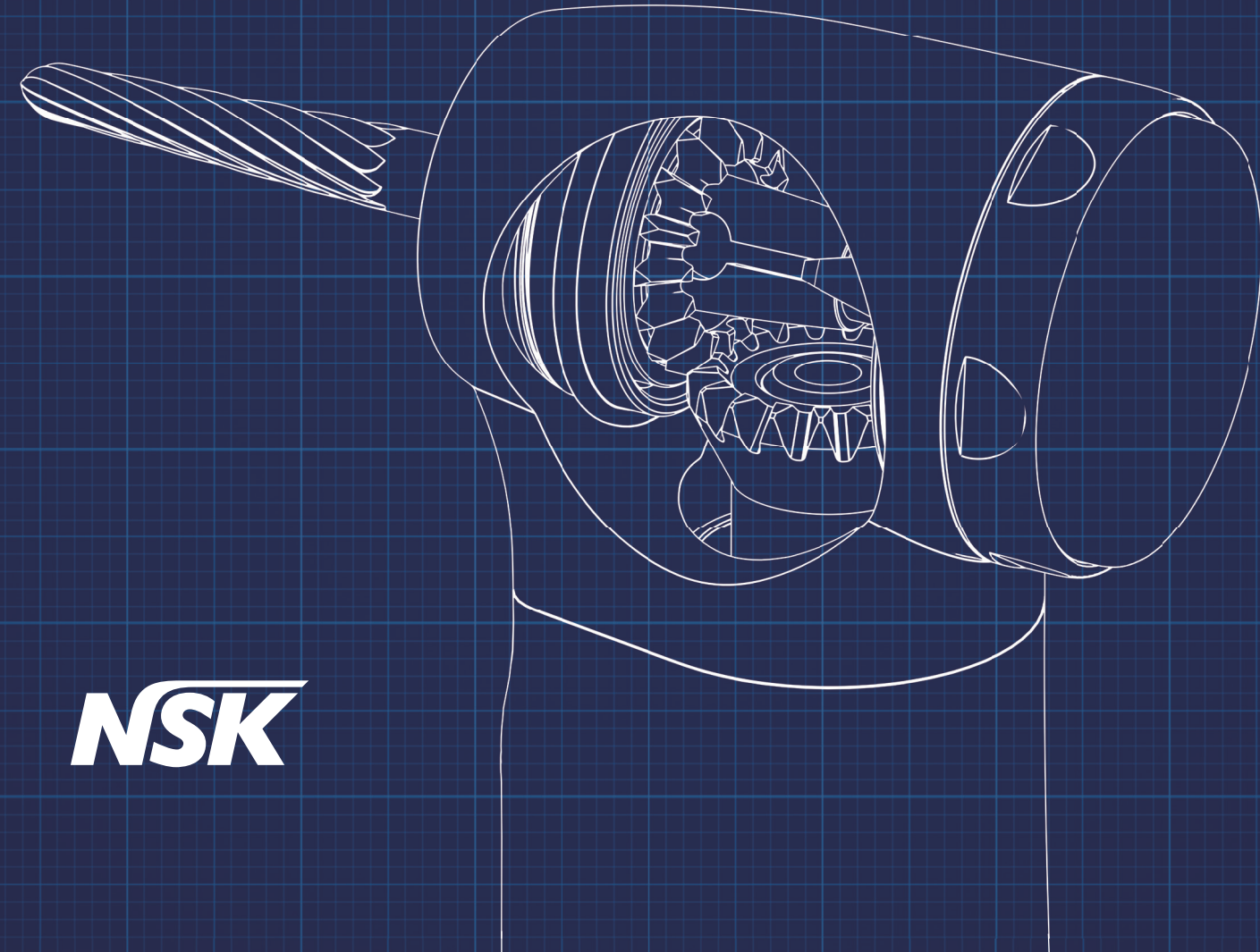


## ■ Notes for Shareholders

|   |  |
|---|--|
| 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<br>Record date for year-end dividends December 31<br>Record date for interim dividends June 30   |
| Shareholder registry administrator and special account management institution | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1 Marunouchi, Chiyoda-ku,<br>Tokyo  |
| Contact details   | 2-8-4 Izumi, Suginami-ku, Tokyo<br>Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank<br>0120-782-031 (toll-free)   |
| Method of public notice   | Public notices are posted on the Company's website. If the Company cannot publish electronic public notices due to unavoidable circumstances, it will publish public notices in the Nihon Keizai Shimbun.  |
| Share unit  | 100 shares   |
| Stock exchange listing  | Tokyo Stock Exchange, JASDAQ Standard  |
| Notice  | <ul style="list-style-type: none"><li>• Change of address, request for purchase of fractional shares<br/>Inquire with a securities company where you have your account.<br/>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.</li><li>• Payment of accrued dividends<br/>Please inquire with Sumitomo Mitsui Trust Bank, the administrator of the shareholder register.</li></ul> |

# BUSINESS REPORT

70th Fiscal Year January 1, 2021 to December 31, 2021  
NAKANISHI INC.



**NSK**

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

Both the Dental Products business and Industrial Products business performed well in FY2021, backed by strong global demand. Net sales stood at JPY 44.8 billion (up 35.7% year on year), exceeding JPY 40.0 billion for the first time since our founding. Operating income, ordinary income, and income attributable to owners of parents all hit record highs.

Amid the COVID-19 pandemic, dental clinics worldwide stepped up their efforts against infectious disease. Sterilizing instruments after every treatment has become commonplace. Demand for dental handpieces picked up worldwide, reflecting the increased frequency of sterilization cycles. This upward trend is continuing. As a leading global manufacturer of dental equipment, NAKANISHI will fully tap into rising demand through active sales and marketing and pursue growth. Meanwhile, we are facing a number of challenges, including disruptions in supply chains and increases in raw materials prices and transportation costs. These issues have begun to affect the production of certain products. To minimize the impact of parts shortages, we are continuing activities outside the existing framework for the procurement of parts.

Despite increasing uncertainty chiefly due to the situation in Ukraine and high crude oil prices, we will steadily implement the basic policies and priority initiatives developed under the mid-term management plan "NV2025", which we are executing now. In 2022, we will steadily ramp up operations at a new factory, A1+, and increase production capacity. We will enhance the lineup of dental handpieces, dental implant instruments, and preventive dentistry products and will strengthen sales capabilities and our brand power to consolidate our position as the manufacturer with the largest share of the market.

All employees will work as one in striving to realize VISION2030, our long-term vision, and achieve sustainable growth. We hope that we can continue to count on your support as we achieve further growth.

President & Group CEO  
Eiichi Nakanishi

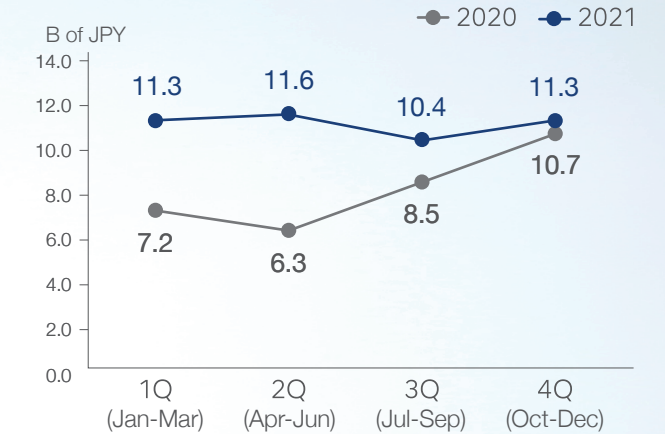



## Operating results in FY2021

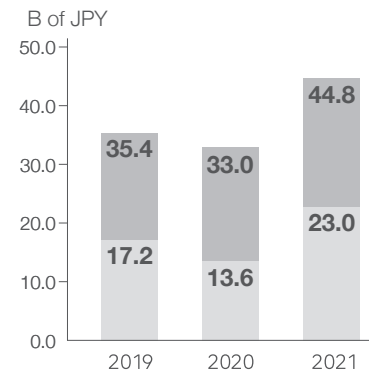
In FY2021, net sales, operating income, ordinary income, and income attributable to owners of parents all hit record highs. In the first half, net sales rose significantly from a year earlier, when net sales were adversely affected by COVID-19. Net sales exceeded the year-earlier level also in the second half due to firm overseas markets, although the domestic market slowed.

In the Dental Products segment, we steadily expanded our business in the U.S. and Chinese markets, which are positioned as priority markets in the mid-term management plan "NV2025". In the Industrial Products segment, sales increased significantly in the domestic and Chinese markets. Sales rose also in Europe, where markets recovered.

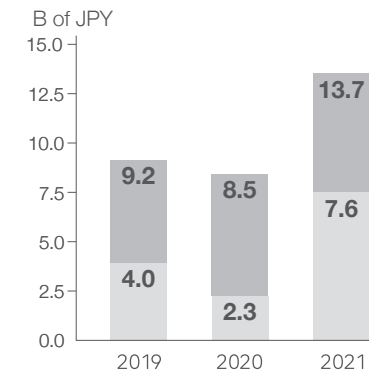
## Trends in consolidated net sales



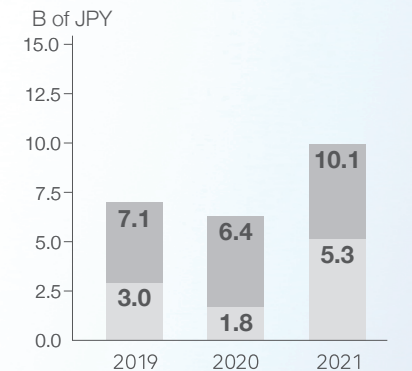
■ First half ■ Full year



■ First half ■ Full year



■ First half ■ Full year



# BUSINESS SUMMARY

## Overview of Dental Products business

Net sales rose in all market segments of the Dental Products business. Dental clinics worldwide are stepping up their efforts against infections. A sterilization cycle is run after every treatment, and as a result, demand for handpieces was firm. We fully tapped into demand. Our share of the global market expanded, and the base line for global sales rose.

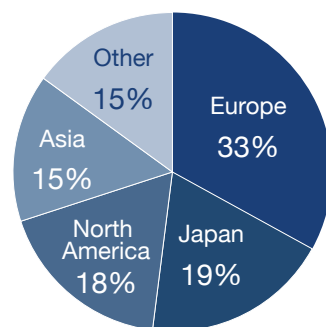
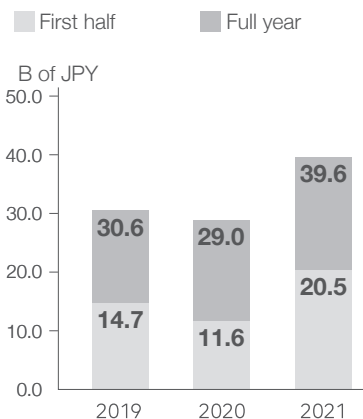
**[Europe]** Net sales in the European market increased 39.0% year on year, to JPY 13.2 billion. Both private brand items and OEM items sold well. We won projects for dental university hospitals that had gone to other companies for many years. Consequently, our market share increased.

**[Japan]** Net sales in the domestic market rose 10.2% year on year, to JPY 7.4 billion. Sales were strong in the first half due to a government grant. In the second half, the grant was discontinued, and sales declined.

**[North America]** Net sales in the North American market climbed 70.7% year on year, to JPY 7.1 billion. Sales of both private brand items and OEM items increased, reflecting demand for electric motors. Our market share also expanded.

**[Asia]** Net sales in the Asian market increased 43.1% year on year, to JPY 5.9 billion. Sales were weak in Southeast Asia, which is still affected by COVID-19, but sales rose significantly in China and South Korea.

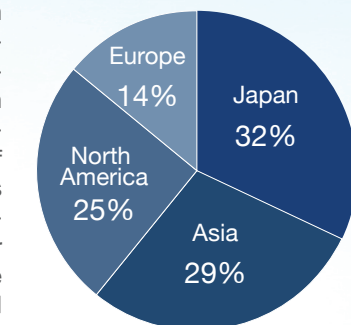
**[Other]** Net sales in other areas climbed 33.1% year on year, to JPY 5.9 billion. Sales rose significantly in South America. Sales were firm in Russia, the Middle East, and Oceania.



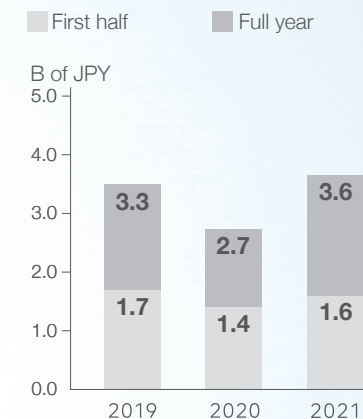
FY2021  
Breakdown by region of net sales in Dental Products business

## Overview of Industrial Products business

In the Industrial Products business, we won many projects related to active capital investment at manufacturers, and net sales increased. Capital expenditures for automation at production sites are firm worldwide. Examples of the introduction of applications of motor spindles of the Company, which excels in ultraprecision processing, increased steadily. In the domestic market, we won a number of projects related to capital investment in the semiconductor manufacturing industry, and sales consequently increased. In the Asian market, there were a number of inquiries, particularly in China. We won many 5G-related projects, and sales rose.



FY2021  
Breakdown by region of net sales in Industrial Products business



## Forecast for FY2022 Performance

Net sales are expected to decline in the first half, reflecting a reduction in the production of certain products due to difficulty in the procurement of parts.

Demand is at a high level in both in the Dental Products business and Industrial Products business. We plan to increase net sales to the year-earlier level in the second half by minimizing the impact of parts shortages and expanding sales of new products.

The forecasts are based on the assumption that one US dollar is JPY 109 and one euro is JPY 123.

|  |               |            |
|--|---------------|------------|
| Net sales                                | 41.2 B of JPY | YoY -8.1%  |
| Operating income                         | 10.6 B of JPY | YoY -22.3% |
| Ordinary income                          | 11.1 B of JPY | YoY -20.3% |
| Income attributable to owners of parents | 7.8 B of JPY  | YoY -22.5% |

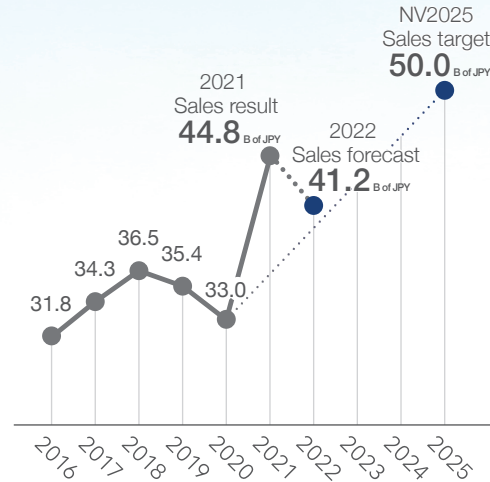
### Assumed exchanged rates

|             |         |        |         |
|-------------|---------|--------|---------|
| 1 US dollar | JPY 109 | 1 EURO | JPY 123 |
|-------------|---------|--------|---------|

## Net sales in the period of Mid-Term Management Plan "NV2025"

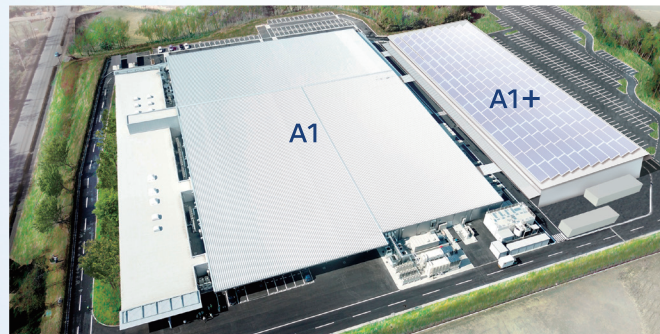
We forecast that net sales will decline from a year earlier, to JPY 41.2 billion in 2022 due to the absence of special demand in the previous year and a reduction in the production of certain products due to difficulty in the procurement of parts. The forecast net sales are roughly on a par with the target in the mid-term management plan "NV2025".

|                                   |  |
|-----------------------------------|--|
| Factors for 2022 forecast         | <ul style="list-style-type: none"> <li>Order backlog at a record high</li> <li>Reduction in production due to difficulty in the procurement of parts</li> <li>Absence of special demand seen in previous year</li> </ul>   |
| Mid-Term Management Plan "NV2025" | <ul style="list-style-type: none"> <li>Strategic expansion of the dental business in the global market</li> <li>Development of new businesses to respond to needs in a rapidly aging society</li> <li>Building a management base for speedy development and by far the strongest cost competitiveness</li> </ul> |



## New factory "A1+" under construction Increasing production capacity to achieve NV2025 targets

We are building a new factory "A1+" to achieve business growth planned in the mid-term management plan. The factory is planned to be completed in August this year. The production area of the existing factory "A1" is 12,000 m<sup>2</sup>. The area of "A1+", 5,500 m<sup>2</sup>, will be added, and the production area will increase 1.5-fold. Production capacity is planned to increase 1.8-fold due to an increase in production efficiency and automation.



▲ A1+ rendering



▲ A1+ construction site

## Resuming face-to-face sales activities, including trade shows and product training

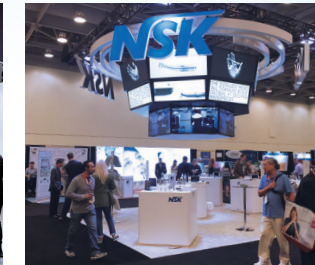
Amid the COVID-19 pandemic, dental trade shows and other events have started to be held again, primarily overseas. We have also resumed face-to-face sales activities, including dental trade shows and product training sessions, paying close attention to preventing infections among our employees.



Dental 2021/09  
EXPO DENTAL 2021 (Italy)



Dental 2021/09  
International Dental Show 2021 (Germany)



Dental 2021/10  
ADA 2021 (USA)



Medical 2021/10  
MAYO Clinic Hospital Hands-on course (USA)

## Expanding sales of new products

Demand in both the Dental Products business and the Industrial Product business are in an expansion phase. We will strive to expand sales of new competitive products and fully tap into strong demand, increasing sales and market share.



Dental  
Titanium dental hand piece  
Ti-Max Z micro  
Launched in Sep. 2021



Dental  
Dental implant equipment  
Surgic Pro2  
Launched in Feb. 2021



Medical  
Attachment device for brain surgeries  
P300 Attachment  
Launched in Apr. 2020



Industrial  
Ultrasonic cutter  
Sonic Cutter ZERO  
Launched in Aug. 2021



Industrial  
Coolant through spindle  
CTS-3030  
Launched in July 2021



Industrial  
Electro-static discharge spindle  
NR33-6000ATC-ESD  
Launched in July 2020

## Sustainability at NAKANISHI

While providing solutions to social issues through business activities, we will take steps with a focus on the eight materialities for sustainability below.

### ■ NAKANISHI's materiality

#### 1. Providing innovative and safe products

Contributing to health, welfare and industry through products and services



#### 2. Providing product knowledge and the best clinical knowledge

Disseminate and share advanced clinical technologies through NSK academy activity



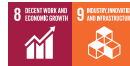
#### 3. Extending product life through expanded service structure

Reliable and durable quality to extend the product life cycle



#### 4. Developing human resources for advanced manufacturing

Focusing on people as our most important management resources



#### 5. Promoting occupational safety and health & health and productivity management

Designing workplaces that create innovative products



#### 6. Creating workplaces where diverse human resources can grow

Implementing diversity & inclusion



#### 7. Respecting our business partners around the world

Fair and honest corporate activities

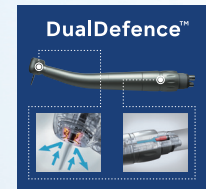


#### 8. Responses to climate change and contributions to a recycling-oriented society

Reducing the environmental impact through products, services, and business processes



### ■ Sustainability initiatives



#### 1. Providing innovative and safe products

##### Our own infection prevention system

We have developed the world's first infection prevention system. For more than 30 years, we have been developing products that enable dentists and patients to give or receive dental treatment without worry.



#### 8. Responses to climate change and contributions to a recycling-oriented society

##### Eco-friendly packaging

We have changed the material of product packages from plastic to recycled paper and made them small and lightweight. We strive to reduce waste plastic and environmental impact in transportation.



#### 2. Providing product knowledge and the best clinical knowledge

##### Product training

We provide product training to deepen users' understanding of our products and enable them to make full use of the functions of our products. The product training contributes to increasing customer satisfaction and enhancing dental care technologies.



#### 8. Responses to climate change and contributions to a recycling-oriented society

##### Zero CO2 manufacturing

We have changed the power used at headquarters and A1 factory of NSK to 100% renewable energy power (solar power and wind power). We are promoting both business activities and responses to climate change.

## Actively making branding efforts



To gain the support and respect of dental professionals and become a preferred brand, we are taking two approaches to effectively convey to them our branding slogan, "Create it", which we have been using in the dental business.

### ■ Concept series

We communicate to our customers in a convincing way the appeal of NSK, focusing on six themes, using text and images to gain trust.

### ■ NSK STUDIO series

We have created 3D computer graphics animations that people will enjoy watching regardless of gender and age to earn recognition for the NSK brand by as many people around the world as possible and make more familiar to them.

Six themes:  
trust, partnerships, precision, sustainability,  
innovation, a healthier future



**Create partnership**

Listening to the voices of each and every dental healthcare professional across the world and creating high quality dental equipment. We consider both ideals top priorities. We are always eager to hear your thoughts and experiences. No matter what your unique needs and challenges may be, we are committed to listening to your voice and answer through the creation of new products and quality services.

We are NSK.



**Create precision**

We can achieve greater precision in dental treatment by minimizing noise and vibration to the best of our ability. Creating highly accurate contra-angles requires cutting-edge, high-precision machining technology and many years of technical experience. Our products are assembled with accuracy at micron levels by skilled craftsmen who ensure quality is prioritised through their finely honed senses and skills. Every day, we strive to achieve world-leading levels of accuracy.

We are NSK.



## Shareholder Returns

### Shareholder returns policy

We regard returning profits to our shareholders as one of our most important management issues, and set our basic policy as enhancing the business foundation and promoting investment in growth areas properly and proactively as well as returning profits to shareholders in a well-balanced manner.

We endeavor to perform the flexible acquisition of treasury stock and stable and continuous dividend increases, considering retained earnings required for investment in future growth, and setting the standard for medium-term profit return as a total payout ratio of 50%.

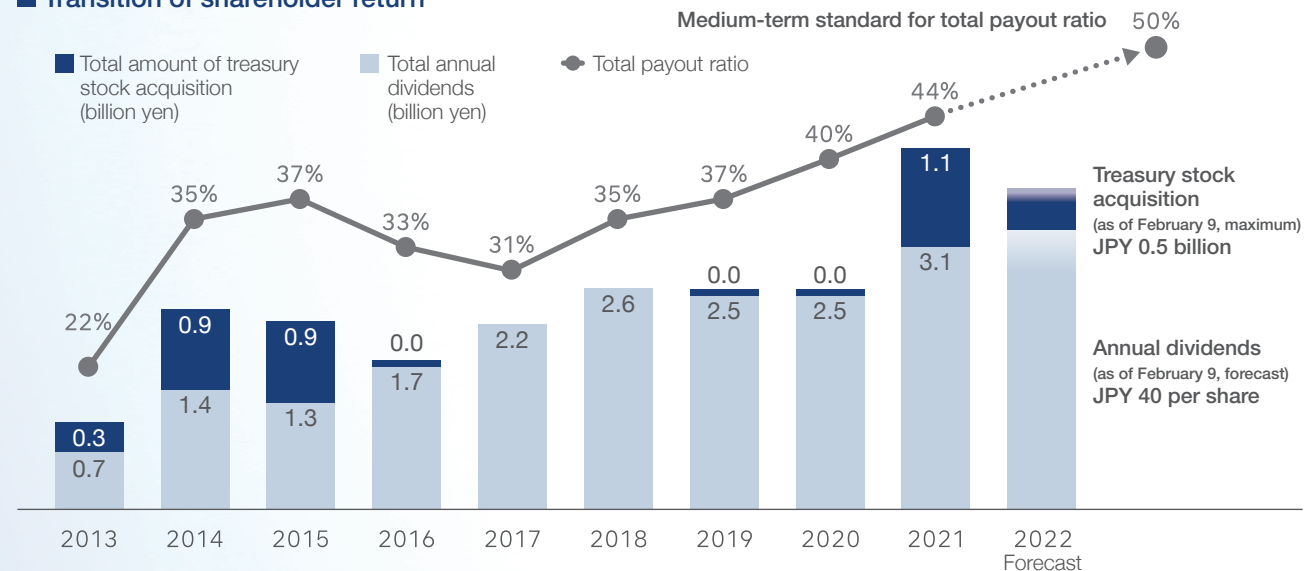
### Dividends for FY2021

We will pay year-end dividends of JPY 20 per share, JPY 5 more than the initial forecast, for FY2021. We have paid interim dividends of JPY 17 per share, and annual dividends for FY2021 will be JPY 37 per share.

### Purchase of treasury shares

Based on the standard for the medium term, a total payout ratio of 50%, we considered what steps to take for shareholder returns, based on the profit forecast for FY2022. We have decided to purchase up to JPY 0.5 billion in treasury stock, as announced on February 9, 2022.

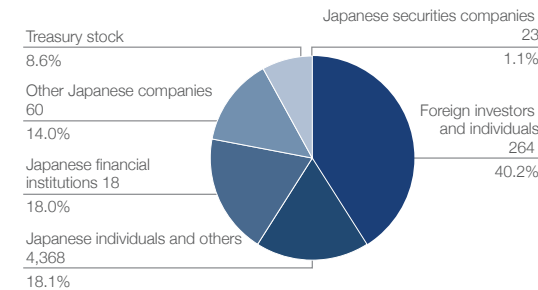
### Transition of shareholder return



## Stock information (as of December 31, 2021)

- Total number of authorized shares --375,000,000 shares
- Number of shares issued ..... 94,259,400 shares
- Number of shareholders ..... 4,734

### Shareholder Distribution



### Principal shareholders (top 10)

| Name  | Number of shares held | Shareholding ratio |
|---|-----------------------|--------------------|
| Nakanishi E&N Inc.                                    | 4,530 thousand        | 5.3%               |
| Custody Bank of Japan, Ltd. (Trust accounts 9)        | 4,161 thousand        | 4.8%               |
| JP MORGAN CHASE BANK 385632                           | 3,895 thousand        | 4.5%               |
| The Master Trust Bank of Japan, Ltd. (Trust accounts) | 3,421 thousand        | 4.0%               |
| Custody Bank of Japan, Ltd. (Trust accounts)          | 3,390 thousand        | 3.9%               |
| Office Nakanishi Inc.                                 | 3,120 thousand        | 3.6%               |
| The NSK Nakanishi Foundation                          | 3,021 thousand        | 3.5%               |
| Eiichi Nakanishi                                      | 2,814 thousand        | 3.3%               |
| Kensuke Nakanishi                                     | 2,806 thousand        | 3.3%               |
| Takasuke Nakanishi                                    | 2,781 thousand        | 3.2%               |
| Chiyo Nakanishi                                       | 2,781 thousand        | 3.2%               |

(Notes) 1. NAKANISHI INC. holds 8,094 thousand shares of treasury stock, but we do not include it in the list of principal shareholders.  
2. Treasury stock is excluded in the calculation of shareholding ratios.

## Corporate Profile (as of December 31, 2021)

**Company name** NAKANISHI INC.  
**Established** February 1951  
**Representative** Eiichi Nakanishi, President & Group CEO  
**Capital stock** JPY 867,948,542  
**Number of employees** 1,239 (Consolidated)  
**Headquarters** 700 Shimohinata, Kanuma, Tochigi  
**Domestic offices** Headquarters, factory  
 Tokyo Office  
 Osaka Office  
**Major subsidiary and associate** NSK-America Corp. (USA)  
 NSK Europe GmbH (Germany)  
 NSK France S.A.S. (France)  
 NSK United Kingdom Ltd. (United Kingdom)  
 NSK Nakanishi Dental Spain S.A. (Spain)  
 NSK Oceania Pty. Ltd. (Australia)  
 NSK Shanghai Co.,Ltd. (China)  
 NSK Dental Italy S.r.l. (Italy)  
 NSK Dental Korea Co.,Ltd. (South Korea)  
 NSK America Latina Ltda. (Brazil)  
 NSK Dental Nordic AB (Sweden)  
 NSK RUS LLC (Russia)  
**Main banks** The Ashikaga Bank, Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation

**Board Members (As of March 30, 2022)**

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

(Notes) 1. Directors Yuji Nonagase and Yukiko Araki are Outside Directors.  
2. Corporate Auditors Hideki Toyotama, Yuji Sawada, and Yoshihiro Maki are Outside Corporate Auditors.