

■ 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	2-8-4 Izumi, Suginami-ku, Tokyo Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank 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 Standard
Notice	<ul style="list-style-type: none">● Change of address, request for purchase of fractional shares 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.● Payment of accrued dividends Please inquire with Sumitomo Mitsui Trust Bank, the administrator of the shareholder register.

Notice regarding the termination of the mailing of the business report

The Company has been sending the business report by postal mail. However, in consideration of the global environment, we will no longer mail the paper version of the report starting with this issue and decided to post the report on our website (<https://www.nakanishi-inc.jp>). We hope that we can continue to count on your understanding and support.



Cover: NSK STUDIO
We have created NSK STUDIO to enable more people around the world to learn about Nakanishi's aspirations: We want to protect teeth and the global environment, which are beautiful and irreplaceable. Enjoy the 3-D computer animations by Atsushi Makino, a world-class video artist.
https://japan.nsk-dental.com/brand/nsk_studio/



BUSINESS REPORT **NSK**

71st Fiscal Year January 1, 2022 to December 31, 2022
NAKANISHI INC.

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

Both sales and income in 2022 rose year on year in all segments, namely the Dental, Surgical and Industrial segments, on the back of firm demand worldwide. Consolidated results achieved record highs for the second consecutive year.

When the COVID-19 pandemic began, competitors ceased operations one after another. Meanwhile, the Company decided to continue operations. We continued to commit ourselves to our customers, while paying close attention to infections. As a result, we have built immense credibility. This has been a major driving force behind the rapid expansion of our business to date.

We have received many orders from around the world in each of the Dental, Surgical and Industrial segments, but we have not been able to produce products to fulfill the orders chiefly due to prolonged parts shortages and a chronic lack of production personnel because of COVID-19. As a result, delivery lead times have been longer than usual. To live up to customers' expectations in a timely fashion, we are earnestly taking steps to increase production.

At A1+, a new factory completed last year, we have started to increase the production of precision parts and increase automation. We will start to build M1, a new assembly factory, on the site of the headquarters in April this year. A factory in China will start to assemble knock-down kits this spring. In this way, we will appropriately respond to the Buy China policy which favors domestic products.

We are steadily developing a management base for sustainable growth. We will seize opportunities to achieve further growth. All employees of the NAKANISHI Group around the world will work as one team to progress toward the realization of VISION 2030, the long-term vision, and achieve rapid growth going forward.

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

President & Group CEO

Eiichi Nakanishi





Operating results in FY2022

We steadily tapped into firm global demand, and as a result, both sales and income increased year on year in all segments: Dental, Surgical and Industrial. Consolidated results achieved record highs for the second consecutive year. The results were elevated by the weaker JPY against the major transaction currencies, particularly the U.S. dollar and the euro. Eliminating the effect of exchange rates, results remained roughly flat from the previous fiscal year, whose results were record highs. Amid the prolonged parts shortages due to the disruption of supply chains, we minimized the effects of the parts shortages by purchasing parts on the market and replacing unavailable parts with parts that were easy to procure (design changes), and this resulted in the record-high results.

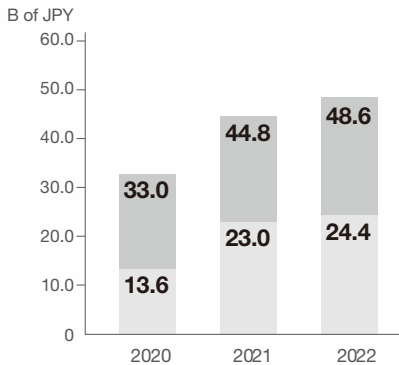
Trends in quarterly net sales



Net sales	
48.6	YoY +8.5%
B of JPY	

First half

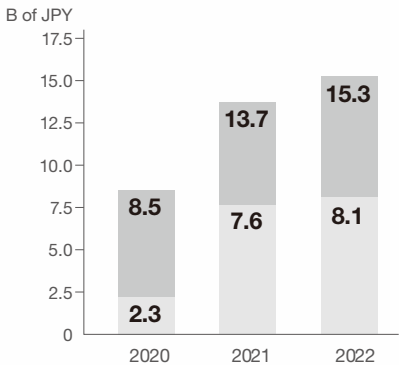
Full year



Operating profit	
15.3	YoY +11.9%
B of JPY	

First half

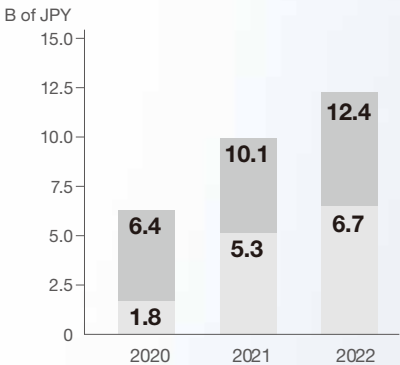
Full year



Profit attributable to owners of parents	
12.4	YoY +23.4%
B of JPY	

First half

Full year



BUSINESS SUMMARY

The reporting segments changed at the beginning of FY2022.

Dental Business

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



Dental hand piece
Ti-Max Z Series



Oral surgery system
Surgic Pro2

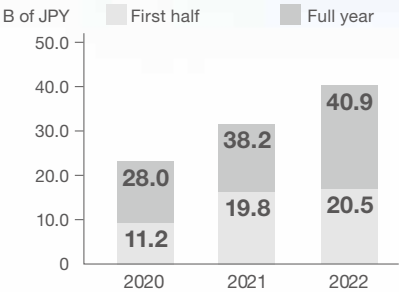


Oral hygiene system
Varios Combi Pro



Autoclave
iClave mini2

Trends in net sales in Dental Business



Business summary in FY2020

Japan	Sales trend YoY	↘	There was a bottoming out of demand, which declined due to the termination of government grants, and sales rose in the second half.
Europe	Sales trend YoY	↗	Sales particularly in the U.K., northern Europe and Spain remained strong.
North America	Sales trend YoY	↗	Sales of the Company's own products grew. Market share rose to a record high.
Asia	Sales trend YoY	→	Sales remained flat from a year ago, reflecting lockdowns and the zero-COVID policy in China.
Other	Sales trend YoY	↗	Sales in Australia and the Middle East were firm. Sales in South America rose significantly.

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

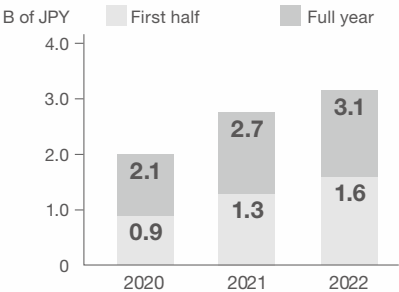


Attachment
P300 Attachment Series



Surgical burs
Attachment burs

Trends in net sales in Surgical Business



Business summary in FY2020

Japan	Sales trend YoY	↗	New customers were gained due to a stable supply of disposable products.
Europe	Sales trend YoY	→	Demand slowed, but sales were firm in Germany etc. Overall sales remained flat from the previous year.
North America	Sales trend YoY	↗	The products were highly rated, and sales continued to increase. An expansion of cooperation with other companies boosted sales significantly.
Asia	Sales trend YoY	→	In China, sales rose sharply after the end of lockdowns. Overall sales remained flat from the previous year.
Other	Sales trend YoY	↗	Sales were weak in the Middle East, but sales increased significantly in South America.

Industrial Business

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



Industrial spindles
E-4000 Series



Industrial spindles
Air-Speed Series

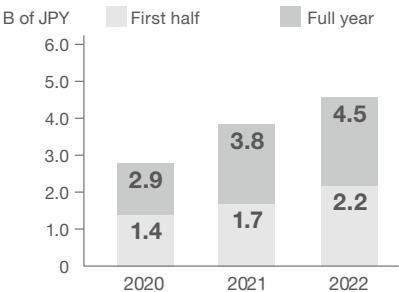


Micro grinder
EmaxEVOLution



Ultrasonic polisher
Sheenus ZERO

Trends in net sales in Industrial Business



Business summary in FY2020

Japan	Sales trend YoY	↗	Due to parts shortages, production continued to fall short of being able to fulfill orders which were strong.
Europe	Sales trend YoY	↗	The Company successfully publicized case studies, and products of the Company were purchased as replacements.
North America	Sales trend YoY	↗	Orders increased due to the strengthening of the sales system. Sales rose as a result of successful transactions.
Asia	Sales trend YoY	↘	Longer delivery lead times became commonplace due to parts shortages. Sales declined, reflecting a decrease in shipments.
Other	Sales trend YoY	↘	Sales were firm in South America, but fell in Australia and other regions.

Progress in Mid-Term Management Plan NV2025+

The Company saw the adversity of the COVID-19 pandemic as an opportunity to steadily expand its business. Demand for the Company's products in the market remained strong. The base line for global sales of the Company's products has risen significantly. The Company is taking steps to appropriately respond to increasing demand and expand capacity.

Mid-Term Management Plan "NV2025+"
Basic policies, priority measures

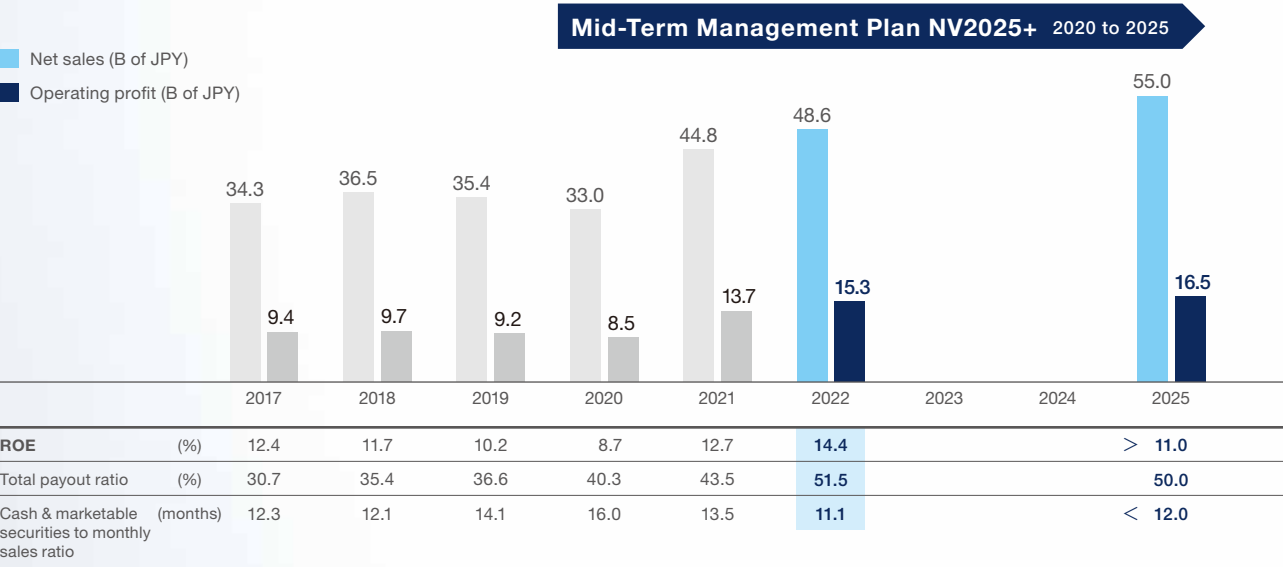
1. Strategic expansion of the dental business in the global market

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

Progress in FY2022

- Performance results reached record highs for two consecutive fiscal years.
- Sales rose significantly and market share increased in the United States.
- Established a factory for knockdown production in China
- Preparation for increased parts production and automation at A1+
- Advanced the plan to build the new M1 assembly factory



[Factory A1+, Factory in China]

Factory A1+ completed

A1+ was completed in September 2022 and has started 24-hour operations. There is room to expand the production area, and the Company plans to expand facilities in response to the expansion of the scale of business. A new production line for improving production efficiency has been built. The Company is considering the horizontal development of the existing production lines to improve the productivity of the entire factory.



▲ Factory A1+



▲ The precision parts production area



▲ A new line handling four processes

A China factory established

To ensure sustainable growth in China, which is a key market, the Company has established a factory to assemble knock-down kits of precision parts manufactured at the headquarters, NSK Dental Manufacturing Co., Ltd., in Ziyang, Sichuan province. The factory will commence production this spring. The establishment of the factory is in line with China's Buy China policy, which favors domestic products, and the Company aims to expand sales in the Chinese market.



Progress of the construction plan for the new factory, M1

The factory A1+ was completed, and the Company is increasing its parts machining capacity. Now the Company is working hard to implement a plan to build M1, which will have an assembly factory and warehouses for parts and finished products and engage in the following stages of manufacturing. The Company aims to increase production and improve efficiency in addition to shortening lead time. Meanwhile, the Company will strive to introduce energy-saving equipment and improve the working environment. The Company aims to make M1 a state-of-art factory that will increase production, reduce costs, and achieve a high level of sustainability.



Acquisition of Alfred Jäger GmbH

The Company acquired Alfred Jäger GmbH, a manufacturer specializing the production of industrial spindles, in Germany in December 2022. Like the Company's Industrial Business, Jäger engages in the development, manufacturing, and sale of industrial spindles. However, the two companies have different product lines, major applications and core markets. The Company aims to generate business synergy through the cross-selling of both companies products.



Established: 1967 Incorporated: 2000 Location: Germany
Main products: high frequency spindles Number of employees: Approx.120



▲ Headquarters, motor factory



▲ Spindle factory



▲ Product line



▲ Main application
Dental CAD/CAM

FY2022 sustainability topics

We are implementing the Mid-Term Management Plan and striving to realize important sustainability themes to enhance corporate value.

Environment	Achieved the carbon neutrality of the A1 factory and the headquarters factory	(GHG Protocol scopes 1 and 2)	2021	May	Calculated GHG emissions
				August	Announced Green Plan 2030
				December	100% renewable energy at the headquarters and A1 factories <small>*Achieved scope 2 carbon neutrality</small>
			2022	September	Purchased J-credits derived from a forest absorption project <small>*Achieved scope 1 carbon neutrality</small>
				October	Achieved third-party carbon neutrality certification

Social
Won an excellent business site award (president's effort award) for the employment of people with disabilities
(Tochigi Prefecture's award for the employment of people with disabilities)



Governance
Established Nomination and Remuneration Committee
(voluntary advisory body to the Board of Directors)

Members	Chair	: Eiichi Nakanishi (President & Group CEO)
	Members	: Yuji Nonagase (Independent Outside Director) : Yukiko Araki (Independent Outside Director)

Activities	July 1	Established the committee
	August-December	Held four committee meetings (online and face-to-face)

Rating
Raised ESG rating agency scores
(MSCI • Sustainalytics)

MSCI	2020	B
	2021	BB
	2022	BBB
Sustainalytics	2020	High Risk
	2021	High Risk
	2022	Medium Risk

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 make 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 FY2022

We will pay year-end dividends of JPY 24 per share, JPY 4 more than the initial forecast, for FY2022.

We have paid interim dividends of JPY 22 per share, and annual dividends will be JPY 46 per share.

Purchase of treasury shares in FY2022

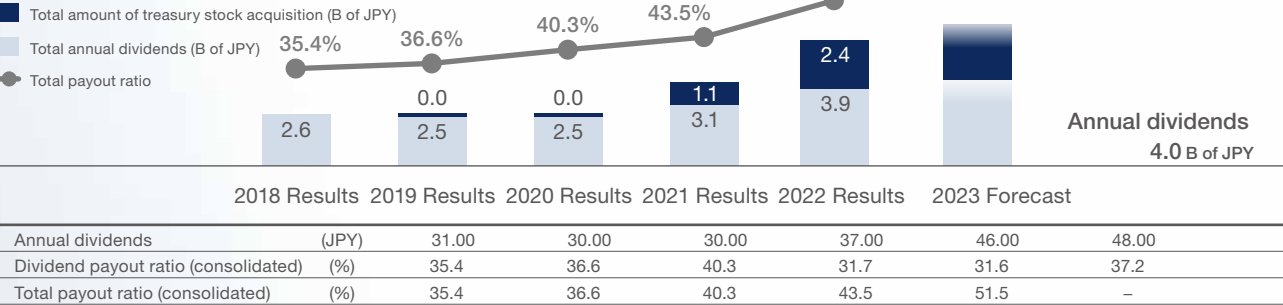
We use the total payout ratio as an indicator of shareholder returns, and we aim for a total payout ratio of 50%. Based on the results in FY2022, we increased dividends as described above and purchased treasury shares three times during the fiscal year. We purchased a total of 1,010,500 shares valued at JPY 2,499 million.

FY2023 dividends forecast

We expect that uncertainty over the future of the economy will increase in FY2023, but that demand will remain firm. Taking this expectation into consideration, we will pay interim dividends of JPY 24 per share and year-end dividends of JPY 24 per share in FY2023. Annual dividends will thus be JPY 48 per share (the consolidated dividend payout ratio will be 37.2%).

Transition of shareholder return

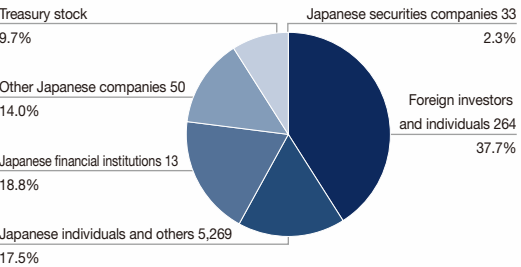
(Note) 3-for-1 stock split in April 2018



Stock information (as of December 31, 2022)

- Total number of authorized shares
- Number of shares issued
- Number of shareholders

Shareholder distribution



Principal shareholders (top 10)

Name	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust accounts)	7,896 thousand	9.3%
Nakanishi E&N Inc.	4,530 thousand	5.3%
Custody Bank of Japan, Ltd. (Trust accounts)	4,514 thousand	5.3%
JP MORGAN CHASE BANK 385632	3,618 thousand	4.2%
Office Nakanishi Inc.	3,120 thousand	3.7%
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	3.3%
SSBTC CLIENT OMNIBUS ACCOUNT	2,581 thousand	3.0%

(Notes) 1. NAKANISHI INC. holds 9,105 thousand shares of treasury stock, but we do not include it in the list of principle shareholders.

2. Treasury stock is excluded in the calculation of shareholding ratios.

Corporate Profile (as of December 31, 2022)

Company name	NAKANISHI INC.
Established	February 1951
Representative	Eiichi Nakanishi, President & Group CEO
Capital stock	JPY 867,948,542
Number of employees	1,478 (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) Alfred Jäger GmbH (Germany)
Main banks	The Ashikaga Bank, Ltd., Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation

Board Members (as of March 30, 2023)	President & Group CEO Executive Vice President & COO Executive Vice President Director Director Director Full-time Corporate Auditor Corporate Auditor Corporate Auditor	Eiichi Nakanishi Kensuke Nakanishi Masataka Suzuki Yuji Nonagase Yukiko Araki Chika Shiomi Hideki Toyotama Yuji Sawada Yoshihiro Maki
(Notes)	1. Directors Yuji Nonagase, Yukiko Araki, and Chika Shiomi are Outside Directors. 2. Corporate Auditors Hideki Toyotama, Yuji Sawada, and Yoshihiro Maki are Outside Corporate Auditors.	