

■ 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 Record date for year-end dividends Record date for interim dividends	December 31 December 31 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	● 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.	



Cover photo: SPIRAL.UQ

A stainless figure placed in front of the main entrance of the headquarters in commemoration of the 90th anniversary. The figure is the work that sculptor Osamu Kido has created as the culmination of his works when he was retiring as a professor at the Tokyo University of the Arts. The title of the work, SPIRAL, connotes ultra-high-speed rotation, the Company's core technology. "UQ" represents our wish for everlasting (yukyu [ju:kju:]-no) evolution and development.

BUSINESS REPORT

71st Fiscal Year (Interim)
January 1, 2022 to June 30, 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 the first half of 2022 rose year on year on the strength of firm demand worldwide and the weaker JPY. Net sales rose in all segments, namely the Dental, Surgical, and Industrial segments. Operating income, ordinary income, and income attributable to owners of parent hit record highs.

We fully tapped into increased demand after the COVID-19 pandemic subsided and the scale of our business expanded significantly. The urgent issue now is to increase production capacity. To address the issue, we started the construction of a parts processing factory, A1+, in November last year. The factory was completed on September 5 and is starting operation. We have decided to build a new assembly factory, M1, on the site of the headquarters, and have begun planning construction. We will implement initiatives to boost production and will establish the foundations to achieve growth over the medium to long term.

Considering the latest business trends and exchange rates, we have prepared a mid-term management plan rolling plan, NV2025+ (please refer to P. 05). While maintaining earnings at high levels and working to increase them, we will evolve our management and emphasize capital efficiency to enhance corporate value.

Given prolonged supply chain disruptions, production activities remain unpredictable. Even in this environment, all employees will work as one to provide products to customers worldwide as soon as possible.

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

President & Group CEO

Eiichi Nakanishi





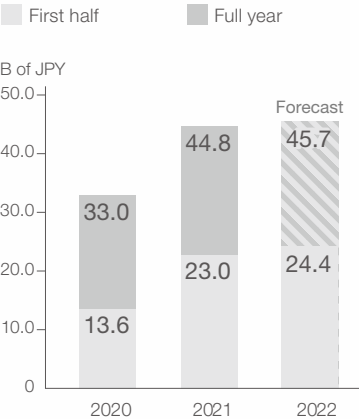
Operating results in the first half of FY2022

Trends in global demand were firm overall, although trends varied from market to market. Business inquiries increased in each business—Dental, Surgical, and Industrial—and sales grew steadily in the first half of 2022. Quarterly sales exceeded sales a year earlier, which were high. Quarterly sales were about the same level as a year earlier except for the effect of exchange rates (the positive effect of the weaker JPY on sales).

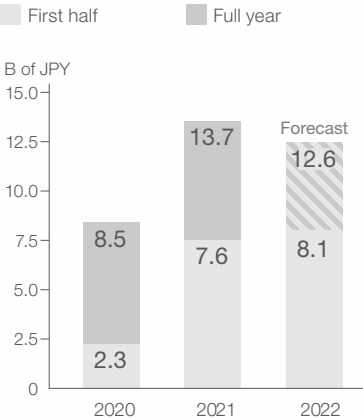
Trends in quarterly net sales



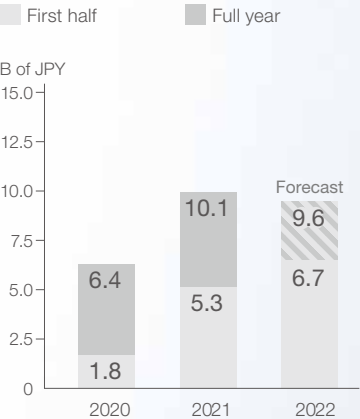
Net sales	
24.4 B of JPY	YoY +6.3%



Operating income	
8.1 B of JPY	YoY +6.3%



Income attributable to owners of parents	
6.7 B of JPY	YoY +25.8%



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

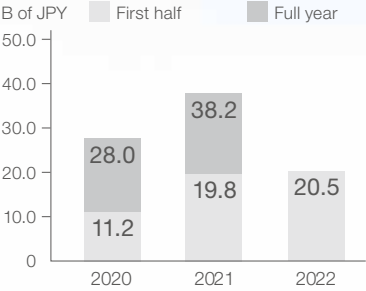


Oral hygiene system
Varios Combi Pro



Autoclave
iClave mini2

Trends in net sales in Dental Business



Business summary in 1st half

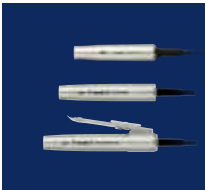
Japan	Sales trend YoY	↘	OEM sales were firm. However, demand ran its course when government grants ended in March last year, and sales declined.
Europe	Sales trend YoY	↗	Sales of dental hand pieces and oral surgery system, our mainstay products, rose. Sales for the U.K., in particular, were strong.
North America	Sales trend YoY	↗	Sales of dental hand pieces and micro motors expanded. Both private brand and OEM items sold well. Net sales increased significantly.
Asia	Sales trend YoY	↘	Sales recovered in Southeast Asia. Sales in South Korea remained flat from a year ago. Overall sales decreased due to the significant effects of lockdowns in China.
Other	Sales trend YoY	↗	Sales were weak in Russia, but rose significantly in South America. Sales in Australia and the Middle East were firm. Overall, sales increased.

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 orthopedic surgery.



Total surgical system
Primado2
Control Unit



Slim motor
P200-SMH Series

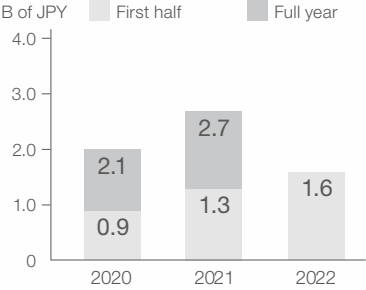


Attachment
P300 Attachment Series



Surgical burs
Attachment Burs

Trends in net sales in Surgical Business



Business summary in 1st half

Japan	Sales trend YoY	↗	Sales grew due to successful sales activities to spine surgery in addition to the existing neurosurgery.
Europe	Sales trend YoY	↗	Sales rose significantly due to replacement demand from existing customers and major deals with core hospitals.
North America	Sales trend YoY	↗	Sales increased, reflecting the high marks that the Company's products have received in the North American market and the expansion of sales channels in cooperation with other companies.
Asia	Sales trend YoY	↘	Although sales were strong at the beginning of the fiscal year, sales declined due to lockdowns in China.

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

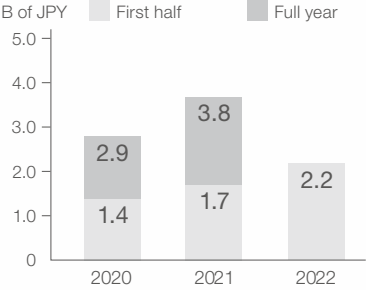


Micro grinder
EmaxEVOLution



Ultrasonic polisher
Sheenus ZERO

Trends in net sales in Industrial Business



Business summary in 1st half

Japan	Sales trend YoY	↗	Sales of spindles for deburring, drilling, and substrate dividing rose due to large capital expenditures at manufacturers.
Europe	Sales trend YoY	↗	We resumed holding trade shows, where we received large numbers of business inquiries. Sales rose, reflecting strong orders resulting from those inquiries.
North America	Sales trend YoY	↗	Appetite for capital expenditures was firm in the North American market. Sales, particularly sales of spindles, were strong and rose significantly.
Asia	Sales trend YoY	→	Although demand was strong, we had to reduce production due to parts shortages. Sales remained flat from a year earlier.

Mid-Term Management Plan Rolling Plan NV2025+

Amid the COVID-19 pandemic, sterilizing at dental clinics has become commonplace, and demand for dental equipment rose worldwide. We fully tapped into strong demand worldwide, and the base line for global sales of the Company's products have risen significantly. The latest operating results have far exceeded the targets set in the mid-term management plan. Meanwhile, the JPY has weakened, and the assumptions for performance targets have changed significantly. In this environment, we have prepared a mid-term management plan rolling plan “NV2025+”, based on the present business plan.

Basic policies, priority measures

(Note) No changes from the previous plan, NV2025

- ▶ Strategic expansion of the dental business in the global market
- ▶ Development of new businesses to respond to needs in a rapidly aging society
- ▶ Building a management base for speedy development and by far the strongest cost competitiveness

Performance targets, financial targets

- ▶ Evolving management from PL-oriented management to management that also emphasizes capital efficiency
- ▶ Cash allocation in consideration of a balance among growth investment, shareholder return, and risk tolerance

Previous plan	Net sales	Operating income	Operating income margin				
NV2025	50.0 B of JPY	14.0 B of JPY	28%				
	▼	▼	▼				
Rolling Plan	Net sales	Operating income	Operating income margin	+	ROE	+	Total payout ratio
NV2025+	55.0 B of JPY	16.5 B of JPY	30%		11%		50%
						+	Cash & marketable securities to monthly sales ratio
							12 months

New parts factory A1+ completed on September 5

A new factory, A1+, was completed on September 5 in Utsunomiya Nishi Chukaku Industrial Park (Kanuma, Tochigi), next to the A1 factory. The total floor space is 5,500 square meters. A total of 1,600 solar panels are installed across the entire rooftop, which enables the factory to contribute to increasing production capacity and reducing its impact on the environment.



At the new factory A1+, we will take steps to increase the capacities of production lines and human resources.

Increasing parts processing capacities

We will seek to increase parts (primary) processing capacities, a bottleneck in production activities. We will pursue automation and streamlining in the production process and build efficient production lines. We will change the existing production lines in the same manner.

Implementing a human resources cultivation program

We will start a new human resources development program, ASK*, to expedite the cultivation of a homogeneous group of technicians who handle ultra-precision parts processing. We will cultivate human resources for advanced manufacturing through a systematic training program.

* Academy of Sessaku (cutting) & Kenma (polishing): Cutting and polishing are basic and the most important techniques in parts processing at the Company.

NSK Europe

Frankfurt Number of employees: 43 Established: 2003



NSK United Kingdom

London Number of employees: 29 Established: 2007



NSK France

Paris Number of employees: 30 Established: 2005



NSK Dental Spain

Madrid Number of employees: 19 Established: 2008



NSK Dental Italy

Thiene Number of employees: 61 Established: 2013



NSK Dental Nordic

Gothenburg Number of employees: 12 Established: 2018



NSK Middle East

Dubai Number of employees: 4 Established: 2000



NSK Shanghai

Shanghai Number of employees: 32 Established: 2005



NSK RUS

Moscow Number of employees: 6 Established: 2007



NSK America

Chicago Number of employees: 73 Established: 1984



NSK Oceania

Sydney/Auckland Number of employees: 17 Established: 2007



NSK Dental Korea

Seoul Number of employees: 10 Established: 2014



NSK Nakanishi Asia

Singapore Number of employees: 3 Established: 2009



NSK America Latina

Joinville Number of employees: 20 Established: 2013



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%.

Interim dividends for FY2022

We will pay interim dividends of JPY22 per share, JPY2 more than the initial forecast, for FY2022.

FY2022 year-end dividends forecast

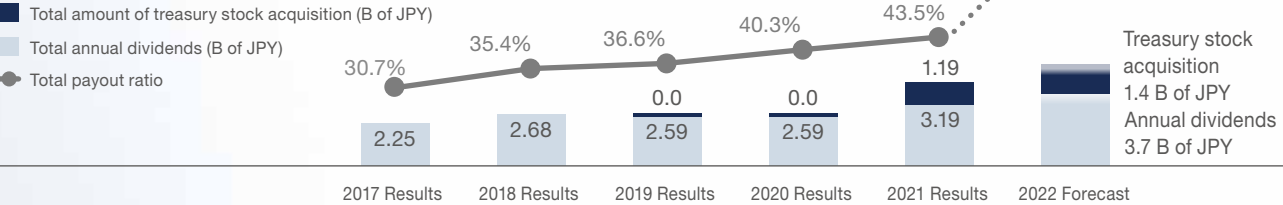
We will pay year-end dividends of JPY22 per share, JPY2 more than the initial forecast, for FY2022, considering results in the fiscal year under review. Annual dividends will be JPY44 per share.

Purchase of treasury shares

With results in the fiscal year under review exceeding the initial forecast, we will purchase shares of treasury stock, in addition to increasing interim and year-end dividends, for FY2022 to achieve a total payout ratio of 50% under our shareholder returns policy. In the fiscal year under review, we purchased 241,600 shares of treasury stock (JPY499 million; purchase completed on March 24), which was announced on February 9, and purchased 407,700 shares of treasury stock (JPY999 million; purchase completed on August 31), which was announced on May 12.

Transition of shareholder return

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



Annual dividends	(JPY)	26.00	31.00	30.00	30.00	37.00	44.00
Dividend payout ratio (consolidated)	(%)	30.7	35.4	36.6	40.3	31.7	39.4
Total payout ratio (consolidated)	(%)	30.7	35.4	36.6	40.3	43.5	

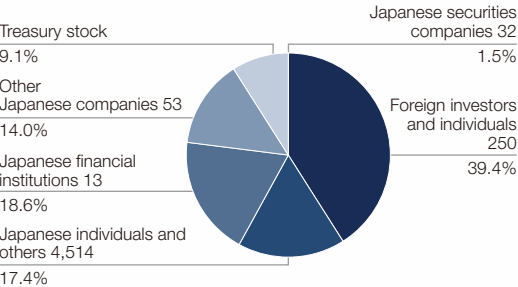
Stock information (as of June 30, 2022)

Total number of authorized shares.. 375,000,000 shares

Number of shares issued 94,259,400 shares

Number of shareholders..... 4,863

Shareholder distribution



Principal shareholders (top 10)

Name	Number of shares held	Shareholding ratio
The Master Trust Bank of Japan, Ltd. (Trust accounts)	7,846 thousand	9.2%
Nakanishi E&N Inc.	4,530 thousand	5.3%
Custody Bank of Japan, Ltd. (Trust accounts)	4,502 thousand	5.3%
JP MORGAN CHASE BANK 385632	3,881 thousand	4.5%
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%
SSBTC CLIENT OMNIBUS ACCOUNT	2,648 thousand	3.1%

(Notes) 1. NAKANISHI INC. holds 8,573 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 June 30, 2022)

Company name NAKANISHI INC.
Established February 1951
Representative Eiichi Nakanishi, President & Group CEO
Capital stock JPY 867,948,542
Number of employees 1,324 (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	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.