

BUSINESS REPORT

73rd Fiscal Year (Interim)
January 1, 2024 to June 30, 2024

NAKANISHI INC.



NSK
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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 FY2024, the business environment remained challenging due to the waning of the COVID-19-driven demand and the prolonged high policy interest rates in Western countries. Despite weakening demand, our proactive sales efforts across global markets resulted in steady performance in the U.S. and Europe, although sales decreased in Japan. Additionally, the U.S. company DCI significantly outperformed its business plan, and the continued weaker JPY boosted our financial results. As a result, both consolidated net sales and consolidated EBITDA for the first half of FY2024 reached record highs.

The U.S. market is one of our key focus markets for achieving further growth. In this market, the new dental handpiece “Ti-Max Z990L,” which was launched last year, received acclaim and achieved significant sales growth. In addition, the recovery of OEM business contributed to a substantial increase in sales. Moving forward, we will continue to expand our market share in the U.S. by providing high-value-added products.

We strongly feel that the potential of the NAKANISHI Group has increased significantly compared to the past. All employees of the NAKANISHI Group spread across the globe will strive as one team to reach even greater heights. At the same time, we will maintain and enhance high profitability, promote management that prioritizes capital efficiency, and work toward further enhancing corporate value.

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

President & Group CEO

Eiichi Nakanishi



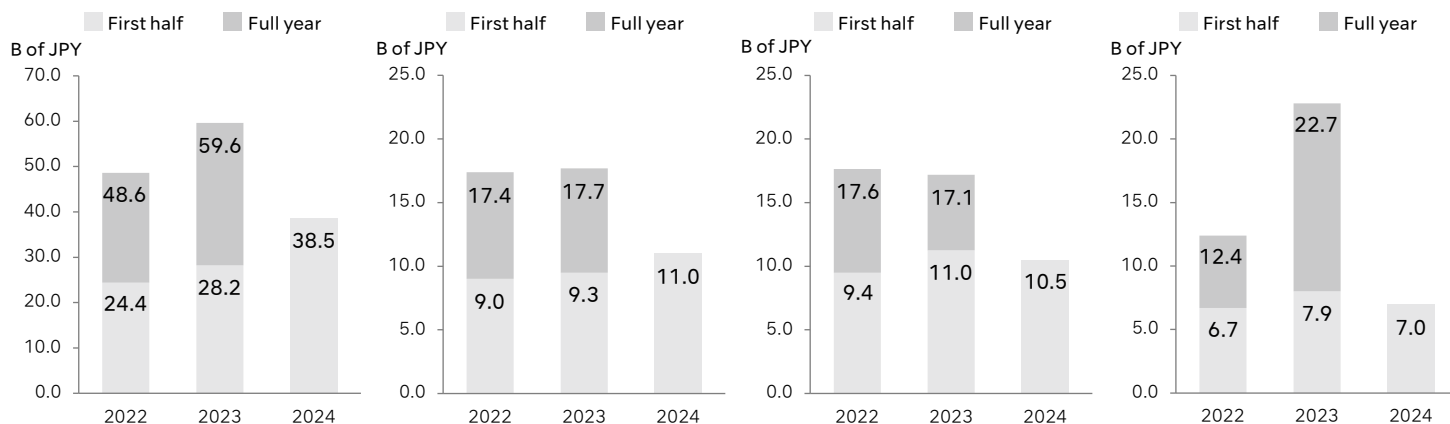
Financial Summary

Financial results in the first half of FY2024

In the first half of FY2024, consolidated net sales and EBITDA increased YoY, buoyed by the weaker JPY and the effects of new consolidation following corporate acquisitions. On the other hand, due to a YoY decrease of approximately JPY 960 million in foreign exchange gains resulting from the weaker JPY, ordinary profit and profit attributable to owners of parents decreased YoY.

Net sales		EBITDA*		Ordinary profit		Profit attributable to owners of parents	
38.5 B of JPY	YoY +36.4%	11.0 B of JPY	YoY +17.8%	10.5 B of JPY	YoY -4.7%	7.0 B of JPY	YoY -11.9%

*EBITDA = Operating profit + Depreciation + Amortization



Upward revision of full-year financial forecast for FY2024

In the first half of FY2024, the financial results exceeded the financial forecast announced at the beginning of the period, driven by the stronger-than-expected performance of the U.S. company DCI, which was acquired last year, as well as the positive impact of the weaker JPY. While the business environment is anticipated to remain challenging in the second half and beyond, we have decided to revise our full-year financial forecast upward, considering the outperformance in the first half and the revision of our assumed exchange rates. The exchange rates assumed for this financial forecast for the second half and beyond are 1 USD = 140.00 JPY and 1 EUR = 155.00 JPY.

Net sales	75.2 B of JPY	Changed by +1.0%	YoY +26.0%
EBITDA	19.0 B of JPY	Changed by +7.0%	YoY +7.4%
Ordinary profit	14.6 B of JPY	Changed by +11.8%	YoY -14.9%
Profit attributable to owners of parents	9.6 B of JPY	Changed by +8.5%	YoY -57.7%
Assumed exchange rates	1 USD = 146.00 JPY	*Unelapsed months (Jul.-Dec.): 1 USD = 140 JPY	
	1 EUR = 159.00 JPY	*Unelapsed months (Jul.-Dec.): 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 hand piece
Ti-Max Z Series



Oral surgery system
Surgic Pro2



Clinical micro motor
NLZ



Refine
Oral hygiene system

DCI Business Establishment

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
Syringe

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

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 spindles
E-4000 Series



Micro grinder
Emax EVOLUTION



Ultrasonic polisher
Sheenus ZERO

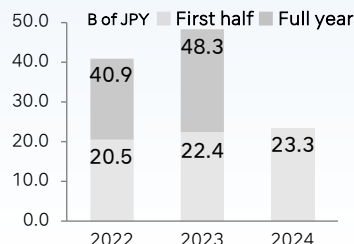


Jäger spindles
High-frequency
spindles, etc.

Performance Trends

Dental Business

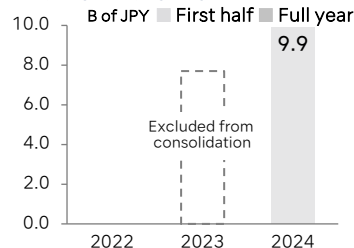
Trends in net sales



Japan	Sales results YoY ↓	Own product sales decreased due to ongoing distribution inventory adjustments. OEM sales also decreased as special demand faded.
Europe	Sales results YoY ↑	OEM sales dropped significantly due to the end of a major contract, but strong own product sales led to increase in sales.
North America	Sales results YoY ↑	New handpiece product performed well, further expanding market share. OEM sales also recovered.
Asia	Sales results YoY ↑	Sales increased with the new consolidation of Refine, though sales in China and Southeast Asia remained sluggish.
Others	Sales results YoY ↓	Sales to Australia were solid, while sales to South America, the Middle East, and Russia struggled.

DCI Business

Trends in net sales

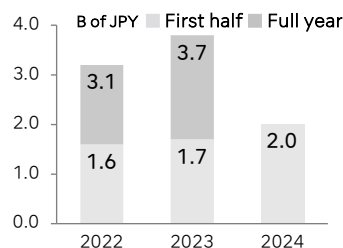


North America	Sales results YoY —	<ul style="list-style-type: none"> The U.S. company DCI's dental chair business operated exclusively in the North American market. DCI's performance saw increased sales and income in local currency, excluding exchange rate effects. <p>Overall market: Although the overall market shrank YoY, it showed signs of recovery from 2Q.</p> <p>DCI's sales: While cumulative sales volume declined in 1H, April-June sales recovered to the previous year's level.</p>
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*In the same period of the previous year, DCI's performance was not included in the consolidated financial results.

Surgical Business

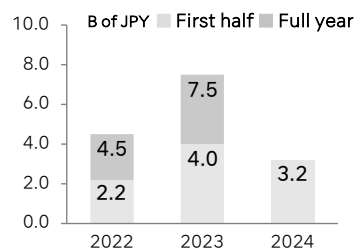
Trends in net sales



Japan	Sales results YoY ↑	Sales grew by capturing demand for consumables. The number of console installations also steadily increased.
Europe	Sales results YoY ↑	Despite financial difficulties in many hospitals and a tough market, strong inquiries led to increased sales.
North America	Sales results YoY →	Amid intense market competition, promotional efforts were successful, driving sales growth. Collaborations were also actively expanded.
Asia	Sales results YoY ↑	Sales remained solid in Asia, including China. Large projects were secured in India and Indonesia.

Industrial Business

Trends in net sales



Japan	Sales results YoY ↓	Sales decreased due to shrinking demand. Orders slightly recovered through focused proposal activities.
Europe	Sales results YoY ↓	Rising interest rates led to fewer capital investment projects. Sales decreased for both NAKANISHI and Jaeger.
North America	Sales results YoY ↓	Investment stalled due to higher interest rates. Prolonged inventory adjustments led to decreased sales.
Asia	Sales results YoY ↓	Overall capital investment remained sluggish, with fewer large projects causing decreased sales. Sales to China slightly recovered.

Topics [Dental Business: New Product]

Dental Business: New product shipment to the European market begins



In May 2024, we launched the new ultrasonic equipment for oral surgery “VarioSurg4” in the European market. This product integrates at the system level with the “Surgic Pro” series, equipment for oral surgery that commands a high market share worldwide, providing a seamless operational environment and offering high added value to oral surgeons. The console unit, smaller and lighter than previous models, features a color LCD panel for excellent visibility and ease of operation. Additionally, the high-brightness LED handpiece and TiN-coated bone-cutting tips ensure sharp cutting performance, supporting efficient oral surgery. Following its launch in the European market, this new product will be gradually introduced to the U.S. and other regions worldwide.



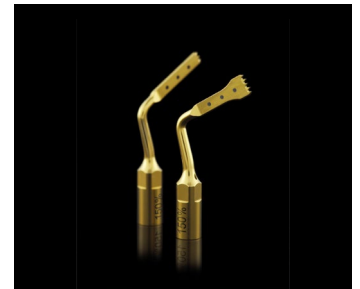
▲ High-brightness LED slim handpiece



▲ Intuitive LCD panel for easy operation



▲ Wireless connectivity with peripheral devices



▲ Tips with sharp cutting performance

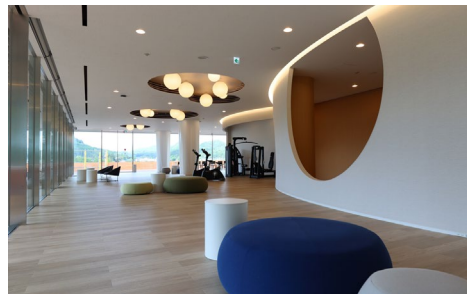
Topics [New Factory M1]

Construction project for the new factory M1: Assembly factory completed

The construction project for the new factory M1 is progressing as planned, with the completion of the first section: assembly factory in April 2024. The relocation of assembly equipment from the old factory proceeded smoothly, and operations began sequentially in each assembly area in May. To realize our current mid-term management plan and secure future growth, we have been strengthening our business foundation. The establishment of the factory A1 in 2018 and the factory A1+ in 2022 significantly increased our parts processing capacity. With the launch of the factory M1, we will enhance our assembly, packaging, and shipping capacities.

“M1” Total floor area: Approx. 20,000㎡

First section (assembly factory): Approx. 12,000㎡ / Second section (after-sales service & warehouse): Approx. 8,000㎡



Topics [Stock Index, Shareholder Returns]

Selection as constituent of JPX-Nikkei Index 400



We are pleased to announce that we have 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 2024 (from Aug. 31, 2024 to Aug. 29, 2025). This marks the second consecutive year of our inclusion in the index. We will continue to strive for the enhancement of our corporate value to meet the expectations of market participants.

Shareholder returns

■ Purchase & cancellation of treasury shares in the first half of FY2024

Toward the implementation of our shareholder returns with a total payout ratio of 50%, we purchased treasury shares in the first half of FY2024 as outlined below.

- Purchase results announced on February 20, 2024: Total of 841,200 shares/JPY 1,999 million

- *The 841,200 shares purchased were canceled as of April 5, 2024.

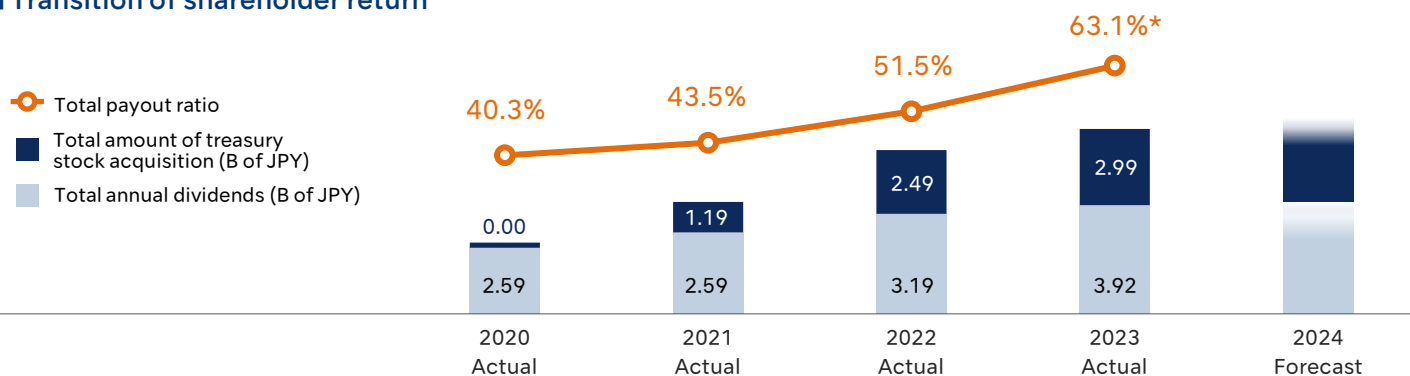
■ Interim dividends for FY2024

Due to strong results in the first half of FY2024, we will pay interim dividends of JPY 26 per share as initially forecasted.

■ FY2024 year-end dividends forecast

Considering the outlook for each business amid a challenging business environment, we plan to pay year-end dividends of JPY 26 per share, in line with the initial plan, for FY2024. Including interim dividends, total annual dividends will be JPY 52 per share.

■ Transition of shareholder return



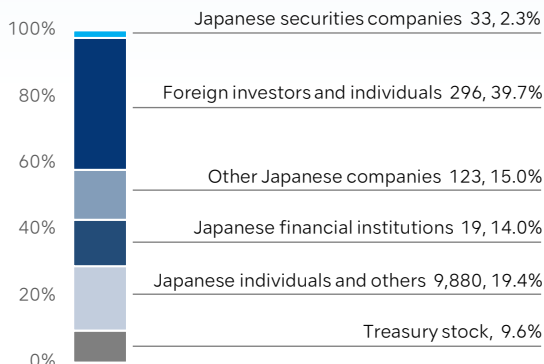
	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Forecast
Total annual dividends per share (JPY)	30.00	37.00	46.00	50.00	52.00
Dividend payout ratio (consolidated) (%)	40.3	31.7	31.6	37.0*	-
Total payout ratio (consolidated) (%)	40.3	43.5	51.5	63.1*	-

*In calculating the total payout ratio and dividend payout ratio for FY2023, the extraordinary income brought by DCI acquisition (gain on step acquisitions) has been excluded.

Stock Information

Stock information (as of June 30, 2024)

- Total number of authorized shares 375,000,000 shares
- Number of shares issued 93,418,200 shares
- Number of shareholders 10,352
- Shareholder distribution



Principal shareholders (top 10)

Name	Number of shares held (thousand)	Shareholding ratio (%)
Nakanishi E&N Inc.	4,530	5.4
Chiyo Nakanishi	4,362	5.2
Custody Bank of Japan, Ltd. (Trust accounts)	4,201	5.0
The NSK Nakanishi Foundation	3,721	4.4
SSBTC CLIENT OMNIBUS ACCOUNT	3,486	4.1
Office Nakanishi Inc.	3,120	3.7
The Master Trust Bank of Japan, Ltd. (Trust accounts)	3,107	3.7
Eiichi Nakanishi	2,814	3.3
Kensuke Nakanishi	2,798	3.3
STATE STREET BANK AND TRUST COMPANY 505001	2,665	3.3

*NAKANISHI Inc. holds 8,961 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, 2024)

Company name	NAKANISHI INC.
Established	February 1951
Representative	Eiichi Nakanishi, President & Group CEO
Capital stock	JPY 867 million
Number of employees	2,162 (Consolidated) 1,110 (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 Nakanishi Asia (Singapore) NSK Oceania (Australia) NSK America Latina (Brazil)

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

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.