

BUSINESS REPORT

74th Fiscal Year (Interim) January 1, 2025 to June 30, 2025

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.

In the first half of FY2025, we emerged from the downturn following the COVID-19-driven demand and entered a phase of gradual demand recovery. Although the business environment faced headwinds, including the stronger JPY and U.S. tariff policies, our Dental, Surgical, Industrial, and DCI segments remained generally firm. As a result, consolidated net sales totaled JPY 39.1 billion and EBITDA came to JPY 10.3 billion. Due to recording foreign exchange losses and income taxes for prior periods, ordinary profit was JPY 6.9 billion and profit attributable to owners of parents amounted to JPY 3.5 billion.

In March this year, the entire NAKANISHI Group exhibited at "IDS 2025," the world's largest dental trade show held in Cologne, Germany, and conducted vigorous marketing activities. The new dental handpieces and preventive dentistry products we unveiled to dentists and distribution partners from around the world were very well received, and we secured numerous business negotiations during the exhibition. We expect these initiatives to contribute to the expansion of our business performance going forward.

In the upcoming year 2030, NAKANISHI will celebrate its 100th anniversary. In anticipation of this important milestone, and to clarify the path the NAKANISHI Group should pursue, we formulated and announced our new Mid Term Management Plan, "NV2030." Leveraging the "grinding technology" we have honed since our founding, we will create "brilliant progress" in this world. By realizing our mission, we will shape a better future. All employees of the NAKANISHI Group spread across the globe will advance as one team toward the next 100 years.

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

Eiichi Nakanishi
President & Group CEO



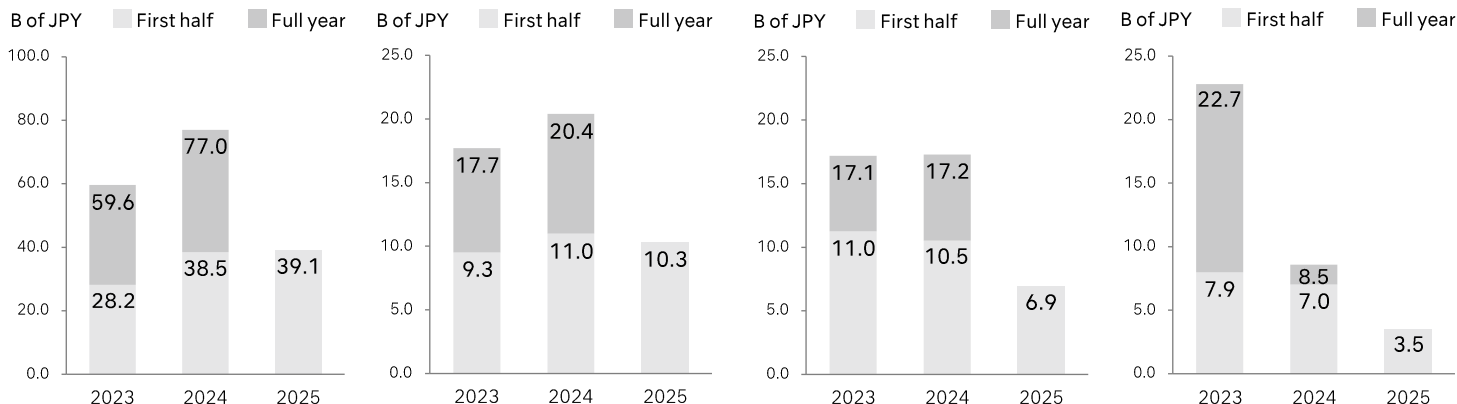
Financial Summary

Financial results in the first half of FY2025

In the first half of FY2025, net sales were roughly in line with the same period of the previous year. Although the stronger JPY reduced net sales, the significant growth of the Surgical segment and the steady performance of the Dental and DCI segments underpinned net sales. Meanwhile, SG&A expenses increased due to our participation in dental trade shows and the strengthening of the sales structure for the U.S. and Surgical segments, resulting in lower EBITDA. In addition, the recording of foreign exchange losses and income taxes for prior periods led to a decline in profit.

Net sales		EBITDA*		Ordinary profit		Profit attributable to owners of parents	
39.1 B of JPY	YoY +1.6%	10.3 B of JPY	YoY -6.0%	6.9 B of JPY	YoY -34.1%	3.5 B of JPY	YoY -50.0%

*EBITDA=Operatingprofit+Depreciation+Amortization



Financial forecast for FY2025

Reviewing the financial results for the first half of FY2025, although progress toward the full-year financial forecast was high, we have left the forecast unchanged. The U.S. tariff policy that took effect this FY has had an impact on our results, and tariff-related cost increases are expected to materialize from the second half. We expect the first-half outperformance against plan to be offset by these tariff effects. The exchange rates assumed for this financial forecast are 1 USD = 145 JPY and 1 EUR = 155 JPY.

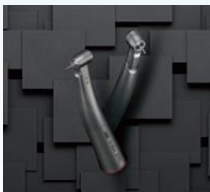
Net sales	80.6 B of JPY	YoY +4.7%
EBITDA	18.9 B of JPY	YoY -7.5%
Ordinary profit	13.8 B of JPY	YoY -19.9%
Profit attributable to owners of parents	8.3 B of JPY	YoY -2.4%
Assumed exchange rates	1 USD = 145 JPY	
	1 EUR = 155 JPY	

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 Refine, which was acquired in 2023.



Dental handpiece
Ti-Max Z Series



Oral surgery system
Surgic Pro2



Clinical micro motor
NLZ



Oral hygiene system
Varios Combi Pro2

DCI Business

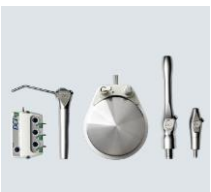
Established as a new segment to present performance of DCI, the U.S. dental chair manufacturer acquired in 2023. Engages in the development, manufacture, and sale of dental chairs and related equipment in the North American market.



Dental chair
DCI Edge Series 5+



Dental cabinet



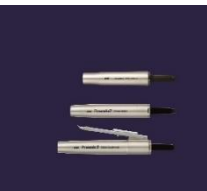
Dental parts

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.



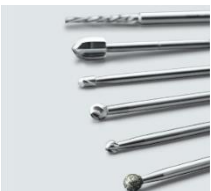
Total surgical system
Primado2 control unit



Surgical motor
P200-SMH Series



Attachment
P300Attachment



Disposable bur
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 spindle
E-4000 Series



Motor spindle
E-3000i Series



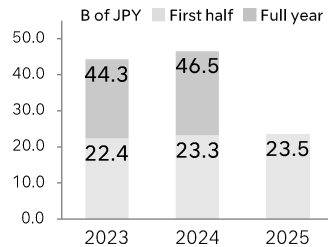
Micro grinder
Emax EVolution



Jaeger spindle
High-frequency spindles

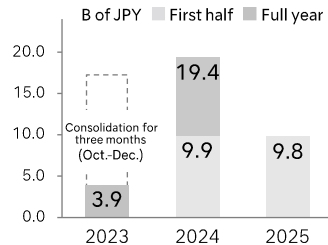
Sales Trends

Dental Business



Japan	Sales results YoY ↓	Initiated a distribution network reform to drive further growth, resulting in a temporary decline in sales. OEM sales increased.
Europe	Sales results YoY ↑	Sales increased as customers chose competitive own products. New products launched in March contributed to sales growth.
North America	Sales results YoY ↓	Although market share was maintained, ongoing inventory adjustments led to lower sales. OEM sales were in line with the previous FY.
Asia	Sales results YoY ↓	In China, despite signs of recovery, such as the resumption of bidding contracts, sales decreased. Sales in other countries were also soft.
Others	Sales results YoY ↑	While the Middle East was bearish, Australia was in line with the previous FY, and South America and Russia recorded significant sales growth.

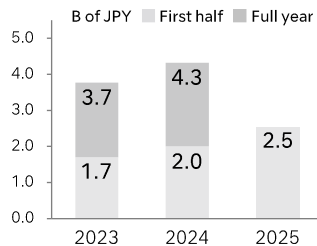
DCI Business



North America	Sales results YoY →	<ul style="list-style-type: none"> • In the first half of FY2025, the total number of dental chairs sold in the U.S. market decreased by 3% YoY, reflecting weak demand. Sales to DSOs were particularly soft. • For DCI's dental chairs, although sales to large DSOs were soft, sales to a major dealer with whom we began transactions in January this year grew more than expected, maintaining net sales at a level similar to the previous FY.
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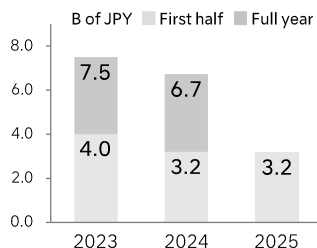
* In FY2023, only DCI's performance for the three months from October to December was consolidated.

Surgical Business



Japan	Sales results YoY ↑	Expanded business opportunities arising from competitor withdrawing were steadily captured, driving sales growth in equipment main units
Europe	Sales results YoY ↑	Despite continued weak demand, strengthening of the regional sales structure paid off, resulting in double-digit sales growth.
North America	Sales results YoY ↑	Collaborative business with medical device manufacturers and surgical robot manufacturers expanded.
Asia	Sales results YoY ↑	In the key Chinese market, sales of consumables were strong. Sales to Southeast Asian countries were also solid.

Industrial Business



Japan	Sales results YoY ↓	Although signs of demand bottoming out have emerged, a full recovery in sales has yet to materialize, resulting in a decline in sales.
Europe	Sales results YoY ↓	While sales of NSK products turned positive, Jaeger, currently executing a restructuring plan, saw a decline in sales.
North America	Sales results YoY ↑	While sales of NSK products remained flat from the previous FY, sales of Jaeger recovered, resulting in an increase in sales.
Asia	Sales results YoY ↑	As demand recovery in the Chinese market gathered momentum, coupled with large project wins, sales increased significantly.

Topics [Dental Trade Show: New Products]

IDS 2025

Exhibition by four Group companies at the world's largest dental trade show

From March 25 for five days, one of the world's largest dental trade shows, "IDS 2025," was held in Cologne, Germany, attracting over 130,000 visitors from 156 countries. In addition to NSK, Group companies DCI, Refine, and Jaeger also exhibited and conducted energetic sales and promotional activities at each company's booth. Exhibiting with our largest-ever booth, we unveiled new dental handpieces and preventive dentistry products. Dentists and distributors who visited our booth showed very strong interest in the NSK brand. During hands-on trials of the new products, their performance and quality were highly praised, and we received many inquiries.



NSK staff who gathered from around the world energetically conducted product briefings and demonstrations



New: Dental handpiece "Ti-Max Z99L"



New: Oral hygiene product "VariosCombi Pro2"



DCI announced its new product, "Series 5+"



Refine booth also attracted a large number of visitors.



Jaeger announced its new product, "DentaSpin33"



Mid Term Management Plan "NV2030"

On August 8, we announced our new Mid Term Management Plan, "NV2030." This is a six-year management plan ending in FY2030, the year NAKANISHI celebrates its 100th anniversary. We will steadily execute this plan to achieve further growth across our Dental, DCI, Surgical, and Industrial business domains.

Assumptions for Plan Formulation

Outlook for the business environment

Dental	Market to expand moderately / Further market polarization / Expansion of sales to DSOs* and Private Brand**
DCI	Number of dentists in the U.S. to increase / Demand for dental chairs also expand / Further oligopolization of the market
Surgical	Expanding demand for minimally invasive surgery and related equipment / Rising expectations for high-quality drill manufacturers
Industrial	Significant impact from demand cycles and economic fluctuations / Expanding demand in precision microfabrication fields

* DSOs: Refers to large dental-clinic chains that encompass numerous dental practices.

** Private Brand: Refers to product lines sold under a dealer's own brand name, with products supplied by manufacturers on an OEM basis.

Economic trends outlook

Stable economic environment, market growth, and regulatory environment

Assumed exchange rates
1 USD = 145 JPY / 1 EUR = 155 JPY

Risk factors

- Sudden exchange rate fluctuations
- Sharp increases in U.S. tariff rates
- Recession, disasters, or terrorism
- Surges in raw material prices
- Abrupt revisions to medical device regulations in various countries

NV2030 Basic Policy

Execute a balanced business strategy of offense and defense

Offense: Further business expansion in Dental North America and Surgical

Defense: Addressing intensifying price competition, particularly in emerging countries

Offense: Further business expansion

- Launch competitive new products and strengthen sales in Dental and Surgical
- Roll out DSO sales on a full scale and strengthen OEM business

Defense: Further cost reduction

- Promote offshoring of development and production functions
- Enhance productivity by leveraging AI and promoting DX

Strengthening the business foundation to support strategy execution

Development & production

- Establish a global development and procurement framework
- Improve productivity at mother factories "A1" and "M1"

Financial strategy

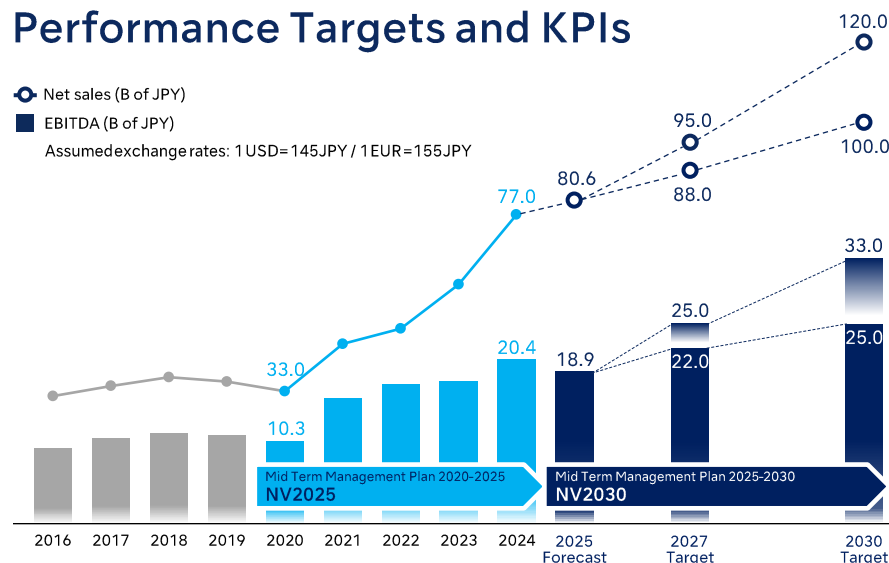
- Strategic investment (M&A): Plan 20-60 B JPY
- Enhance shareholder returns: Total payout ratio of 70%

Performance Targets and KPIs

Net sales (B of JPY)

EBITDA (B of JPY)

Assumed exchange rates: 1 USD = 145 JPY / 1 EUR = 155 JPY



Mid Term Management Plan "NV2030" Performance Targets and KPIs

FY2030 Consolidated net sales 100.0-120.0 B of JPY	FY2030 Consolidated EBITDA 25.0-33.0 B of JPY
EBITDA margin 25% or higher	ROE 12%
Shareholder returns Total payout ratio of 70% Adoption of progressive dividend policy*	Cash & marketable securities to monthly sales ratio 8 months or less

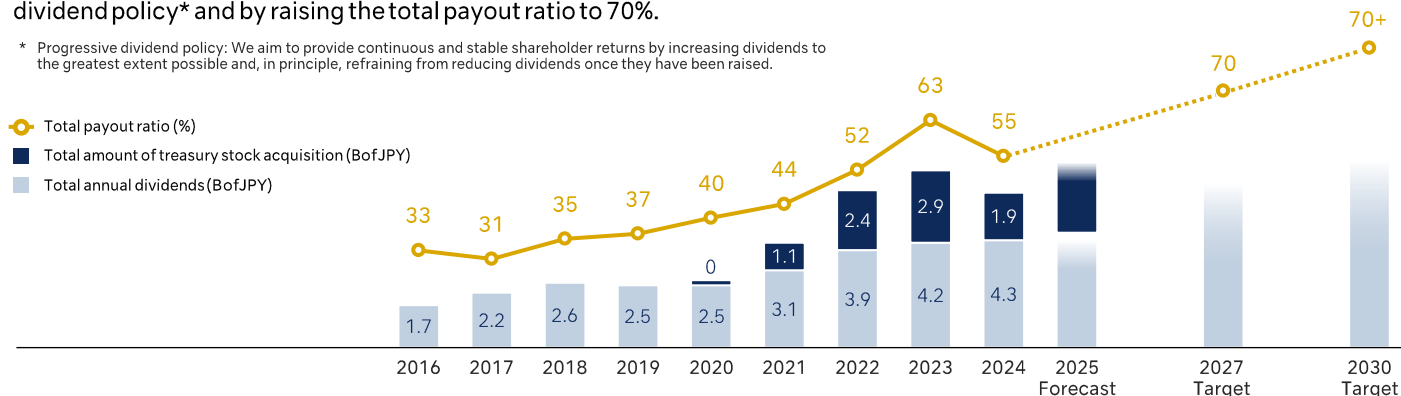
* Progressive dividend policy: We aim to provide continuous and stable shareholder returns by increasing dividends to the greatest extent possible and, in principle, refraining from reducing dividends once they have been raised.

Topics [Mid Term Management Plan]

Shareholder returns

In formulating the new Mid Term Management Plan “NV2030,” we have pursued a further expansion of shareholder returns. As we execute the plan, we expect our business scale to grow and cash inflows to increase accordingly. Rather than accumulating this cash solely as retained earnings for risk resilience and business investment, we intend to allocate it in a balanced manner, including the enhancement of shareholder returns. We will further expand shareholder returns by newly adopting a progressive dividend policy* and by raising the total payout ratio to 70%.

* Progressive dividend policy: We aim to provide continuous and stable shareholder returns by increasing dividends to the greatest extent possible and, in principle, refraining from reducing dividends once they have been raised.



		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2027 Target	2030 Target
Annual dividends per share	(JPY)	20	26	31	30	30	37	46	50	52	54	58-70	65-80
Dividend payout ratio	(%)	33	31	35	37	40	32	32	37*	38**	-	-	-
Total payout ratio	(%)	33	31	35	37	40	44	52	63*	55**	-	70	70+

* In calculating the total payout ratio and dividend payout ratio for FY2023, the gain on step acquisitions from the full acquisition of DCI has been excluded.

** In calculating the total payout ratio and dividend payout ratio for FY2024, the profit decrease brought by the impairment loss of Jaeger has been excluded.

Sustainability

By leveraging the “grinding technology” we have honed since our founding and continuously creating innovative products and services in the Dental, Surgical, and Industrial business fields, we aim to maximize business value while providing solutions to social issues.

Materiality	SDGs	Our initiatives	Third-party evaluation										
<div>1 Resolve social issues through providing innovative products</div> <div>Release innovative products and enhance market penetration</div>	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>	<div>Provide solutions to social issues such as the extension of health expectancy and factory automation through the delivery of high-quality, appropriately priced products and services</div>	<div><div>MSCI ESG RATINGS</div><div>A</div><div>CCC B BB BBB A AA AAA</div><table><tr><td>2020</td><td>2021</td><td>2022</td><td>2023</td><td>2024</td></tr><tr><td>B</td><td>BB</td><td>BBB</td><td>A</td><td>A</td></tr></table></div> <div><div> 健康経営優良法人 2025 KENKO Investment for Health 大賞受賞企業</div><div>2024 CONSTITUENT MSCI日本株 女性活躍指数 (WIN)</div></div>	2020	2021	2022	2023	2024	B	BB	BBB	A	A
2020	2021	2022	2023	2024									
B	BB	BBB	A	A									
<div>2 Provide peace of mind and safety to medical workers</div> <div>Thorough pursuit of quality, provide lectures for medical workers and ensure information provision</div>	<div><div>3 GOOD HEALTH AND WELL-BEING</div></div>	<div>Enhance seminar activities in the Dental business as well as participation in academic conferences and hands-on exhibits in the Surgical business</div>											
<div>3 Create workplaces where diverse human resources can grow</div> <div>Promote DE&I, educational investment in employees, provide motivation to work</div>	<div><div>3 GOOD HEALTH AND WELL-BEING</div><div>5 GENDER EQUALITY</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div></div>	<div>Operate an institute for developing skilled workers who support production sites to accelerate and standardize skill acquisition</div>											
<div>4 Promote a responsible supply chain</div> <div>Respect of human rights, observation of compliance and corporate ethics</div>	<div><div>17 PARTNERSHIPS FOR THE GOALS</div></div>	<div>Promote sustainability management together with our business partners based on the Business Partner CSR Guidelines we have formulated</div>											
<div>5 Response to climate change and contribution to a recycling-oriented society</div> <div>Strive to reduce environmental impact throughout the entire product lifecycle</div>	<div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div>13 CLIMATE ACTION</div></div>	<div>Achieve carbon neutrality for Scope 1 and Scope 2 emissions under the GHG Protocol at RD1, M1, A1, and A1+</div>											

Topics [M1]

M1 Full completion in April 2025

Assembly factory, after service center, warehouse, and cafeteria

- Total floor area: Approx. 20,000 m²
- Construction period: April 2023 - April 2025
- Total capital investment: Approx. 8.5 B of JPY

Our new factory "M1," constructed to enhance our assembly, packaging, shipping, and repair capacities, was fully completed in April 2025. For NAKANISHI, which operates a vertically integrated business model spanning development, production, and sales, M1 will serve as the core factory underpinning our production. In addition to increasing output, improving productivity, and shortening lead times, we will pursue sustainability management through energy-saving facilities and the use of green power. We will also enhance employee amenities, including a cafeteria that overlooks the natural scenery of Kanuma.



M1's floor plan optimizes flows so that warehousing, assembly, packaging, and shipping functions are seamlessly connected



Assembly Area designed for high-mix, low-volume production



Service center that handles all domestic repairs



Fast repair services are well received by customers



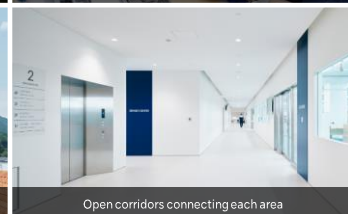
Solar panels installed on the factory roof



Top-floor cafeteria with panoramic views



Wood deck for enjoying the natural surroundings



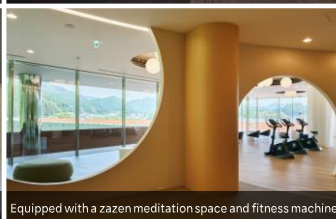
Open corridors connecting each area



M1 that harmonizes with Kanuma's beautiful natural environment



Walkways that allow people to experience the changing seasons



Equipped with a zazen meditation space and fitness machines

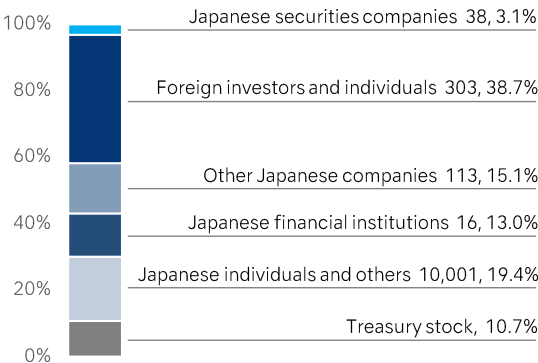


Break room that brings the surrounding landscape indoors

Stock Information

Stock information (as of June 30, 2025)

- Total number of authorized shares 375,000,000 shares
- Number of shares issued 93,418,200 shares
- Number of shareholders 10,472
- Shareholder distribution



Principal shareholders (top 10)

Name	Number of shares held (thousand)	Shareholding ratio (%)
Custody Bank of Japan, Ltd. (Trust accounts)	4,670	5.6
Nakanishi E&N Inc.	4,530	5.4
Chiyo Nakanishi	4,362	5.2
The NSK Nakanishi Foundation	3,721	4.5
STATE STREET BANK AND TRUST COMPANY 505001	3,236	3.9
Office Nakanishi Inc.	3,120	3.7
Eiichi Nakanishi	2,802	3.4
Kensuke Nakanishi	2,798	3.4
The Master Trust Bank of Japan, Ltd. (Trust accounts)	2,688	3.2
Ashikaga Bank, Ltd.	2,265	2.7
JP MORGAN CHASE BANK 385632	2,244	2.7

*NAKANISHI Inc. holds 10,041 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, 2025)

- Company name NAKANISHI INC.
- Established February 1930
- Representative Eiichi Nakanishi, President & Group CEO
- Capital stock JPY 867 million
- Number of employees 2,217 (Consolidated)
1,123 (Non-consolidated)
- Headquarters 700 Shimohinata, Kanuma, Tochigi
- Domestic offices Headquarters: RD1, Factory: A1, A1+, M1
Office: Tokyo, Osaka, Nagoya
- 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 Asia (Thailand)
NSK Oceania (Australia)
NSK America Latina (Brazil)

(as of March 21, 2025)

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
Corporate Auditor (Full-time)	Jin Harita
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
Corporate Vice President	Masaaki Kikuchi

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">● Change of address, request for purchase of fractional shares <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">● Payment of accrued dividends <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.