



Notice Regarding Issuance of Compensation-type Stock Options (Stock Acquisition Rights)

Nakanishi Inc. (the "Company") hereby announces that it has resolved the issuance of stock acquisition rights as a form of compensation-type stock options, pursuant to the provisions of Articles 236, 238, and 240 of the Companies Act, in the Board of Directors meeting held on May 10, 2024.

Kanuma, May 10, 2024

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1. Reason of issuance of stock acquisition rights as stock options

For the purpose of further enhancement of the linkage among compensation of directors and business performance and interests of shareholders of the Company, the Company will issue stock acquisition rights as compensation-type stock options to the directors of the Company as follows.

2. Terms and conditions of issuance of stock acquisition rights

(1) Persons to be allocated the stock acquisition rights, the numbers of such persons, and the number of the stock acquisition rights to be allocated

3 of the Company's Directors 15 units

The above number of allocations is the number of scheduled allocations, and if the number of applications is less than the number of scheduled allocations, the number of allocations will be the number of applications.

(2) Class and the number of shares to be delivered upon exercise of stock acquisition rights

22,500 shares of the Company's common stock. However, if the number of shares to be delivered is adjusted as defined below, the number of shares to be delivered after adjustment shall be multiplied by the total number of the stock acquisition rights to shares.

The number of shares to be delivered per unit of stock acquisition right (hereinafter, "Number of Underlying Shares") shall be 1,500. In the event that the Company implements a stock split (including an allotment of the Company's common stock without receipt of monetary consideration; the same shall apply to the description with regard to the stock split hereinafter) or a stock consolidation after the date of allotment of stock acquisition rights, Number of Underlying Shares shall be adjusted according to the following formula. However, such adjustment shall be applicable to Number of Underlying Shares of stock acquisition rights which have not been exercised at that time, and any fraction less than one share resulting from such adjustment shall be discarded.

$$\begin{array}{l} \text{Number of Underlying} \\ \text{Shares after adjustment} \end{array} = \begin{array}{l} \text{Number of Underlying} \\ \text{Shares before adjustment} \end{array} \times \begin{array}{l} \text{Ratio of stock split} \\ \text{or consolidation} \end{array}$$

The Number of Underlying Shares after adjustment shall be applied, in the case of a stock split, on and after the day following the record date of the stock split, and in the case of a stock consolidation, on and after the effective date of the stock consolidation. However, if the stock split is implemented on the condition that a proposal to increase the amount of capital stock or legal capital surplus by reducing the amount of surplus is approved at general meeting of shareholders of the Company, and if the record date for the stock split is on or before the date of closing of such general meeting of shareholders, the Number of Underlying Shares after adjustment shall apply on and after the following date of the closing date of such general meeting of shareholders.

In addition to the above, if it is necessary to adjust the Number of Underlying Shares, the Number of Underlying Shares shall be adjusted to a reasonable extent.

(3) Total number of stock acquisition rights

15 units

The above number is the number of scheduled allocations, and if the number of applications is less than the number of scheduled allocations, the total number of stock acquisition rights will be the number of total allocations.

About Nakanishi inc.

Nakanishi raises as our mission the creation of "brilliant progress" via innovative "grinding technology" through the lens of our corporate philosophy "Our Core" values. We aim to contribute to the development of medical care and the realization of a better life for all by creating new technology.

Based on "grinding technology", we have a differentiated product lineup under world-class brands in the dental, surgical, and industrial business fields, and are sold in 145 countries around the world.

Nakanishi will continue to work together with all employees of the group companies to create innovative products that only we can create and contribute to the lives and health of people around the world.

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

Visit www.en.nakanishi-inc.jp for more information about Nakanishi Inc. and our business.

(4) Method of calculating the amount to be paid for stock acquisition rights

The amount payable (issue value) for each stock acquisition right shall be the amount obtained by multiplying the option price per share calculated by the Black-Scholes model by the Number of Underlying Shares based on the basic figures in (ii) and (vii) below (any fraction less than one yen shall be rounded up).

$$C = S e^{-rt} N(d_1) - e^{-rt} X N(d_2)$$

$$d_1 = \frac{\ln\left(\frac{S}{X}\right) + \left(r - \lambda + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}, d_2 = d_1 - \sigma\sqrt{t}$$

- i Option price per share (C)
- ii Stock price (S): Closing price of the Company's common stock at the Tokyo Stock Exchange on May 30, 2024 (if there is no closing price, the standard price on the following trading day)
- iii Exercise price (X): 1 yen
- iv Expected duration (t): 15 years
- v Volatility (σ): Rate of stock price volatility which is calculated based on the daily closing price of the Company's common stock for 15 years (from May 31, 2009 to May 30, 2024)
- vi Risk-free interest rate (r): Interest rate on Japanese government bonds whose remaining maturity corresponds to the expected maturity
- vii Dividend yield (λ): Dividends per share (Actual dividend for FY2023) / Stock price specified in (ii) above
- viii Cumulative distribution functions of normal distributions (N (·))

The amount calculated based on the above is the fair price of the stock acquisition rights, and is not classified as favorable issuance. Applicants shall receive monetary remuneration equivalent to the total amount to be paid for the stock acquisition rights, and this right to demand remuneration shall be offset against the obligation to pay in the amount to be paid for the stock acquisition rights.

(5) Value of assets to be contributed upon exercise of each stock acquisition right

The value of assets to be contributed upon the exercise of each stock acquisition right shall be the amount obtained by multiplying one yen, the amount to be paid per share to be delivered upon the exercise of the stock acquisition rights, by the Number of Underlying Shares.

(6) Exercise period of stock acquisition rights

From May 31, 2024 to May 30, 2054

(7) Conditions for exercise of stock acquisition rights

- (i) A person to whom stock acquisition rights are allotted (hereinafter referred to as "Grantees") may exercise the stock acquisition rights only during the period from the day following the day on which the position of the Company's directors has been lost until the day on which ten days have elapsed. However, if it is on or after May 31, 2053, the stock acquisition rights can be exercised even if Grantees hold the position of the Company's directors.
- (ii) Regardless of (i) above, Grantees and their heirs may exercise stock acquisition rights only within the specified period in the cases provided for below. However this shall not apply to the case where the stock acquisition rights of reorganized company is issued to Grantees in accordance with (11) below. Fifteen days from the day following the date on which approval or decision below was made.
 - In case either a) or b) is approved at the Company's general meeting of shareholders. (In case a resolution of the general meeting of shareholders is not required, the date of a resolution of the Company's board of directors or an executive officer delegated pursuant to the provisions of Article 416, Paragraph 4 of the Companies Act is taken)
 - a) a proposal for approval of a merger agreement in which the Company ceases to exist
 - b) a proposal for approval of a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary
- (iii) Partial exercise of each stock acquisition right shall not be allowed.

(8) Amount of capital stock and legal capital surplus to be increased in cases where shares are issued upon the exercise of stock acquisition rights

- (i) The amount of capital stock to be increased when issuing shares upon exercise of the stock acquisition rights shall be one half of the amount of the maximum increase of capital calculated in accordance with Article 17, Paragraph 1 of the Company Accounting Regulations, and fractions less than one yen resulting from the calculation shall be rounded up.
- (ii) The amount of legal capital surplus to be increased in cases where shares are issued upon the exercise of stock acquisition rights shall be the amount obtained by subtracting the amount of capital to be increased as set forth in (i) above from the amount of the maximum increase of capital stock as set forth in (i).

(9) Provisions concerning acquisition of stock acquisition rights

In case that any of the following proposals from (i) to (v) is approved at the Company's general meeting of shareholders (or in case a resolution of the general meeting of shareholders is not required, a resolution of the Company's board of directors or an executive officer delegated pursuant to the provisions of of Article 416, Paragraph 4 of the Companies Act is decided), the Company may acquire the stock acquisition rights at free of charge on the date separately determined by the board of directors.

- (i) a proposal for approval of a merger agreement in which the Company ceases to exist
- (ii) a proposal for approval of a split agreement or a split plan in which the Company becomes a splitting company
- (iii) a proposal for approval of a share exchange agreement or a share transfer plan in which the Company becomes a wholly-owned subsidiary
- (iv) a proposal for approval of an amendment to the Articles of Incorporation, as a matter relevant to all the shares the Company issues, to establish a provision that the approval of the Company is required for the acquisition of the Company's shares by transfer
- (v) a proposal for approval of an amendment to the Articles of Incorporation, as a matter relevant to the class of shares underlying the stock acquisition rights to shares for offering, to establish a provision that the approval of the Company is required for the acquisition of shares of that class by transfer or that the Company may acquire all shares of that class by a resolution at the General Meeting of Shareholder

(10) Restriction on transfer of stock acquisition rights

Acquisition of stock acquisition rights by transfer requires an approval of the Company's board of directors.

(11) Policy for decisions on the stock acquisition rights in the event of a structural reorganization

In the event the Company conducts a merger (only if the Company ceases to exist due to the merger), an absorption-type company split or incorporation-type company split (only if the Company is the splitting company in either case), or a share exchange or share transfer takes place (only if the Company becomes a wholly-owned subsidiary in either case) (collectively referred to as "Structural Reorganization" hereinafter), stock acquisition rights of the companies listed in Article 236, Paragraph 1, Item 8, Items (a) through (e) of the Companies Act (referred to as "Reorganized Company" hereinafter) shall be issued to Grantees of the remaining stock acquisition rights (referred to as "Remaining stock acquisition rights" hereinafter) as of the date immediately prior to the effective date of the Structural Reorganization based on the conditions set forth below. In such cases, Remaining stock acquisition rights shall be extinguished and Reorganized Company shall issue new stock acquisition rights; however, the issuance of stock acquisition rights of the Reorganized Company in accordance with the conditions below shall be stipulated in the relevant absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan.

- (i) Number of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the Remaining stock acquisition rights held by Grantees shall be issued to respective Grantees.
- (ii) Class of shares of the Reorganized Company underlying the stock acquisition rights
Common shares of the Reorganized Company.
- (iii) Number of shares of the Reorganized Company underlying the stock acquisition rights
To be determined taking into consideration the conditions of the Structural Reorganization and in accordance with "(2) Class and the number of shares to be delivered upon exercise of stock acquisition rights" above.
- (iv) Amount of assets to be contributed upon exercise of stock acquisition rights
The amount of assets to be contributed upon exercise of respective stock acquisition rights to be issued shall be the amount calculated by multiplying the payment amount after the reorganization as stipulated below by the number of shares of the Reorganized Company underlying the respective stock acquisition rights as determined in accordance with (iii) above. The payment amount after the reorganization shall be one yen per share of the Reorganized Company to be delivered upon exercise of the respective stock acquisition rights to be issued.
- (v) Period during which stock acquisition rights can be exercised
The period during which the stock acquisition rights can be exercised shall be from the date of commencement of the above "(6) Exercise period of stock acquisition rights" or the effective date of the Structural reorganization, whichever is later, to the date of expiration of the above "(6) Exercise period of stock acquisition rights".
- (vi) Capital stock and legal capital surplus to be increased in cases where shares are issued upon exercise of stock acquisition rights
To be determined in accordance with "(8) Amount of capital stock and legal capital surplus to be increased in cases where shares are issued upon the exercise of stock acquisition rights" above.
- (vii) Restriction on acquisition of stock acquisition rights by transfer
The acquisition of stock acquisition rights by transfer must be approved by a resolution of the Board of Directors of the Reorganized Company.
- (viii) Provisions concerning the acquisition of stock acquisition rights
To be determined in accordance with "(9) Provisions concerning acquisition of stock acquisition rights" above.

(12) Treatment of fractions of the number of shares to be delivered upon exercise of stock acquisition rights

Any fraction of less than one share in the number of shares to be delivered as a result of the exercise of the stock acquisition rights shall be discarded.

(13) Date of allotment of stock acquisition rights

May 30, 2024

(14) Issuance of certificates of stock acquisition rights

No certificates shall be issued for the stock acquisition rights.

Note: This document is a translation of the original Japanese document and is only for reference purposes. All readers are recommended to refer to the original version in Japanese of the release for complete information.

Source: Nakanishi Inc. www.nakanishi-inc.jp/ir/news