

BUSINESS REPORT

74th Fiscal Year January 1, 2025 to December 31, 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.

FY2025 was a fiscal year in which geopolitical risks became evident, including U.S. tariff policies, China's medical cost reduction policies, and the expansion of conflicts in the Middle East. Despite the impact of these external factors, demand continued to recover in markets around the world. In addition, the strengthening of our product lineup and the expansion of our sales structure that NAKANISHI has been promoting proved effective, and the Dental, DCI, Surgical, and Industrial segments each performed steadily. As a result, consolidated net sales were JPY 81.1 billion, EBITDA was JPY 19.8 billion, and ordinary profit was JPY 16.9 billion. On the other hand, we recorded an impairment loss at the end of the fiscal year on the goodwill of DCI, which had been affected by U.S. tariffs. As a result, profit attributable to owners of parents came to a loss of JPY 2.3 billion. This impairment loss is a temporary accounting treatment that does not involve cash outflows, and it does not affect our financial position or cash generation capability. NAKANISHI will continue working to achieve sustainable growth and enhance corporate value while keeping an eye on changes in the business environment.

We believe that the "balanced business strategy of offense and defense" set out in the Mid Term Management Plan "NV2030" is making steady progress. The NAKANISHI Group, which operates around the world, will act as one team, making full use of the innovative "grinding technology" we have continued to hone since our foundation, and continue providing products and services that inspire customers.

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

Eiichi Nakanishi
President & Group CEO



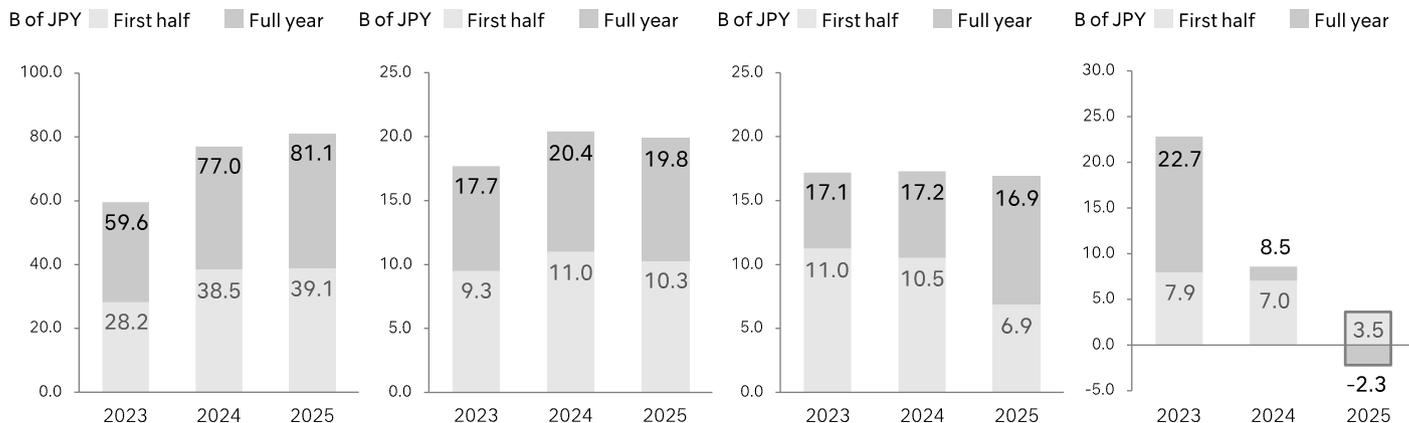
Financial Summary

Financial results in FY2025

In FY2025, net sales increased, driven by significant growth in the Surgical segment and steady performance in the Dental, DCI, and Industrial segments. Although selling expenses and personnel expenses, which we had raised to pursue growth, were absorbed by higher profit from sales growth, the impact of U.S. tariffs reduced profits by approx. JPY 1.3 billion, resulting in lower EBITDA and ordinary profit. In addition, net loss amounted to JPY 2.3 billion due to the impairment loss on DCI and the recording of income taxes for prior fiscal years.

| Net sales | | EBITDA* | | Ordinary profit | | Profit attributable to owners of parents | |
|---------------|-----------|---------------|-----------|-----------------|-----------|--|-------|
| 81.1 B of JPY | YoY +5.4% | 19.8 B of JPY | YoY -2.7% | 16.9 B of JPY | YoY -2.0% | -2.3 B of JPY | YoY - |

*EBITDA = Operating profit + Depreciation + Amortization



Financial forecast for FY2026

In FY2026, we expect to steadily capture recovering global demand and achieve sales growth of more than 5% in each of the Dental, DCI, Surgical, and Industrial segments. In addition, the consolidation of Acra Cut from the acquisition announced in March 2026 is expected to support double-digit sales growth. EBITDA is expected to increase through focused SG&A spending by segment. However, ordinary profit is expected to decrease due to the absence of foreign exchange gains recorded in the previous FY.

Profit attributable to owners of parents is expected to return to profitability due to the absence of one-off expenses, including the impairment loss on DCI.

| | | |
|--|-----------------|-------------------------------|
| Net sales | 90.1 B of JPY | YoY +11.1% |
| EBITDA | 21.8 B of JPY | YoY +9.8% |
| Ordinary profit | 16.0 B of JPY | YoY -5.0% |
| Profit attributable to owners of parents | 11.1 B of JPY | YoY (Return to profitability) |
| Assumed exchange rates | 1 USD = 150 JPY | |
| | 1 EUR = 170 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.



Dental handpiece
Ti-Max Z Series



Oral surgery system
Surgic Pro2



Oral hygiene system
Varios Combi Pro2



Refine
Preventive dentistry product
PTX

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



Motor & attachment
P200-SMH Series



Disposable bur
Attachment burs



Acra Cut
Cranial perforator

Its operating results include those of AcraCut, which was acquired in 2026.

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.



NAKANISHI spindle
E-4000 Series



Motor spindle
E-3000i Series



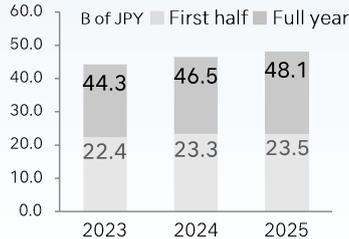
Micro grinder
Emax EVOLUTION



Jaeger spindle
High-frequency spindles

Sales Trends

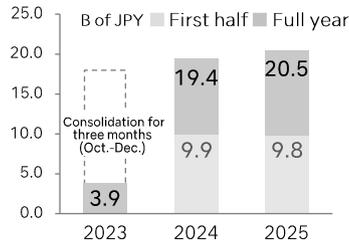
Dental Business



Sales trends

| | | |
|---------------|---|---|
| Japan | → | Sales were sluggish through 3Q due to the impact of the distribution network reform, but grew significantly in 4Q. OEM sales also increased by double digits. |
| Europe | ↗ | Although market conditions remained challenging, sales grew due to strong product competitiveness. Our new preventive dentistry product also contributed to sales growth. |
| North America | ↘ | Sales of own brand grew significantly in 4Q, and annual sales were flat. OEM sales decreased. |
| Asia | ↘ | Demand in China remained sluggish. Despite bidding contract wins, sales decreased due to intensified price competition. South Korea and other Asian countries also remained weak. |
| Others | ↗ | In the Middle East, where conflicts continued, sales decreased slightly. In Australia, sales increased slightly due to bidding contract wins. South America and Russia recorded significant sales growth. |

DCI Business

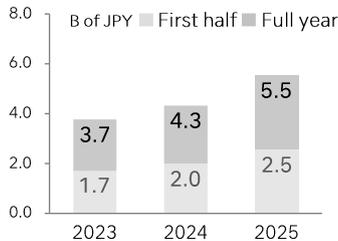


Sales trends

| | | |
|---------------|---|---|
| North America | ↗ | <ul style="list-style-type: none"> The total number of dental chairs sold in the U.S. market increased by 1% YoY, remaining roughly flat. DCI's dental chair sales increased, although sales to the largest DSO were sluggish, because sales to small and mid-sized DSOs and to new dealer partners grew significantly. |
|---------------|---|---|

* In FY2023, only DCI's performance for the three months from October to December was consolidated.

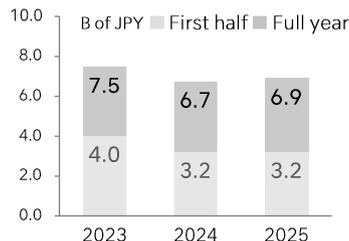
Surgical Business



Sales trends

| | | |
|---------------|---|--|
| Japan | ↗ | Sales increased by double digits due to the acquisition of projects from new business partners and higher consumables sales to existing customers. |
| Europe | ↗ | Strengthened sales structure in the region proved effective, and consumables sales accelerated more than expected, resulting in double-digit sales growth. |
| North America | ↗ | Sales increased by 1.5 times due to capturing business opportunities created by competitors withdrawing, and by expanding collaboration with medical device manufacturers. |
| Asia | ↗ | In the Chinese market, strong consumables sales contributed to sales growth. Sales activities in South Asia also proved effective. |

Industrial Business



Sales trends

| | | |
|---------------|---|---|
| Japan | ↘ | Although signs of demand bottoming out began to appear, a full recovery in sales had not yet materialized, resulting in a decline in sales. |
| Europe | ↘ | While sales of NSK products turned to growth, Jaeger, currently executing a restructuring plan, saw a decline in sales. |
| North America | ↗ | While sales of NSK products remained flat from the previous FY, sales of Jaeger recovered, resulting in an increase in sales. |
| Asia | ↗ | As demand recovery in the Chinese market gathered momentum, coupled with large project wins, sales increased significantly. |

Topics [Strengthening the Domestic Business Foundation]

NAKANISHI has been strengthening its business foundation for development and production in order to achieve further growth in global markets. Under the "Made in KANUMA" concept, we carry out integrated production in Kanuma City for almost all main products (mainly rotary cutting instruments) in the Dental, Surgical, and Industrial business domains.



RD1 R&D Center in Headquarters

Location: 700 Shimohinata, Kanuma
Completion: April 2017
Construction cost: Approx. 5 B of JPY
Total floor area: Approx. 12,000 m²
Number of employees: Approx. 360



A1 Parts plant

Location: 990 Fukahodo, Kanuma
Completion: March 2018
Construction cost: Approx. 5.3 B of JPY
Total floor area: Approx. 14,000 m²
Number of employees: Approx. 350



A1+ Parts plant

Location: 990 Fukahodo, Kanuma
Completion: September 2022
Construction cost: Approx. 1.8 B of JPY
Total floor area: Approx. 5,500 m²
Number of employees: Approx. 80



M1 Assembly plant, warehouse & service center

Location: 700 Shimohinata, Kanuma
Construction cost: Approx. 8.5 B of JPY
Number of employees: Approx. 400
Completion: April 2025
Total floor area: Approx. 20,000 m²



Topics [Strengthening the Global Sales Network]

To achieve the performance targets set out in the new Mid Term Management Plan "NV2030," NAKANISHI has been strengthening the functions of its overseas bases and establishing new ones in markets around the world. In North America, which we position as a priority market for growth, we significantly increased the number of sales representatives at both NSK America and DCI and also acquired two companies, Acra Cut and Intech. In addition, we established local subsidiaries in Turkey and Switzerland and branch offices in Poland and Croatia. We also newly assigned sales representatives for the Surgical business to existing bases in Europe, South America, and the Middle East in order to globalize the sales structure of the Surgical business. The strengthening of the sales network is progressing steadily, and we aim to further expand our global market share.

Europe

| | | | | |
|------------|--------------------|-------------|------|------------------|
| Strengthen | NSK Europe | Germany | 2003 | Dental, Surgical |
| | | Poland | 2026 | Dental |
| | | Croatia | 2026 | Dental |
| | NSK France | France | 2005 | Dental |
| Strengthen | NSK United Kingdom | U.K. | 2007 | Dental, Surgical |
| Strengthen | NSK Dental Spain | Spain | 2008 | Dental, Surgical |
| | NSK Dental Italy | Italy | 2013 | Dental |
| | NSK Dental Nordic | Sweden | 2019 | Dental |
| | Nakanishi Jaeger | Germany | 2022 | Industrial |
| Establish | NSK Schweiz | Switzerland | 2026 | Dental |

Asia

| | | | | |
|------------|--------------------------|------------------|------|------------------|
| | NSK Shanghai | China (Shanghai) | 2005 | Dental, Surgical |
| Relocate | NSK Asia | Thailand | 2009 | Dental |
| | NSK Dental Korea | Korea | 2014 | Dental, Surgical |
| Strengthen | NSK Dental Manufacturing | China (Sichuan) | 2023 | Dental, Surgical |
| | REFINE Medical | China (Guilin) | 2023 | Dental |

North America

| | | | | |
|----------|-------------------|----------------------|------|------------------------------|
| Increase | NSK America | U.S. (Illinois) | 1984 | Dental, Surgical, Industrial |
| Increase | DCI International | U.S. (Oregon) | 2023 | DCI |
| Acquire | Acra Cut / Intech | U.S. (Massachusetts) | 2026 | Surgical |

Others

| | | | | |
|------------|--------------------|-------------|------|------------------|
| Strengthen | NSK Middle East | U.A.E. | 2000 | Dental, Surgical |
| | NSK RUS | Russia | 2007 | Dental |
| | NSK Oceania (AU) | Australia | 2007 | Dental |
| | NSK Oceania (NZ) | New Zealand | 2007 | Dental |
| Strengthen | NSK America Latina | Brazil | 2013 | Dental, Surgical |
| Establish | NSK Turkey | Turkey | 2025 | Dental |

Topics [Strengthening of the Product Lineup]

In FY2025, we launched new products in all business domains: Dental, DCI, Surgical, and Industrial. All of them have been well received in the market and are contributing to sales growth. The addition of these competitive new products has further strengthened the product lineup.

Dental Business



Dental handpiece (contra-angle)
Ti-Max Z99L



Dental handpiece (contra-angle)
S-Max M94L



Preventive dentistry product
Varios Combi Pro2

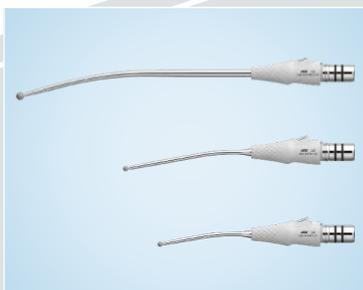


Mobile dental care device
VIVAace2

Sales areas will be expanded gradually to cover 140 countries worldwide.



Dental treatment chair unit
DCI Edge Series 5+



ENT attachment
UniBur



Motor spindle for general
industrial use
E3000i



Speed-increasing spindle
NGS-3140-CTZ01

DCI Business

Surgical Business

Industrial Business

Topics [Awards and Shareholder Returns]

Shareholder returns

Shareholder returns policy

In the Mid Term Management Plan “NV2030” announced last August, we set a goal of further enhancing shareholder returns. As we carry out the management plan, business scale will expand, and cash generated through business activities is expected to increase. We decided not only to secure resilience to risks and funds for growth investments, but also to further enhance shareholder returns by newly adopting a progressive dividend policy* and raising the total payout ratio to 70%.

* Progressive dividend policy: A policy of maintaining or gradually increasing the annual dividend in principle regardless of changes in business results

Shareholder returns for this fiscal year

As a result of the acquisition of treasury shares and an increase in the year-end dividend, the total payout ratio was 61% and the consolidated dividend payout ratio was 37%.*

* This is calculated based on adjusted net profit, which is profit attributable to owners of parents after adding back goodwill amortization related to the gain on the step acquisition of DCI and the impairment loss on DCI.

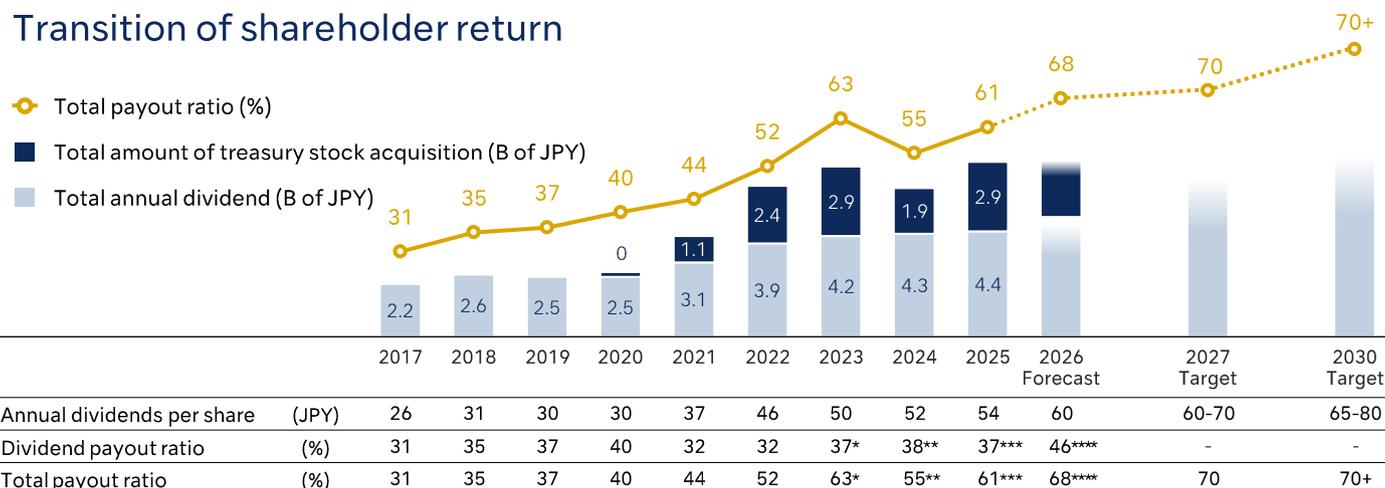
Acquisition of treasury shares

| Acquisition period | Number of shares acquired | Total amount of acquisition |
|--------------------|---------------------------|-----------------------------|
| Feb.-Dec. 2025 | 1,416,300 shares | 2,926 M of JPY |

Dividend

| Interim dividend | Year-end dividend | Annual dividend |
|---|---|---|
| JPY 26 per share (Total amount of acquisition: 2,167 M of JPY) | JPY 28 per share (Total amount of acquisition: 2,325 M of JPY) | JPY 54 per share (Total amount of acquisition: 4,493 M of JPY) |

Transition of shareholder return



* The dividend payout ratio and total payout ratio for FY2023 are calculated using adjusted net profit which excludes extraordinary income brought by DCI acquisition as the base value.

** The dividend payout ratio and total payout ratio for FY2024 are calculated using adjusted net profit which excludes extraordinary loss brought by impairment loss of Jaeger as the base value.

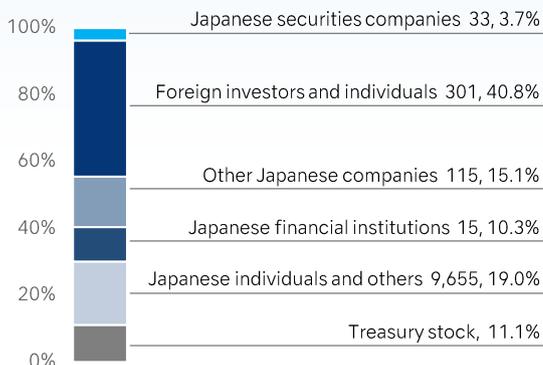
*** The dividend payout ratio and total payout ratio for FY2025 are calculated using adjusted net profit which excludes extraordinary loss brought by impairment loss of DCI as the base value.

**** The dividend payout ratio and total payout ratio for FY2026 are forecast figures calculated based on the FY2026 earnings forecast, dividend forecast, and the amount of treasury shares to be acquired.

Stock Information

Stock information (as of December 31, 2025)

- Total number of authorized shares 375,000,000 shares
- Number of shares issued 93,418,200 shares
- Number of shareholders 10,120
- Shareholder distribution



Principal shareholders (top 10)

| Name | Number of shares held (thousand) | Shareholding ratio (%) |
|---|----------------------------------|------------------------|
| Nakanishi E&N Inc. | 4,530 | 5.5 |
| Chiyo Nakanishi | 4,362 | 5.3 |
| The NSK Nakanishi Foundation | 3,721 | 4.5 |
| Custody Bank of Japan, Ltd. (Trust accounts) | 3,250 | 3.9 |
| Office Nakanishi Inc. | 3,120 | 3.8 |
| The Chase Manhattan Bank, N.A. Londonsecs Lending Omnibus Account | 2,953 | 3.6 |
| Eiichi Nakanishi | 2,802 | 3.4 |
| Kensuke Nakanishi | 2,774 | 3.3 |
| Ashikaga Bank, Ltd. | 2,265 | 2.7 |
| The Bank of New York Mellon 140042 | 2,257 | 2.7 |

* NAKANISHI Inc. holds 10,373 thousand shares of treasury stock, but we do not include it in the list of principal shareholders.

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

Corporate profile

| | |
|---------------------|--|
| Company name | NAKANISHI INC. |
| Established | February 1930 |
| Representative | Eiichi Nakanishi, President & Group CEO |
| Capital stock | JPY 867 million |
| Number of Employees | 2,204 (Consolidated) 1,107 (Non-consolidated) (December 31, 2025) |
| 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) Acra Cut (USA) NSK America Latina (Brazil) NSK Europe (Germany) Nakanishi Jaeger (Germany / Poland / Croatia) NSK France (France) NSK United Kingdom (U.K.) NSK Dental Spain (Spain) NSK Dental Italy (Italy) NSK Dental Nordic (Sweden) NSK Schweiz (Switzerland) NSK RUS (Russia) NSK Middle East (UAE) NSK Turkey (Turkey) NSK Shanghai (China) NSK Dental Manufacturing (China) Refine Medical Instrument (China) NSK Asia (Thailand) NSK Dental Korea (South Korea) NSK Oceania (Australia / New Zealand) |

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 | Yoshihiro Maki |
| Outside Corporate Auditor | Hironao Yazaki |

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 | Akio Tanaka |
| Corporate Vice President | Tsukasa Naganuma |
| Corporate Vice President | Koji Miyamoto |
| Corporate Vice President | Masaaki Kikuchi |
| Corporate Vice President | Takashi Ugajin |

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 | <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.