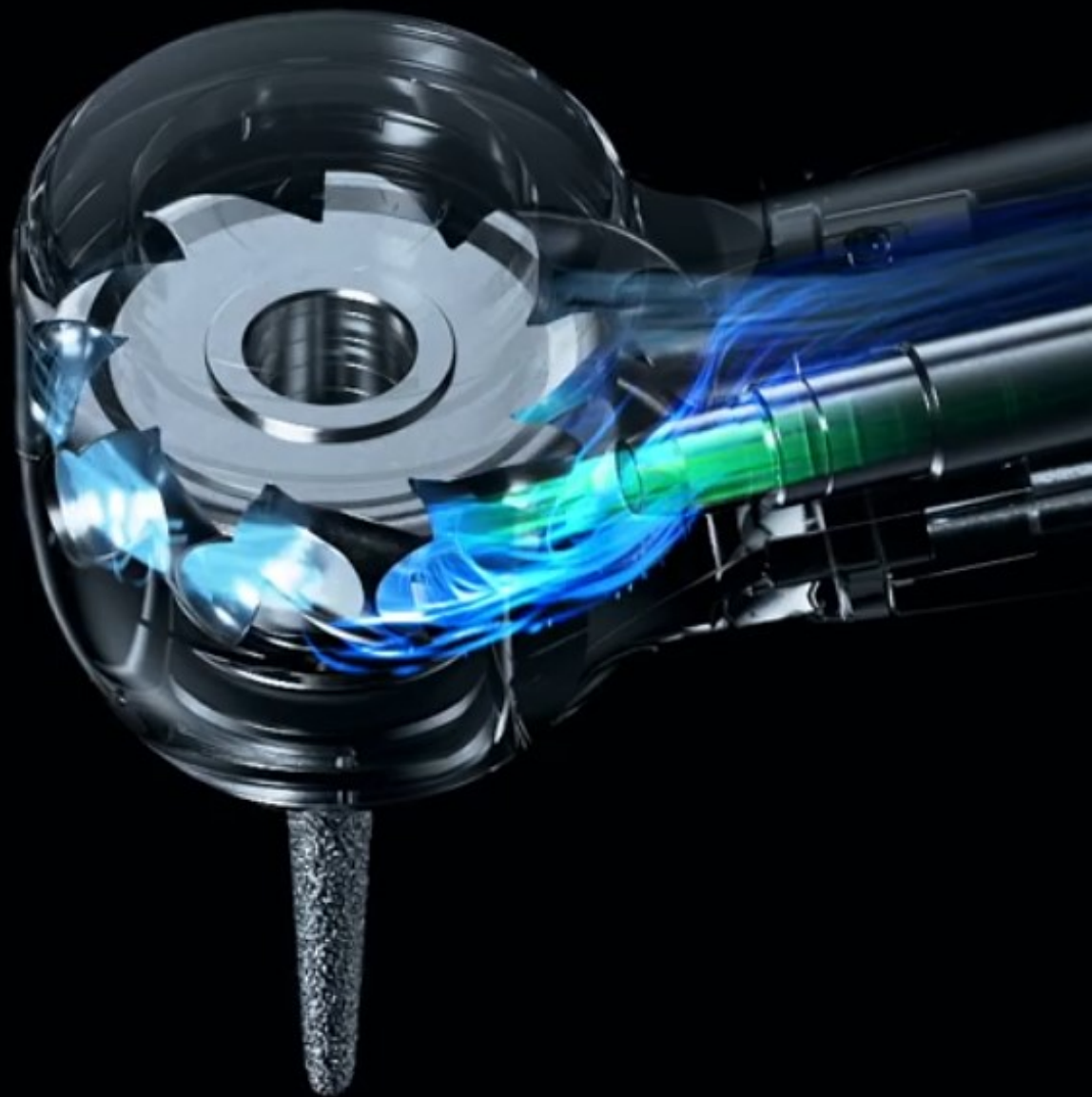


# BUSINESS REPORT

72<sup>nd</sup> Fiscal Year January 1, 2023 to December 31, 2023

NAKANISHI INC.



**NSK**  
Create it 

# TOP MESSAGE

[ To Our Shareholders ]

I would like to take this opportunity to express my gratitude to our shareholders for your continued support.

Following the global surge in demand that persisted after the onset of the COVID-19 pandemic, there was a downturn in demand as we entered 2023. However, amidst this, the proactive sales efforts in each of the Dental, Surgical, and Industrial segments bore fruit by maintaining sales levels similar to the previous period. Additionally, bolstered by the continued weaker JPY and corporate acquisitions, both net sales and EBITDA reached record highs. Furthermore, one-time extraordinary income was recorded in relation to the acquisition of DCI, leading to a significant increase in profit attributable to owners of parents.

NAKANISHI has been strengthening its business foundation with the aim of realizing the mid-term management plan NV2025+ and leaping into an even brighter future. The headquarters R&D center RD1, which is aimed at strengthening development capabilities, was completed in 2017, while the parts factories A1 and A1+ were completed in 2018 and 2022, respectively, to enhance production capabilities. Currently, the construction of the new assembly factory M1 is progressing, with the first section scheduled for completion in April of this year and the remaining section expected to be completed by next spring. With this, the capital expenditure aimed at strengthening our business foundation, which has been ongoing for several years, will be completed. We will fully utilize the robust business foundation we have built and strive for further business expansion and profitability improvement.

Furthermore, to accelerate the growth of the NAKANISHI Group, we acquired the German company Jaeger in 2022, and the U.S. company DCI and the Chinese company Refine in 2023. These acquisitions are aimed at further strengthening and developing NAKANISHI's Dental and Industrial segments, and we are currently working across the entire company to create synergies with Jäger, DCI, and Refine. All employees of the NAKANISHI Group spread across the globe will continue to move forward as one team, aiming for even greater heights.

We hope that we can continue to count on your support as we achieve further growth.

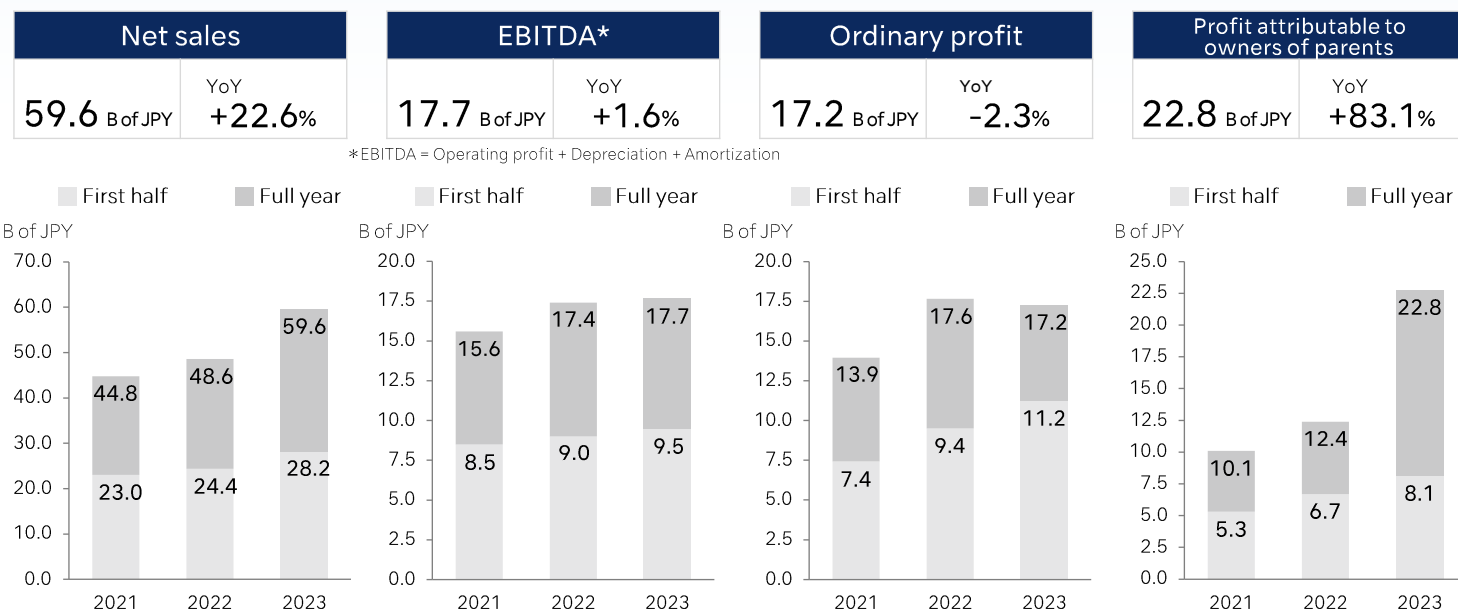
President & Group CEO  
Eiichi Nakanishi



# FINANCIAL SUMMARY

## Financial results in FY2023

In FY2023, net sales increased in all markets worldwide, buoyed by the weaker JPY and corporate acquisitions. However, excluding the effects of exchange rates and acquisitions, net sales remained at a level similar to the previous period. Alongside the sales increase, EBITDA rose, but ordinary profit decreased due to increased depreciation and amortization. Additionally, profit was 1.8 times higher than the previous period, attributable to the recognition of extraordinary income related to the acquisition of DCI.



## Financial forecast for FY2024

For FY2024, net sales are expected to increase in both the Dental and Surgical segments, partially due to the effects of the new consolidation of DCI and Refine, which were acquired in 2023. Despite the sales increase, factors such as rising personnel expenses are likely to keep EBITA at a level similar to the previous period. Without the foreign exchange gains and one-time extraordinary income (related to step acquisitions) recorded in the previous period, both ordinary profit and profit are expected to decrease. The exchange rates assumed for this financial forecast are 1 USD = 135.00 JPY and 1 EUR = 150.00 JPY.

Net sales	74.4 B of JPY	YoY +24.7%
EBITDA	17.7 B of JPY	YoY -0.0%
Ordinary profit	13.0 B of JPY	YoY -24.1%
Profit attributable to owners of parents	8.8 B of JPY	YoY -61.1%

# BUSINESS DOMAIN

## Dental Business

Engages in the development, manufacture, and sale of dental equipment for a range of dental treatment, including restorative dentistry, periodontics, oral surgery, and mobile dental care.

Its operating results include those of DCI and Refine, which were acquired in 2023.



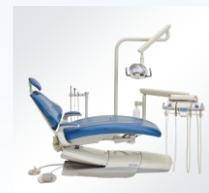
Dental hand piece  
**Ti-Max Z Series**



Oral surgery system  
**Surgic Pro2**



Oral hygiene system  
**Varios Combi Pro**



DCI dental chair  
**DCI Edge Series 5**

## Surgical Business

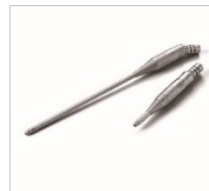
Engages in the development, manufacture, and sale of drills for bone cutting for surgery that are used in medical fields such as neurosurgery, spine surgery, and orthopedics surgery.



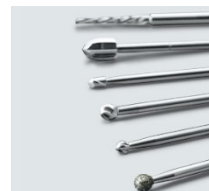
Total surgical system  
**Primado2 Control Unit**



Slim motor  
**P200-SMH Series**



Attachment  
**P300 Attachment**



Surgical burs  
**Attachment burs**

## Industrial Business

Engages in the development, manufacture, and sale of motor spindles used in micromachining and precision processing in a wide range of manufacturing fields such as the automobile and precision equipment industries.

Its operating results include those of Jaeger, which was acquired in 2022.



NAKANISHI spindles  
**E-4000 Series**



Jäger spindles  
**High-frequency spindles, etc.**



Micro grinder  
**Emax EVOLUTION**

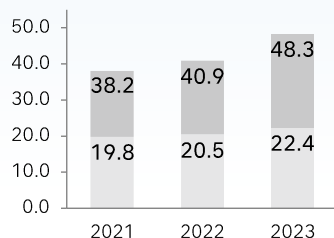


Ultrasonic polisher  
**Sheenus ZERO**

# BUSINESS SUMMARY

## Trends in net sales in Dental Business

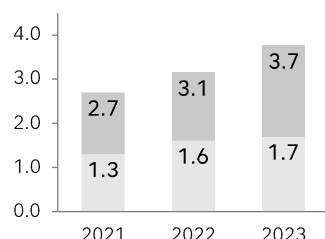
B of JPY ■ First half ■ Full year



Japan	Sales trend YoY	Private brand sales grew partially due to new product launch. OEM sales also grew significantly.
Europe	Sales trend YoY	Demand slowed, but sales grew in Germany, Italy, and northern Europe. OEM business declined.
North America	Sales trend YoY	Sales increased due to the new consolidation of recently acquired DCI, but both private brand and OEM sales decreased.
Asia	Sales trend YoY	Sales in the Chinese market grew despite its sluggishness. OEM sales in South Korea decreased, while sales increased in Southeast Asia.
Other	Sales trend YoY	Selling prices in South America and the Middle East were favorable, leading to sales growth. In Australia, demand remained robust, resulting in double-digit increase in sales.

## Trends in net sales in Surgical Business

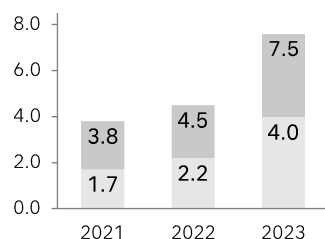
B of JPY ■ First half ■ Full year



Japan	Sales trend YoY	Promotional campaigns proved successful, leading to an increase in console sales. Consumable sales also grew significantly.
Europe	Sales trend YoY	While transactions with major sales outlets remained robust, sales decreased due to the loss of OEM contracts.
North America	Sales trend YoY	Sales grew through the expansion of transactions with key trading partners. A new collaborative business was embarked on.
Asia	Sales trend YoY	Demand remained robust, with significant growth in consumable sales in key regions such as China, Taiwan, and South Korea.

## Trends in net sales in Industrial Business

B of JPY ■ First half ■ Full year

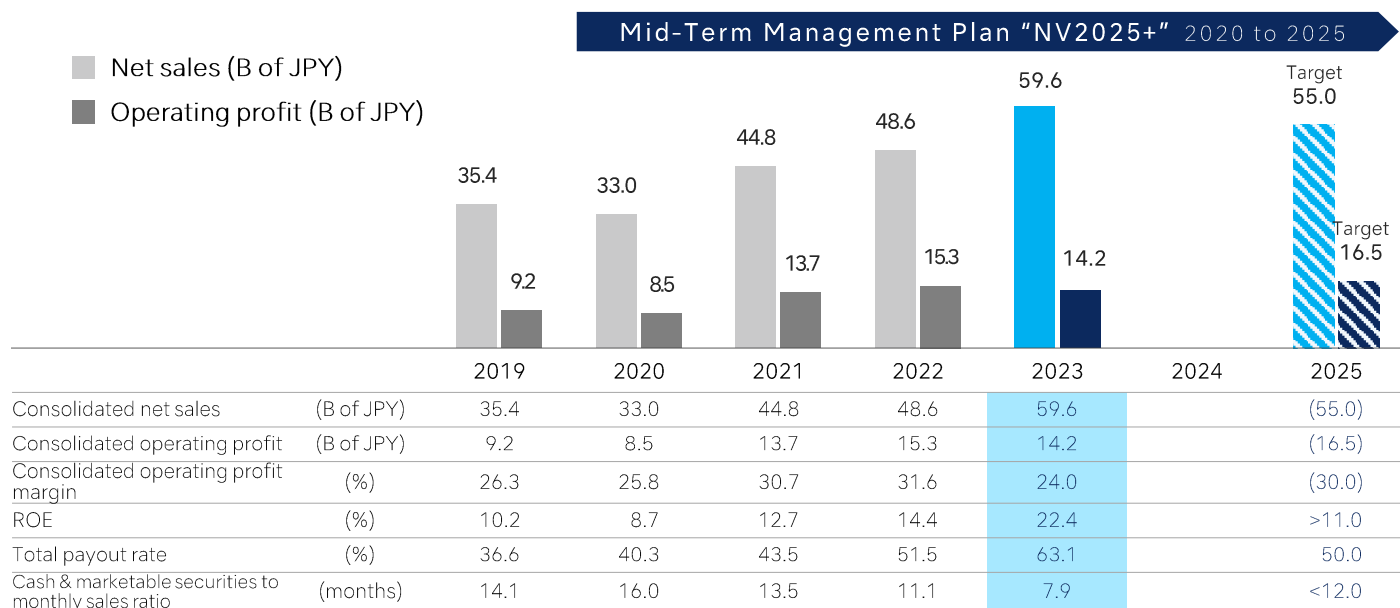


Japan	Sales trend YoY	Despite ongoing declines in demand, sales were supported by the execution of orders already received after the resolution of shortages in procured parts.
Europe	Sales trend YoY	NAKANISHI brand sales remained robust. Sales increased significantly due to the effects of the new consolidation of Jaeger.
North America	Sales trend YoY	Despite weak selling prices, leading to a decrease in local sales, the strengthening effect of the weaker JPY helped maintain flat sales.
Asia	Sales trend YoY	While a cooling in demand is evident, sales grew due to the execution of projects carried over from the previous period.

## Progress in Mid-Term Management Plan NV2025+

Turning the unprecedented crisis of the COVID-19 pandemic into an opportunity, the Company's Dental, Surgical, and Industrial Businesses have experienced steady growth in various global markets. The production increase initiatives we have been actively implementing to meet the robust demand have proven effective, and the ongoing issue of parts shortages is moving towards resolution, leading to the normalization of production activities and steady sales growth. Through the acquisitions of Jäger, DCI, and Refine, we have gained opportunities to further enhance the overall strength of the Group. We are committed to building the foundation for further growth, with the entire Group united.

Mid-Term Management Plan "NV2025+" Basic policies, priority measures	Progress in FY2023
<ol style="list-style-type: none"> <li>1. Strategic expansion of the Dental Business in the global market</li> <li>2. Development of new businesses to respond to needs in a rapidly aging society</li> <li>3. Building a management base for speedy development and by far the strongest cost competitiveness</li> </ol>	<ul style="list-style-type: none"> <li>• Made a strategic move for market share expansion through the launch of competitive new products</li> <li>• Full-scale production ramp-up at the Chinese factory, expanding the product lineup</li> <li>• Accelerated business growth through the acquisition of DCI and Refine</li> <li>• Introduced new product line of budget-friendly implant motors</li> <li>• The construction project for the new factory "M1" progressed smoothly</li> </ul>



## Growth Strategy of NAKANISHI

NAKANISHI aims to be the leading excellent global medical device company. The NAKANISHI Group, including recently acquired Jaeger, DCI, and Refine, will collectively implement our growth strategies for the Dental, Surgical, and Industrial Businesses.

NSK's Long-Term Vision 2030

**VISION 2030**

**To be The Leading Excellent Global Medical Device Company**

Mid-Term Management Plan

**NV2025+ basic policies**

- 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**

### Growth strategy for Dental Business

1. Expand global market share of handpieces  
28% ►► 35% **Collaborate with DCI**
2. Expand market share of implant motors  
40% ►► 50%
3. Expand market share of preventive dentistry products **Collaborate with Refine**
4. Expand lineup of mobile dental care equipment

### Growth strategy for Surgical Business

1. Expand global market share with neurosurgical drills
2. Collaborate with surgical robot manufactures
3. Expand the medical device business into new fields  
**Consider future M&A activities as well**

### Growth strategy for Industrial Business

1. Expand market share of precision and high-speed spindles
2. Promote collaboration with robot manufacturers
3. Expand product lineup and customer base **Collaborate with Jaeger**



## Turning dental equipment manufacturer Refine into a subsidiary



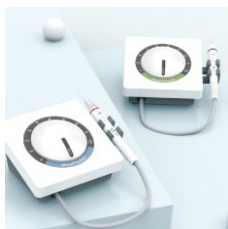
▲ Headquarters factory



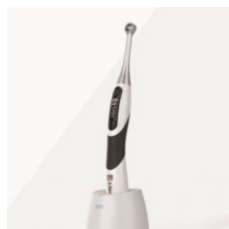
▲ Production area



▲ Ultrasonic scaler



▲ Ultrasonic scaler



▲ Dental LED curing light

In November 2023, we acquired full ownership of the Chinese dental equipment manufacturer Refine and made it a subsidiary. Founded in 2017, Refine is renowned for its speedy development of flagship ultrasonic scalers, dental LED curing lights, and other products. It is also equipped with manufacturing facilities that support high-quality production. By partnering with Refine, we aim to further expand our market share in China and emerging markets.

Company name: **Guilin Refine Medical Instrument Co., Ltd. (Refine)**

Establishment: **May 2017**

Location: **Qixing District, Guilin, Guangxi, China**

Number of employees: **Approx. 140**

Main products: **Ultrasonic scaler, dental LED curing light, etc.**

## Expanding business operations in the Chinese market

### Strengthening of manufacturing and sales bases



### Market trends and initiatives

#### Market trends

##### Domestic product preference policy (Buy China)

Some large bidding projects include clauses that restrict eligible products to those made in China.

##### Central purchasing of implant bodies

Increased surgeries due to price drop of implant bodies (artificial dental roots) are favorable for the Company.

##### Rise of Chinese manufacturers

Breaking away from imitation of Japanese, European, and American manufactures, promoting national brands.

#### Business strategies

##### Starting product shipment from the Sichuan Factory

We start to assemble products at the Sichuan Factory using precision parts produced in Japan and ship them as "Made in China" products.

**We aim for further expansion of locally produced product categories.**

##### Expanding sales of implant motors

We expand sales of "Surgic Pro" while assessing the demand for implant motors essential in surgeries.

**We emphasize high-level operability and safety as our strengths.**

##### Taking counteroffensive strategy with Refine

We aim to expand our market share of preventive dentistry products mainly by leveraging Refine, which currently holds the No. 2 position in the Chinese market.

**NSK's lineup is complemented by Refine.**



## Introduction of the new implant motor product "Surgic AP2"



In December 2023, the Company launched the new implant motor product Surgic AP2 in the Middle East. Positioned as an affordable version of the Surgic Pro series, which commands a high market share worldwide, Surgic AP2 maintains the same reliability expected from high-quality medical equipment while offering simplified functionality to enhance cost competitiveness. It comes equipped with a smaller and lighter micro motor compared to previous models, a high-visibility color LCD panel, and a wireless foot controller as standard features, thereby increasing user benefits. We plan to sequentially release Surgic AP2 in emerging markets such as Southeast Asia and South America.

Console with improved visibility and operability



Micro motor getting even smaller and lighter



## New factory "M1": First section (assembly factory) is scheduled to be completed in Apr. 2024



In order to solidify the achievement of the mid-term management plan NV2025+ goals and leap into an even brighter future, we have been implementing production increase initiatives for several years. With the start of operations at the parts factories A1 and A1+, our parts processing capacity has significantly increased. Now, with the establishment of the new factory M1, we have a clear path forward for enhancing the assembly capacity required for subsequent processes. We are launching this state-of-the-art factory to increase higher production output, reduce costs, reduce environmental impact, and improve the workplace environment.

**New factory "M1"**  
Total floor area:

**Approx. 20,000m<sup>2</sup>**

▶ **First section (assembly factory)**

scheduled to be completed in April 2024:

**Approx. 12,000m<sup>2</sup>**

▶ **Second section (warehouse & service)**

scheduled to be completed in April 2025:

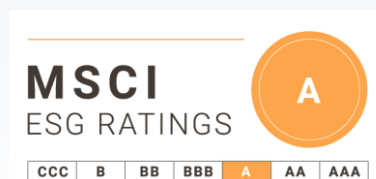
**Approx. 8,000m<sup>2</sup>**

▲ New factory "M1" under construction in February 2024

## Improvement of ESG ratings

As part of our sustainability management, the Company has been working on improving our scores in ESG ratings by external agencies. In the MSCI ESG Ratings, which serve as a benchmark for ESG ratings worldwide, our scores have improved for the third consecutive year, and for FY2023, we achieved an "A" score for the first time.

The MSCI ESG Ratings are a global assessment index of ESG investment provided by MSCI ESG Research, which rates companies' ESG performance on a seven-point scale from "AAA" to "CCC."



## Shareholder returns

### ■ Purchase of treasury shares in FY2023

Toward the implementation of our shareholder returns policy with a total payout ratio of 50%, we purchased treasury shares in FY2023 as outlined below.

- Announcement on February 9, 2023: Total of 180,600 shares/JPY 499 million
- Announcement on August 7, 2023: Total of 755,100 shares/JPY 2,499 million

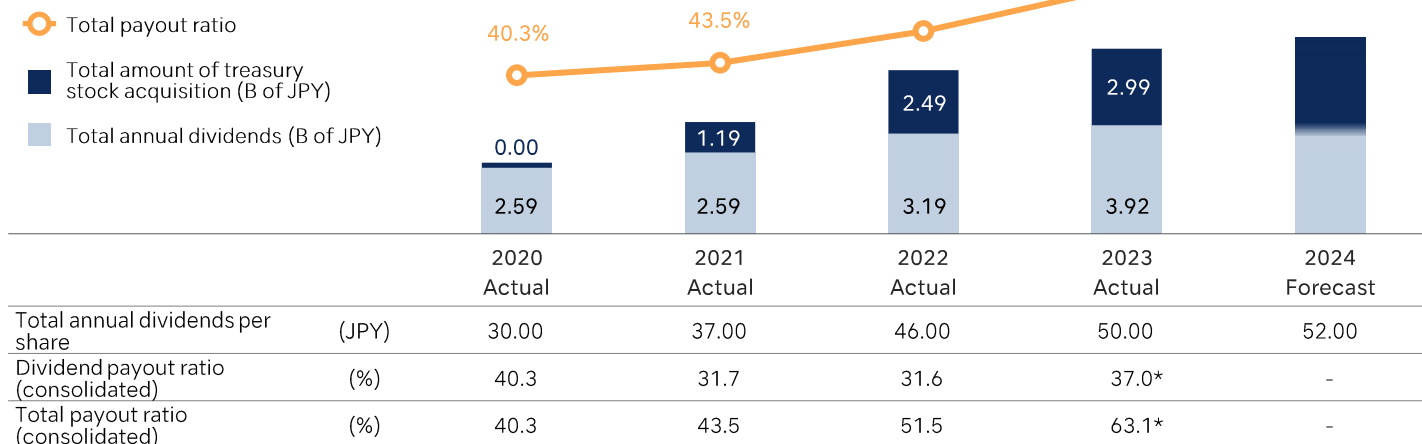
### ■ Dividends for FY2023

We will pay year-end dividends of JPY 26 per share for FY2023. We have paid interim dividends of JPY 24 per share, and total annual dividends for FY2023 will be JPY 50 per share.

### ■ FY2024 dividends forecast

We forecast to pay total annual dividends of JPY 52 per share (increase by JPY 2 compared to the previous FY) for FY2024 (interim dividends: JPY 26, year-end dividends: JPY 26).

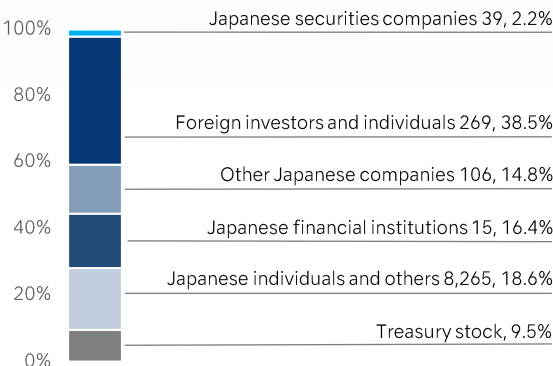
### ■ Transition of shareholder return



# STOCK INFORMATION

## Stock information (as of December 31, 2023)

- Total number of authorized shares 375,000,000 shares
- Number of shares issued 94,259,400 shares
- Number of shareholders
- Shareholder distribution



## Corporate Profile (as of December 31, 2023)

Company name	NAKANISHI INC.
Established	February 1951
Representative	Eiichi Nakanishi, President & Group CEO
Capital stock	JPY 867 million
Number of Employees	2,049 (Consolidated) 1,060 (Non-consolidated)
Headquarters	700 Shimohinata, Kanuma, Tochigi
Domestic offices	Headquarters, Factory A1, Factory A1+, Tokyo Office, Osaka Office, Nagoya Office
Group companies	NSK America (USA) DCI International (USA) NSK Europe (Germany) Nakanishi Jaeger (Germany) NSK France (France) NSK United Kingdom (U.K.) NSK Dental Spain (Spain) NSK Dental Italy (Italy) NSK Dental Nordic (Sweden) NSK RUS (Russia) NSK Middle East (UAE) NSK Shanghai (China) Refine Medical Instrument (China) NSK Dental Korea (South Korea) NSK Nakanishi Asia (Singapore) NSK Oceania (Australia) NSK America Latina (Brazil)

## Principal shareholders (top 10)

Name	Number of shares held (thousand)	Shareholding ratio (%)
8,695		
Custody Bank of Japan, Ltd. (Trust accounts)	5,018	5.9
Nakanishi E&N Inc.	4,530	5.3
The Master Trust Bank of Japan, Ltd. (Trust accounts)	4,514	5.3
Chiyo Nakanishi	4,362	5.1
SSBTC CLIENT OMNIBUSACCOUNT	3,789	4.4
The NSK Nakanishi Foundation	3,721	4.4
Office Nakanishi Inc.	3,120	3.7
Eiichi Nakanishi	2,814	3.3
Kensuke Nakanishi	2,806	3.3
JP MORGAN CHASE BANK 385632	2,589	3.0

\*NAKANISHI holds 8,964 thousand shares of treasury stock, but we do not include it in the list of principle shareholders.

\*Treasury stock is excluded in the calculation of shareholding ratios.

## Board Members

President & Group CEO	Eiichi Nakanishi
Executive Vice President & COO	Kensuke Nakanishi
Executive Vice President	Masataka Suzuki
Outside Director	Yuji Nonagase
Outside Director	Yukiko Araki
Outside Director	Chika Shiomi
Outside Corporate Auditor (Full-time)	Hideki Toyotama
Outside Corporate Auditor	Yuji Sawada
Outside Corporate Auditor	Yoshihiro Maki

## Corporate Vice Presidents

President & Group CEO	Eiichi Nakanishi
Executive Vice President & COO	Kensuke Nakanishi
Executive Vice President	Masataka Suzuki
Executive Vice President & Group CFO	Daisuke Suzuki
Executive Vice President	Koichi Ariga
Executive Vice President	Akio Tanaka
Executive Vice President	Tsukasa Naganuma
Executive Vice President	Koji Miyamoto

## Notes for shareholders

Securities code	7716	
Fiscal year	From January 1 to December 31	
Annual general meeting of shareholders	March	
Shareholder registration date	Record date for the exercise of voting rights at the annual general meeting of shareholders	December 31
	Record date for year-end dividends	December 31
	Record date for interim dividends	June 30
Shareholder registry administrator and special account management institution	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo	
Contact details	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank 2-8-4 Izumi, Suginami-ku, Tokyo 0120-782-031 (toll-free)	
Method of public notice	Public notice are posted on the Company's website. If the Company cannot publish electronic public notice due to unavoidable circumstances, it will publish public notices in the Nihon Keizai Shimbun.	
Share unit	100 shares	
Stock exchange listing	Tokyo Stock Exchange - Standard	
Notice	<ul style="list-style-type: none"><li>● Change of address, request for purchase of fractional shares</li></ul> <p>Inquire with a securities company where you have your account. If you do not have an account at any securities company and have opened a special account, please inquire with Sumitomo Mitsui Trust Bank, which manages special accounts.</p> <ul style="list-style-type: none"><li>● Payment of accrued dividends</li></ul> <p>Please inquire with Sumitomo Mitsui Trust Bank, the administrator of the shareholder register.</p>	

### Notice regarding the termination of the mailing of printed booklets for business reports

As part of our resource-saving initiatives in consideration of the global environment, we have discontinued the mailing of printed booklets for business reports. Instead, we have made them available on our website (<https://www.nakanishi-inc.jp/ir/dataroom/#br>). We appreciate your understanding in this matter.

**NAKANISHI INC.**

700 Shimohinata, Kanuma, Tochigi 322-8666 TEL +81-289-64-3380 FAX +81-289-62-5636