

Notice Regarding Disposal of Own Shares as Restricted Stock Compensation

KANUMA, March 30, 2023

Nakanishi Inc. (the "Company") hereby announces that it has resolved to dispose of its own shares (the "Own Share Disposal" or "Disposal") at the Board of Directors meeting held today.

1. Overview of the Disposal

(1) Date of the Disposal	April 28, 2023
(2) Class and number of shares to be disposed of	3,500 shares of common stock of the Company
(3) Price of the Disposal	JPY 2,608 per share
(4) Total amount of the Disposal	JPY 9,128,000
(5) Allottees, number thereof, and number of shares to be disposed of	Directors of the Company (excluding Outside Directors): 1 person 1,500 shares Corporate Vice Presidents who do not concurrently serve as Directors of the Company: 6 persons 2,000 shares

2. Purposes and reasons of the Own Share Disposal

The Company resolved at the Board of Directors meeting held on February 9, 2023, to introduce a restricted stock compensation plan (the "Plan") for the Company's Directors (excluding Outside Directors, the "Eligible Directors") and Corporate Vice Presidents who do not concurrently serve as Directors (collectively the "Eligible Directors, etc.") with the aim of providing an incentive to improve the Company's corporate value over the medium to long term, as well as of further promoting sharing of value with shareholders. At the 71st Annual General Meeting of Shareholders held on March 30, 2023, it was approved that a monetary claim within a range of 500,000 thousand JPY per year (excluding, however, salaries for employees of Directors who concurrently serve as employees), which was the amount of remuneration for Directors approved at the 55th Annual General Meeting of Shareholders held on March 28, 2007, shall be granted to the Eligible Directors as compensation to be used to contribute to the acquisition of the restricted stock under the Plan (the "Restricted Stock Compensation"), that up to 50,000 shares of common stock of the Company shall be issued or disposed of annually, and that a restricted transfer period of the restricted stock shall be three years, etc.

Based on the above, the Company determined today, in consultation with the Nomination and Remuneration Committee and taking into consideration the purpose of the Plan, the Company's business performance, the scope of responsibilities of each of the Eligible Directors, etc., and various circumstances, to grant a total of 9,128,000 JPY in monetary claims (the "Monetary Claims") and a total of 3,500 shares of common stock (the "Shares") to the Eligible Directors, etc. In the Own Share Disposal, seven Eligible Directors, etc. shall pay all of the Monetary Claims against the Company in the form of assets contributed in kind and shall be allotted the Shares in accordance with the Plan.

3. Overview of the restricted stock allotment agreement

The Company and the Eligible Directors, etc. shall individually enter into a restricted stock allotment agreement, an overview of which is as follows.

(1) Restricted transfer period
From April 28, 2023 to April 27, 2026

(2) Conditions for cancellation of transfer restrictions
Upon expiration of the restricted transfer period, the transfer restrictions shall be canceled under the condition that the Eligible Directors, etc. have remained in the position of Directors of the Company (provided, however, that if the Eligible Directors, etc. are Corporate Vice Presidents who do not concurrently serve as Directors, they shall be deemed to be Corporate Vice Presidents who do not concurrently serve as Directors; the same shall apply hereinafter) for the duration of the restricted transfer period. However, if the Eligible Directors, etc. resign or retire from their positions as Directors of the Company due to the expiration of their terms of office, mandatory retirement age, or other justifiable reasons (including resignation or retirement due to death), the transfer restrictions shall be canceled as of the time immediately following the resignation or retirement of the Eligible Directors, etc.

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About Nakanishi Inc.

To achieve the mission of "To create brilliant progress via innovative grinding technology," NSK has continued to hone the three core technologies of high-speed rotary technology, ultrasound technology and micro motor technology.

Using these core technologies, NSK will continue to provide innovative products in the dental, surgical and industrial fields, and keep contributing toward the creation of all kinds of progress, such as bringing inspiration, happiness, benefits and joy to society and people.

NSK has three main locations for development and production; RD1, headquarters and A1 factory in Kanuma, Japan.

The company's shares are listed in the Tokyo Stock Exchange.

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In the event that the Eligible Directors, etc. resign from the position of Directors of the Company due to death, expiration of the terms of office, retirement, or other justifiable reasons, as of the time immediately following such resignation, the transfer restrictions shall be canceled with respect to the number of the shares obtained by dividing the number of months from the month containing the date of the Disposal to the month containing the date of such resignation by 12 (if the calculation results in a number exceeding 1, the number shall be 1), multiplied by the number of the Shares (if the calculation results in a fraction less than one share, such fraction shall be rounded down).

(3) Acquisition without consideration by the Company

The Company shall acquire, by rights and without consideration, the allotted shares for which the transfer restrictions are not canceled at the time of cancellation of the transfer restrictions as set forth in (2) above.

(4) Management of shares

The allotted shares shall be managed in an exclusive account opened by the Eligible Directors, etc. at a securities company designated by the Company during the restricted transfer period so that they cannot be transferred, created as a security interest, or otherwise disposed of during the restricted transfer period. In order to ensure the effectiveness of the transfer restrictions, etc. of the allotted shares, the Company has entered into an agreement with such securities company in relation to the management of the account for the allotted shares held by each of the Eligible Directors, etc. The Eligible Directors, etc. shall agree to the details of the management of such account.

(5) Handling at the time of organizational restructuring, etc.

If, during the restricted transfer period, a merger agreement under which the Company is to be dissolved, a share exchange agreement or share transfer plan under which the Company is to become a wholly owned subsidiary, or any other matters relating to organizational restructuring, etc. are approved at a General Meeting of Shareholders of the Company (however, if such organizational restructuring, etc. does not require approval at a General Meeting of Shareholders of the Company, the Board of Directors meeting of the Company), the transfer restrictions shall be, by a resolution of the Board of Directors, canceled prior to the effective date of the organizational restructuring, etc. with respect to the number of the shares obtained by multiplying the number of the allotted shares held as of such time by the number obtained by dividing the number of months from the month containing the date of the Disposal to the month containing the date of such approval by 12 (if the calculation results in a number exceeding 1, the number shall be 1) (if the calculation results in a fraction less than one share, such fraction shall be rounded down). In such case, the Company shall acquire, by rights and without consideration, the allotted shares for which the transfer restrictions have not been canceled as of the time immediately following the cancellation of the transfer restrictions.

4. Basis for calculation of paid-in amount and specific details thereof

In order to eliminate arbitrariness, the amount to be paid in for the Own Share Disposal to each of the Eligible Directors, etc. is set at 2,608 JPY, which is the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution (March 29, 2023). This is the market share price immediately prior to the date of the Board of Directors' resolution, and the Company believes that it is reasonable and does not represent a particularly favorable price.

Note:

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