

■ 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 notices 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	● 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**

As previously communicated in the BUSINESS REPORT for the 71st Fiscal Year, we have implemented resource-saving initiatives in consideration of the global environment. Starting from this issue, we have discontinued the mailing of the business report and have made it available on our website (<https://www.nakanishi-inc.jp/ir/dataroom/#br>). We hope that we can continue to count on your understanding and support.



# BUSINESS REPORT



72<sup>nd</sup> Fiscal Year (Interim)  
January 1, 2023 to June 30, 2023

NAKANISHI INC.

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

Each of the Dental, Surgical and Industrial segments effectively captured the steady global demand, resulting in increased sales and income. Additionally, the significant boost in earnings due to the continued weaker JPY led to record highs in net sales, operating profit, EBITDA, and profit attributable to owners of parents for the third consecutive period in the first half of 2023.

In March this year, we exhibited at IDS 2023, one of the world’s largest dental exhibitions, held in Germany, where we unveiled our new dental handpiece product, Ti-Max Z990L, boasting the highest cutting power in the world. The product received high praise from dental professionals around the world who visited our booth during the exhibition. We have already launched sales of the product in domestic and European markets and plan to begin its sales in the United States in the second half of 2023. We are working on expanding sales of the product in each market and aiming for its early sales contribution.

In recent years, we have faced significant challenges in our production activities due to parts shortages. However, progress has been made in resolving this issue, and our efforts to increase production have started to show results. As a result, our production output in the first half of 2023 significantly improved. With product delivery lead times returning to normal, we are shifting from a “defensive sales” approach aimed at preventing customer attrition due to extended delivery lead times to a “proactive sales” strategy aimed at capturing global demand. This shift allows us to seize further growth opportunities.

With the acquisition of the German spindle manufacturer Jäger in December 2022 and the announcement of the acquisition of the U.S. dental chair manufacturer DCI in August 2023, both joining the NAKANISHI Group, we firmly believe that the overall strength of the Group is poised for a significant leap forward. In pursuit of NSK’s long-term vision, VISION 2030, and to propel ourselves even further into the future, all employees of the NAKANISHI Group spread across the globe will continue to move forward as one team.

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

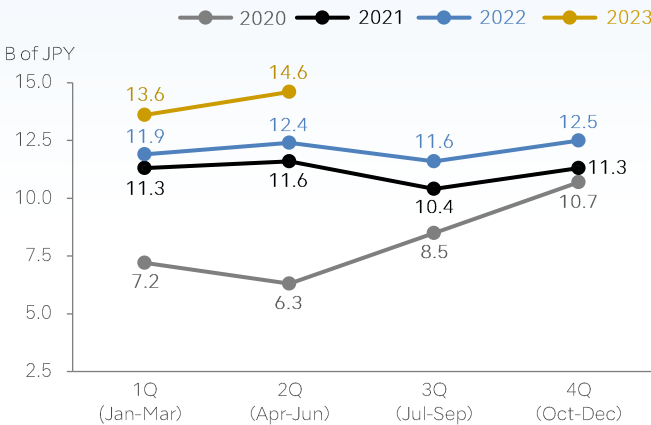
President & Group CEO  
Eiichi Nakanishi



Operating results in the first half of 2023

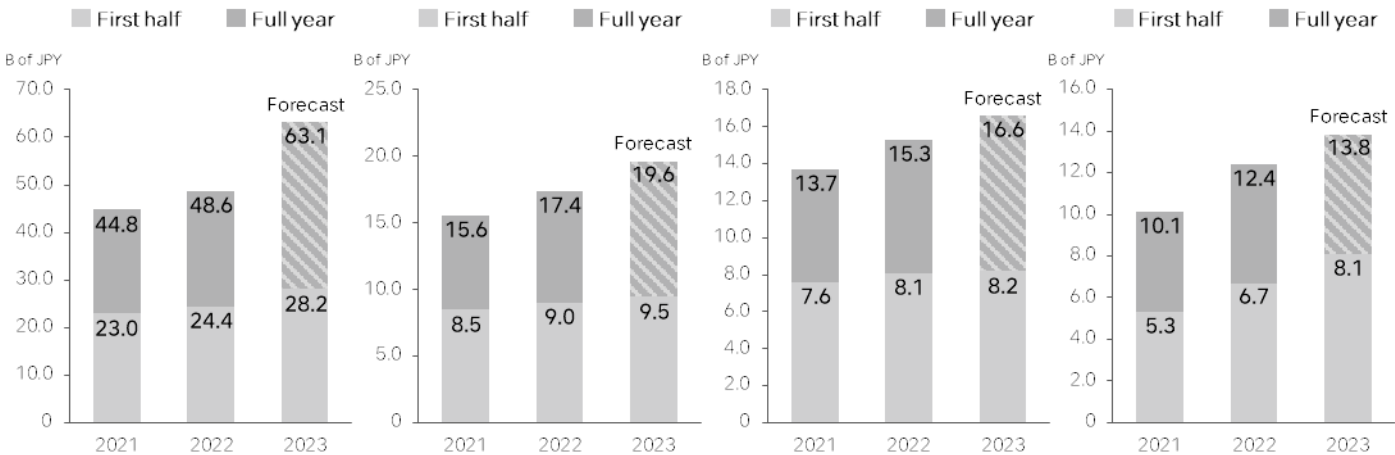
Trends in global demand were firm overall, although trends varied from market to market. The North American market experienced a decrease in sales due to ongoing adjustments in distribution inventory, but all other regions saw double-digit sales growth. Thanks to the resolution of parts shortages and a lack of production personnel, production progressed smoothly, resulting in sales growth across all the Dental, Surgical and Industrial segments. In addition, the new consolidation effects of the German company Jäger, which we acquired in December of last year, and the continued weaker JPY against the major transaction currencies, also contributed to the increase in earnings.

Trends in quarterly net sales



Net sales		EBITDA *		Operating profit		Profit attributable to owners of parents	
28.2	YoY +15.5%	9.5	YoY +5.7%	8.2	YoY +1.4%	8.1	YoY +20.0%
B of JPY		B of JPY		B of JPY		B of JPY	

\*EBITDA = Operating profit + Depreciation + Amortization of goodwill



# BUSINESS SUMMARY

## 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**

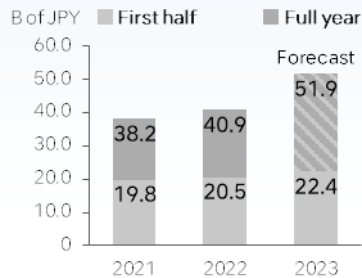


Oral hygiene system  
**Varios Combi Pro**



Autoclave  
**iClave mini2**

Trends in net sales in Dental Business



Summary in 1st half of 2023

Japan	Sales trend YoY	Both private brand and OEM items sold well. Despite price increases, order demand remained robust.
Europe	Sales trend YoY	The decrease in sales in the U.K. and France, which had been brisk, was offset by sales growth in Germany, Italy, and northern Europe, resulting in increased sales.
North America	Sales trend YoY	While sales to end customers remained strong, a phase of inventory adjustments at sales outlets persisted, leading to a decrease in sales.
Asia	Sales trend YoY	Chinese demand weakened, but sales increased year on year. Product shipment from a local factory began.
Other	Sales trend YoY	While South America, where special demand had dropped, experienced a downturn, increased sales in Australia and the Middle East provided support.

## 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**

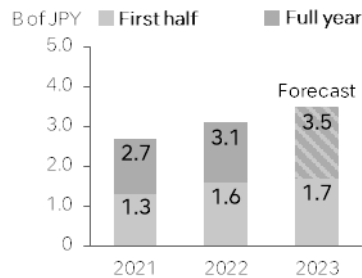


Attachment  
**P300 Attachment**



Surgical burs  
**Attachment burs**

Trends in net sales in Surgical Business



Summary in 1st half of 2023

Japan	Sales trend YoY	The recovery in production led to Primado2 Control Unit sales growth. Burs also contributed to increased sales.
Europe	Sales trend YoY	Although bur sales grew, this was not enough to offset the impact of loss of OEM business, resulting in a decrease in sales.
North America	Sales trend YoY	Sales through collaborative partners remained robust, but sales decreased year on year due to the drop in special demand.
Asia	Sales trend YoY	As a result of effectively capturing the recovering demand in Asian countries, sales grew significantly.

## Industrial Business

Engages in the development, manufacture, and sale of spindles and 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**

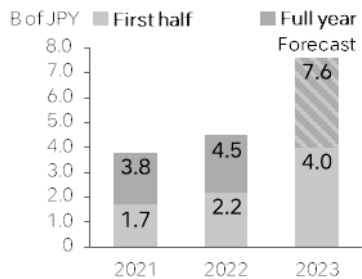


Micro grinder  
**Emax EVOLution**



Ultrasonic polisher  
**Sheenus ZERO**

Trends in net sales in Industrial Business



Summary in 1st half of 2023

Japan	Sales trend YoY	While the appetite for capital expenditures started on a declining trend, strong sales were maintained by executing orders received in the previous period.
Europe	Sales trend YoY	Sales growth in the NAKANISHI brand and new consolidation effects of Jäger led to a substantial increase in sales.
North America	Sales trend YoY	While local sales showed sluggish growth, the strengthening effect of the weaker JPY helped maintain flat sales.
Asia	Sales trend YoY	The Company continued to secure major deals from the previous year. Core spindle sales were also robust, resulting in a substantial increase in sales.

Progress in Mid-Term Management Plan NV2025+

Turning the unprecedented crisis of the COVID-19 pandemic into an opportunity, the Company’s businesses have experienced rapid 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. As a result, our production activities for the first half of 2023 progressed smoothly. In response to the normalization and expansion of production activities, we are now embarking on an aggressive sales expansion strategy in markets worldwide.

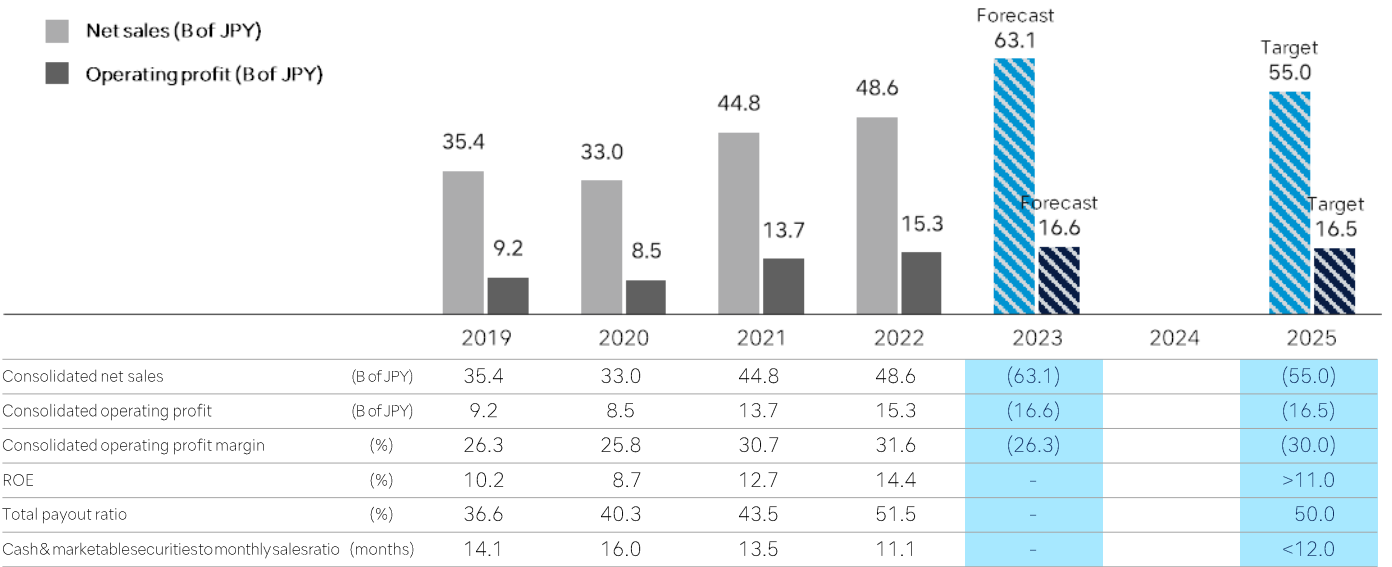
Mid-Term Management Plan "NV2025+"  
Basic policies, priority measures

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 the first half of 2023

- Announced a new product at the world’s largest exhibition, IDS 2023
- In North America, retail sales were robust but sales decreased due to distribution inventory adjustments
- Started shipment from our Chinese factory in response to the "Buy China" policy
- Developed and launched a new product with world-leading performance
- Progress made in increasing precision parts production at the A1 and A1+ factories

Mid-Term Management Plan "NV2025+ 2020 to 2025



Exhibited at the world’s largest dental exhibition, IDS 2023

IDS 2023, one of the world’s largest dental exhibitions, was held in Cologne, Germany, for five days from March 14. Despite initial concerns about attendance in the midst of the world economy’s return to normal, the event was a resounding success, attracting over 160,000 visitors from 166 countries worldwide. The Company set up a 450 square meter booth in the main area, which was the largest floor space we’ve ever had, and unveiled our new product “Ti-Max Z990L” in the dental handpiece display area. Dentists and distributors who tried out the new product were uniformly amazed by its overwhelming cutting power, and we received a significant number of inquiries and expressions of high expectations.



New product: Dental handpiece “Ti-Max Z990L”

**Cutting power**  
World-leading 44W

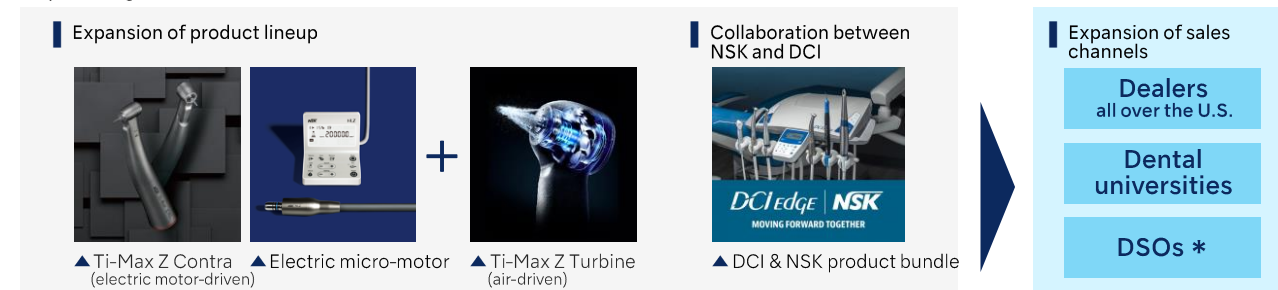
**Safety**  
Standard-equipped infection prevention mechanism

**Durability**  
New chuck mechanism and titanium body

The new dental handpiece product "Ti-Max Z990L" is an air turbine, where the rotor inside the head is powered by compressed air. Manufacturers across the board have been competing fiercely to simultaneously achieve downsizing of the head and an increase in cutting power at a high level. The cutting power of the new product has been improved by 30% compared to the previous model. This high cutting power leads to reduced treatment time, offering significant benefits to both dentists (in terms of treatment efficiency) and patients (in terms of reduced discomfort). The product is already available in domestic and European markets, with plans to launch sales in North America in the second half of FY2023.

## Expanding business operations in the U.S. market

In the North American market, we have been actively pursuing sales expansion for the NSK brand, particularly in the areas of dental micro-motors and contra-angles (electric motor-driven dental handpieces), collaboration with the dental chair manufacturer DCI, and approaches to new sales channels such as DSOs\* and dental universities. Furthermore, in October 2023, we plan to launch a new dental handpiece product, "Ti-Max Z990L." While our market share for air turbines in the North American market has lagged behind competitors in the past, we are determined to aggressively promote our new product, which boasts specs surpassing those of competitors, with the aim of expanding our market share.



\*DSOs: The acronym for Dental Service Organizations. A large-scale dental clinic chain that owns a multitude of dental practices and has been rapidly expanding in countries across Europe and North America.

## Acquire 100% ownership of the U.S. dental chair manufacture DCI International, LLC.



Since the Company's initial investment in DCI, the No.2 dental chair manufacturer in the U.S., in October 2020, we have built and deepened a trusting partnership. The collaboration between the Company and DCI, which boasts significant market competitiveness, has been progressing smoothly. Since the first-half of FY2023, we have launched bundled sales of DCI's dental chairs and the Company's dental handpieces. With this recent acquisition of 100% ownership, NSK and DCI truly became one team, aiming for further growth in the North American market.

## 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.

#### Introducing high-value-added products to the market

We expand the local product lineup to include high-end to mid-range products. We emphasize performance and quality as attributes of the NSK brand.

## "M1" factory construction project



To ensure sustainable growth, the Company has been actively strengthening its business infrastructure with a medium- to long-term perspective. The global market share expansion during the COVID-19 pandemic significantly raised our sales baseline compared to previous periods. To efficiently meet the increasing demand, we completed the construction of the A1+ factory in September 2022, ahead of the original schedule, and started parts production there. With a clearer path for increasing precision parts production, our next initiative was the construction of the M1 factory. This factory aims to enhance the assembly and packaging processes, which follow the parts machining process, and provide ample warehouse space. Construction, which commenced in April 2023, is progressing smoothly.

Building site:	700 Shimohinata, Kanuma, Tochigi
Gross floor area:	About 20,000 square meters
Amount of capital investment:	About JPY 8.5 billion
Factory functions:	Assembly factory, warehouses for parts and finished goods, and after-sales service center
Beginning of operation:	Phase 1 area: Scheduled in the first half of 2024, Phase 2 area: Scheduled in the first half of 2025

Selection as constituent of JPX-Nikkei Index 400



We are pleased to announce that the Company has been selected as a constituent of the JPX-Nikkei Index 400, a stock index jointly calculated by JPX Market Innovation & Research, Inc. and Nikkei Inc., for the fiscal year 2023 (from Aug. 31, 2023 to Aug. 29, 2024). We will continue to strive for the enhancement of our corporate value to meet your expectations.

Shareholder returns

Interim dividends for FY2023

Due to strong results in the first half of FY2023, we will pay interim dividends of JPY 24 per share for FY2023 as initially forecasted.

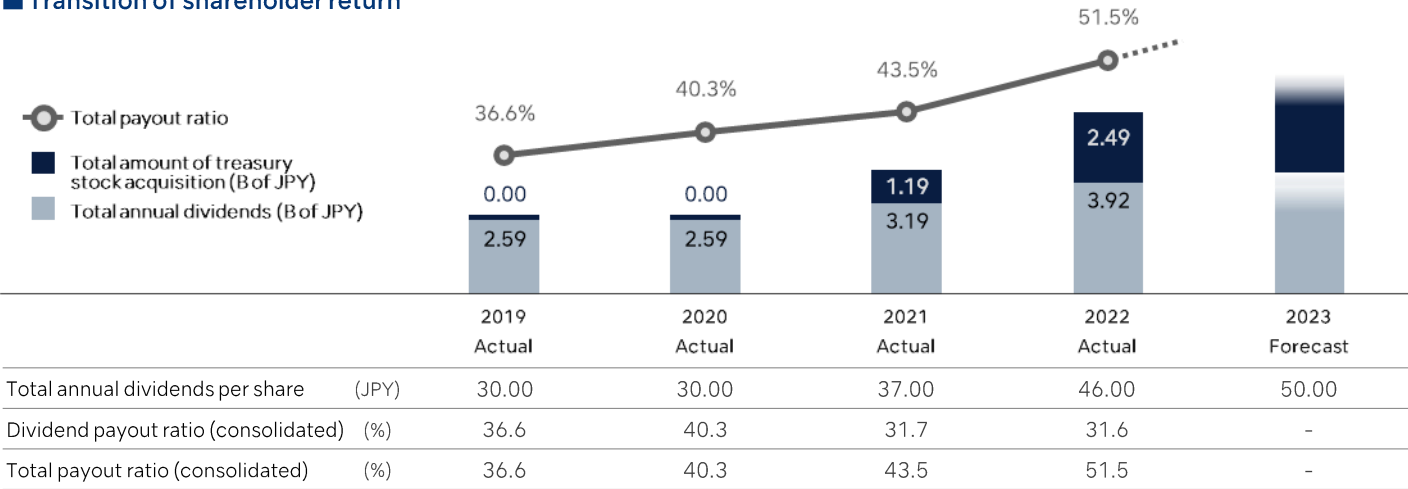
FY2023 year-end dividends forecast

Considering business results, we forecast to pay year-end dividends of JPY 26 per share, JPY 2 more than the initial forecast, for FY2023. Total annual dividends will be JPY 50 per share.

Purchase of treasury shares in FY2023

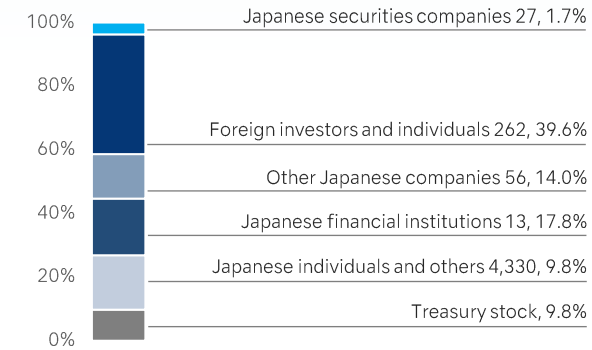
Toward the implementation of the shareholder returns policy outlined in the mid-term management plan “NV2025+,” with a total payout ratio of 50%, for FY2023, we will increase total annual dividends per share by JPY 4 year on year to JPY 50. Additionally, we are actively purchasing shares of treasury stock. At present, we purchased 180,600 shares (JPY 499 million; purchase completed on March 20), which was announced on February 9, and will purchase up to 1,000,000 shares (JPY 2,500 million; purchase to begin on October 1), which was announced on August 7.

Transition of shareholder return



Stock information (as of June 30, 2023)

- Total number of authorized shares 375,000,000 shares
- Number of shares issued 94,259,400 shares
- Number of shareholders 4,689
- Shareholder distribution



Principal shareholders (top 10)

Name	Number of shares held (thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust accounts)	6,095	7.2
Custody Bank of Japan, Ltd. (Trust accounts)	5,322	6.3
Chiyo Nakanishi	4,562	5.4
Nakanishi E&N Inc.	4,530	5.3
JP MORGAN CHASE BANK 385632	3,175	3.7
Eiichi Nakanishi	3,164	3.7
SSBTC CLIENT OMNIBUS ACCOUNT	3,157	3.7
Kensuke Nakanishi	3,156	3.7
Office Nakanishi Inc.	3,120	3.7

\*NAKANISHI INC. holds 9,282 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.

Corporate Profile (as of June 30, 2023)

Company name	NAKANISHI INC.
Established	February 1951
Representative	Eiichi Nakanishi, President & Group CEO
Capital stock	JPY867 million
Number of Employees	1,571 (Consolidated), 1,060 (Non-consolidated)
Headquarters	700 Shimohinata, Kanuma, Tochigi
Domestic offices	Headquarters, Factory AI, Factory A1+, Tokyo Office, Osaka Office, Nagoya Office
Group companies	NSK America (USA) NSK Europe (Germany) NSK France (France) NSK United Kingdom (U.K.) NSK Dental Spain (Spain) NSK Oceania (Australia) NSK Shanghai (China) NSK Dental Italy (Italy) NSK Dental Korea (South Korea) NSK America Latina (Brazil) NSK Dental Nordic (Sweden) NSK RUS (Russia) Alfred Jäger(Germany)

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
Corporate Vice President & Group CFO	Daisuke Suzuki
Corporate Vice President	Koichi Ariga
Corporate Vice President	Akio Tanaka
Corporate Vice President	Tsukasa Naganuma
Corporate Vice President	Koji Miyamoto