastructure for speedy product development and leading cost competitiveness

Performance Targets and KPI

Net sales	FY2025	55.0 B of JPY
Operating profit	FY2025	16.5 B of JPY
Operating margin	FY2025	30%
ROE		> 11%
Total payout ratio		> 50%
Cash & marketable securities to monthly sales ratio		< 12 months

Growth strategy for Dental Business toward 2030

1. Expansion of global share for dental drills (28% ▶▶▶ 35%)
2. Expansion of share for implant motors (40% ▶▶▶ 50%)
3. Expansion of share for preventive dentistry equipment
4. Enhanced product lineup of Mobile dentistry equipment

Growth Strategy for Dental Business

Expansion of global share for dental drills

28% ▶▶▶ 35%



Capturing the **U.S.** and **Chinese** markets is essential

Largest size &
High growth
prospects

1.4 billion people
market with high
growth potential

U.S. market

Dental school (U.S.) **68**

(Canada) **11**

Dentists per 100,000 people (U.S.) **54**

(Canada) **62**

* Dentists: 200,000 (U.S.) 25,000 (CAN)
Population: 370 million (U.S.) 40 million (CAN)

Dental schools to be opened in five years **11**

Dental market growth rate forecast approx. **7%**

Chinese market

Dental school **258**

Dentists per 100,000 people **16**

* Dentists: 230,000 / Population: 1,420 million

Dental schools to be opened recently **4**

Dental market growth rate forecast approx. **10-15%**

Japanese market: Dental school: 29 / Dentists per 100,000 people: **85** / Dentists: 107,000

Capturing the U.S. Market

Expansion of product lineup



▲ Ti-Max Z Turbine
(air-driven)



▲ Ti-Max Z Contra
(electric motor-driven)



▲ NLZ
(electric micromotor)

Deepen NSK & DCI collaboration



▲ Bundling of DCI chairs and NSK drills

Dealers

Dental university

D S O s

Dental Service Organizations

NSK x DCI Synergy

▶ Added value provided by NSK to DCI

- NSK's high-performance "dental micromotors" are built into DCI's dental chairs.
- NSK's dental drills, which boast the world's top market share, are bundled with DCI's dental chairs.

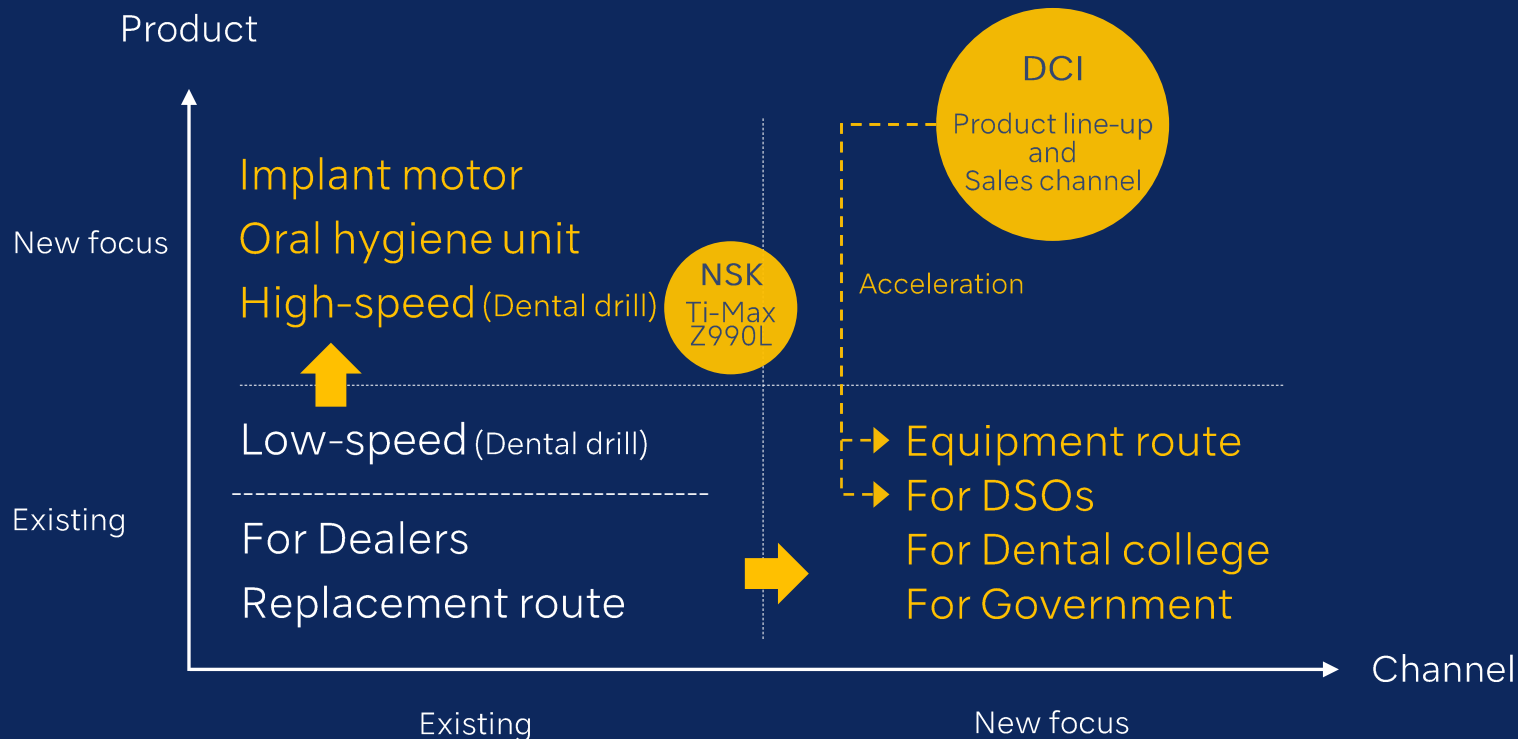
▶ Added value provided by DCI to NSK

- Genuine items for dental chairs included in initial purchases by dental clinics: positioning of dental drills
- Track record of transactions with some of the largest DSOs in the U.S. (customer base)

▶ Added value created by DCI acquisition

- Improve the balance of power with 2 mega dealers covering 70% of the U.S.
- Enhance presence to dealers by collaboration with NSK and DCI

NSK x DCI Synergy



Capturing the Chinese Market

Knockdown production of dental drills began at the Sichuan Factory ▶▶ Adaptation to the “Buy China” policy

Acquisition of Refine, an up-and-coming dental equipment manufacturer ▶▶ Competing with rising Chinese manufacturers



Sichuan Factory



REFINE

Business environment

Preferential policy for products made in China

Large-scale bidding projects, etc. require products to be manufactured in China

Business environment

Concentrated purchasing of implants

Declining implant (artificial teeth) prices are tailwind for the Company

Business environment

Rise of Chinese manufacturers

Growing out of copy products and creating unique brands

Began product shipments from Sichuan Factory

Began production of low-end dental drills for the Chinese market

Expand production categories for dental drills

Expand sales of implant motors

Expand sales of Surgic Pro, which has a high global market share

Promote the operability and safety of NSK products

Carry out counteroffensive with REFINE

Aim to expand share for preventive dentistry products in China

Complement product lineup with NSK+REFINE

NSK x REFINE Synergy

▶ Capture the low-end market in China

- Capturing ultrasonic scalers and endodontics motors market, which is almost exclusively dominated by Chinese manufacturers

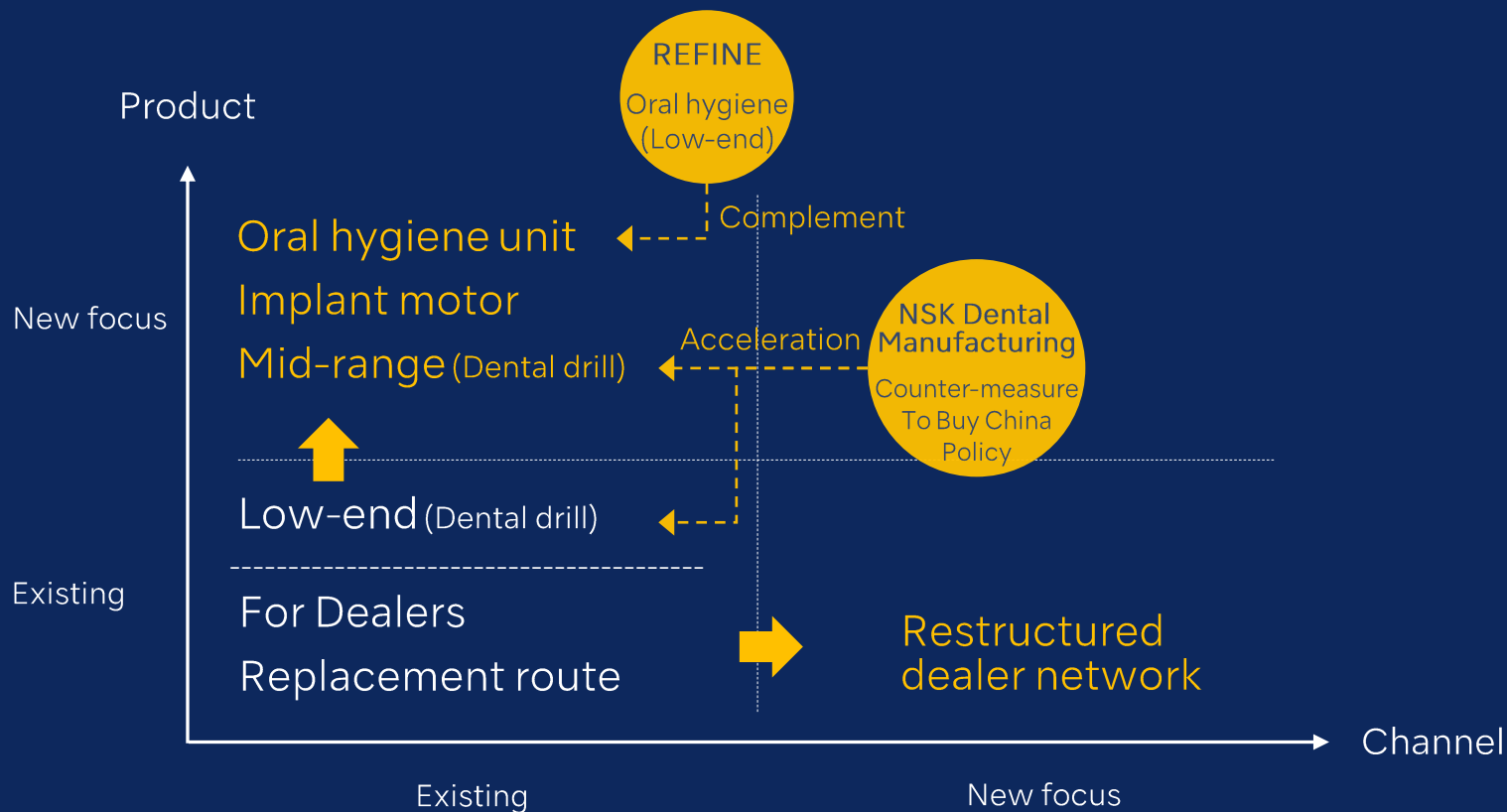
▶ Roll out low-end products to developing countries (Asia, South America, Middle East)

- Deterring Chinese manufactures that are rapidly gaining market share in developing countries
- No.1 in low-end market

▶ Speed up development and reduce cost of electric products

- Increased competitiveness by collaboration with Refine, which excels in the development and production of electrical products

NSK x REFINE Synergy



Growth Strategy for Industrial Business

1. Expand global market share with ultra-precision and ultra-high-speed spindles
2. Collaborate with robot manufacturers
3. Strengthen product lineup and expand customer base



JAEGER's spindles



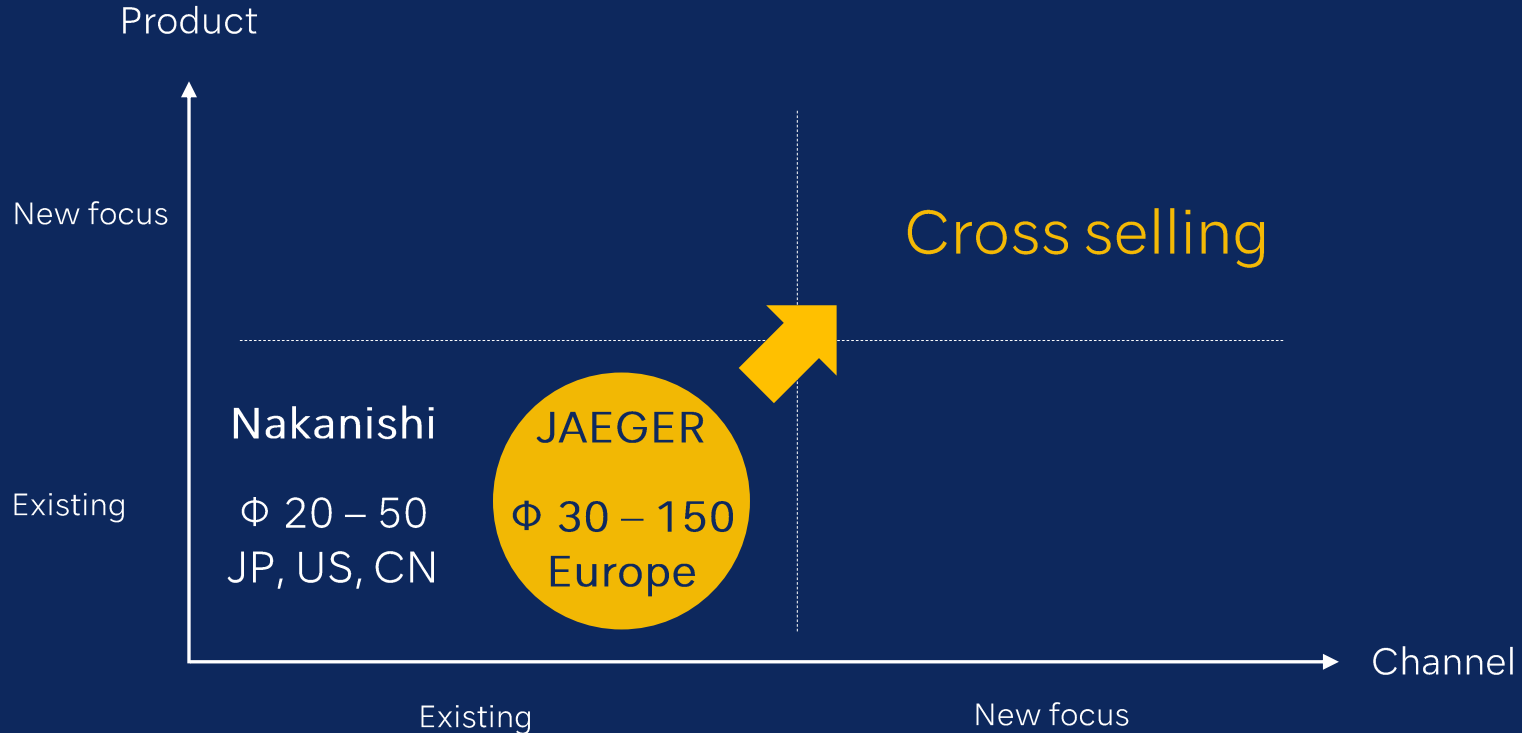
JAEGER's
customer base
in Europe

Nakanishi x JAEGER Synergy

Promote cross-selling. Capitalize on each other's mutual strengths.

Nakanishi		JAEGER
Automobile, Smart Phone, Medical Equipment, PCB, Robot, etc.	Application by industry	Dental CAD/CAM, PCB, Robot, etc.
Φ 20 – Φ 50 mm	Diameter of main product	Φ 30 – Φ 150 mm
1,200 watts	Maximum power	20,000 watts
150,000 rpm (Pneumatic) 80,000 rpm (DC)	Maximum speed	120,000 rpm (DC/AC)
Pneumatic motor DC brushless motor	Motor technology	DC/AC high-frequency motor
Modular type spindle	Spindle – Motor construction	Integrated spindle
Japan, Asia, USA	Main market	Europe

Nakanishi x JAEGER Synergy



Growth Strategy for Surgical Business

1. Expand global market share with brain surgeon drills
2. Collaborate with surgical robot manufacturer
3. Expand business of surgical device in new categories

→ Optional possibility of M&A

Growth Strategies of Three Acquired Companies

JAEGER	Acquisition aimed at strengthening the foundation for the Industrial Business (product lineup and key markets)
D C I	Acquisition aimed at accelerating the expansion of share for dental drills in the U.S. market
REFINE	Acquisition aimed at competing all out with Chinese manufacturers in China and other emerging markets



