

May 14, 2026

To our shareholders

5-3 Hikarinooka, Yokosuka-shi, Kanagawa

Nifco Inc.

Masaharu Shibao, President & Representative Director

## **Announcement of Officer Nomination Policy and Officer Compensation Policy**

Nifco Inc. hereby announces that its Board of Directors resolved at the meeting held on May 14, 2026 to adopt the Officer Nomination Policy and the Officer Compensation Policy from FY2026 onwards. The details are as follows.

Note: Revisions to the stock compensation plan are scheduled to be resolved at the 74th Ordinary General Meeting of Shareholders to be held on June 24, 2026.

### **[Basic philosophy regarding Corporate Governance]**

The Company has continued to grow based on the Nifco Spirit, which has been cultivated since its founding in 1967 and has a "challenge spirit" and "creativity" at its core. Based on this history, and with the determination to move forward to a further stage of growth, in 2021, we established the Company's Purpose/Mission/Values as follows.

Starting from the "My Purpose" that each employee has, by fulfilling our Mission through the Company's Values and realizing the Company's Purpose, we will grow sustainably while maintaining Nifco's uniqueness, and we aim to become a company that continues to be trusted by all stakeholders, including employees, customers, shareholders, investors, users, partner companies, and local communities.

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|------------------|---|
| <b>■ Purpose</b> | <b>Sparking Innovation by fastening small insights with Technology for a better world</b>                     |
| <b>■ Mission</b> | <b>Generate excitement as a creative company</b>  |
| <b>■ Values</b>  | <b>Overcoming Challenges<br/>Continuous Breakthroughs<br/>Open Communication<br/>Innovative Collaboration</b> |

We consider it necessary to respond to the drastically changing social and economic environment flexibly and appropriately by strictly enforcing compliance and implementing appropriate risk management. At the same time, we believe it important to thoroughly disseminate and practice such principles.

Based on the above philosophy, we endeavor to fully implement corporate governance as a priority issue, and to promote reinforcement of Group management.

**[Officer Nomination Policy]**

**1. Required elements for Chief Executive Officer (CEO)**

The Company’s anticipated CEO candidate profile is an individual who can realize and embody Nifco’s corporate philosophy (Purpose, Mission, Values). Based on the corporate governance philosophy described above, the Company has defined the required elements (responsibilities and authority, main duties, expected results, competency, knowledge and skills, mindset, experience, etc.) for the CEO. The details of the competency and mindset are as follows.

Required elements		Description
Philosophy· Values	Realization of corporate philosophy	Has a deep understanding of Nifco’s corporate philosophy and corporate culture and embodies them with his/her own judgment and words and actions.
	Ethical standards	Makes decisions that not only lead to gaining benefits for Nifco but also contribute to society based on corporate social responsibility.
Competency	Establishment of vision and strategy	Gains insight into the future image of the market and users, develops business models and strategies that generate competitive advantages, and determines key indicators and order of priority.
	Promotion of Diversity	Understands and respects people with different cultures and ways of thinking and encourages diverse human resources to work together in the organization to create new ideas and technologies.
	Transformation leadership	Informs and motivates related persons of the need for change and reform, proactively takes the lead in creating and driving change, and promotes sustainable growth of the company through new business creation.
	Breakthrough	Learns from the history of Nifco, which has continued to provide new surprises to the world and is persistent in thinking outside the box and beyond frameworks and overcoming difficulties to create new surprises and joy.
	Response to	Ascertains the latest information about the business, identifies risks

	changes	and opportunities sensitively, makes timely decisions on adjustments, discontinuance or withdrawal and implements them.
	Construction & reinforcement of organization	Constructs an organization and mechanisms suitable for strategies and develops human resources through allocation of management resources and delegation of authority.
	Personality and virtue	Is well trusted by related persons inside and outside the Company who are willing to follow his/her footsteps because of his/her profound broadmindedness underpinned by sincerity, integrity and humanity.
	Learning ability and curiosity	Respects and listens to diverse opinions and information, has an attitude to consider various ways of thinking and ideas, and creates new perspectives.
	Passion and commitment	Always has a passion for and commitment to growth and the achievement of goals rather than being satisfied with the status quo and takes various measures to thoroughly get things done.

## 2. Appointment and dismissal criteria

The Company shall appoint and dismiss senior management officers with an emphasis on their understanding of the business environment and management conditions that are necessary for formulating management strategies and ability to demonstrate strong leadership in promptly and properly executing the management strategies set forth by the Board of Directors as well as their experience, particularly in global business.

The Company shall appoint the CEO in consideration of the advice and recommendations of the Nomination, Compensation, and Governance Committee based on the required elements for a CEO described above.

The Company shall dismiss the CEO based on discussions held promptly by the Committee and the Board of Directors, should any act that raises suspicion of meeting the following criteria for dismissal arise.

- (1) When there has been an act suspected of being wrongful, unjust or a breach of trust.
- (2) When he/she is found to be ineligible as CEO due to misconduct, such as a violation of the Companies Act or related laws and regulations.
- (3) When the qualities of the CEO are in doubt considering the business environment related to the required elements for a CEO described above.
- (4) When the process of performing his/her duties or the results thereof are insufficient, and it has been judged that it would be inappropriate to keep him/her in the position of CEO.

Each year, the Nomination, Compensation, and Governance Committee shall evaluate the CEO

based on the required elements for a CEO described above, his/her performance, as well as other factors, and advise the Board of Directors on his/her reappointment for the following year after confirming the CEO's plans for the coming years and his/her willingness to continue serving as CEO.

### **3. Succession plan**

The CEO succession plan shall be discussed by the Nomination, Compensation, and Governance Committee based on the required elements for a CEO described above. Specifically, based on a selection process developed through discussions at the Committee, a periodic cycle of creating and updating a candidate pool, conducting assessments by external experts, and developing individuals is conducted before narrowing down the candidates. The Board of Directors shall monitor whether the succession plan is appropriately carried out based on the report on the deliberations of the Committee.

### **4. Term of office**

The term of office of Directors who are not Audit & Supervisory Committee Members (including Independent External Directors) shall be one (1) year, and the appropriateness of their reappointment shall be determined annually.

The term of office of Directors who are Audit & Supervisory Committee Members shall be two (2) years, and the appropriateness of their reappointment shall be determined every two years.

### **5. Decision-making process**

In order to enhance the independence, objectivity, and transparency of the details of the appointment and dismissal criteria for Directors and decision-making process for nominations, the Company established the Nomination and Compensation Committee on December 10, 2018 as an advisory body of the Board of Directors, and it is chaired by and a majority of its members are Independent External Directors. The Committee was then renamed the Nomination, Compensation, and Governance Committee on October 28, 2020, in order to further strengthen the Company's actions on corporate governance.

The Nomination, Compensation, and Governance Committee, in principle, convenes no fewer than four (4) times a year, and deliberates mainly on the Directors' appointment and dismissal criteria and the CEO succession plan and provides advice and recommendations to the Board of Directors.

In order to adopt an objective viewpoint and specialized knowledge from outside the Company, the Nomination, Compensation, and Governance Committee may seek advice from an external consultant or other experts on the details of the Directors' appointment and dismissal criteria, the CEO succession plan, etc., taking into consideration factors such as external data, the

economic environment, industry trends, and management conditions.

## **6. Engagement Policy**

The Company shall promptly disclose the details of the Directors' appointment and dismissal criteria, the CEO succession plan, etc. to its shareholders through the Annual Securities Report, Business Report, Corporate Governance Report or Nifco Report, etc. that will be prepared and disclosed in accordance with various laws and regulations. In addition, the Company will actively promote engagement with institutional investors.

### **[Officer Compensation Policy]**

#### **1. Basic policy for Officer Compensation**

The Company shall set the following basic policy for compensation for Directors and Executive Officers (hereinafter, referred to as "Officers' compensation") based on the basic philosophy regarding Corporate Governance.

- (1) Officers' compensation shall be designed to contribute to the realization of our Purpose: "Sparking Innovation by fastening small insights with Technology for a better world."
- (2) Officers' compensation shall be designed as an independent, objective, and transparent compensation plan that is held accountable to our stakeholders, including employees, customers, and shareholders.
- (3) Officers' compensation shall be designed to be attractive to our employees.

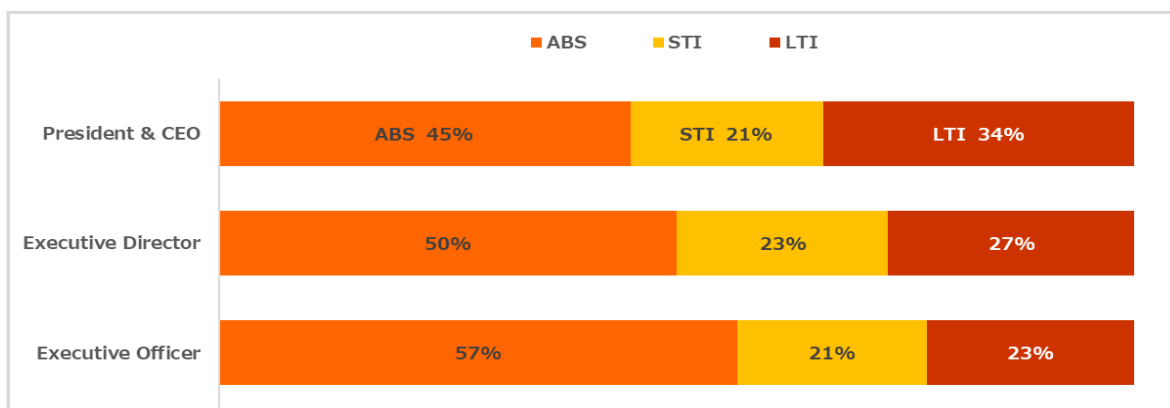
#### **2. Compensation level**

The Company determines the level of Officers' compensation based on the abovementioned basic policy, taking into account the Company's management environment and after examining and analyzing periodically the compensation levels of major companies of the same and of the same size using an external database, etc.

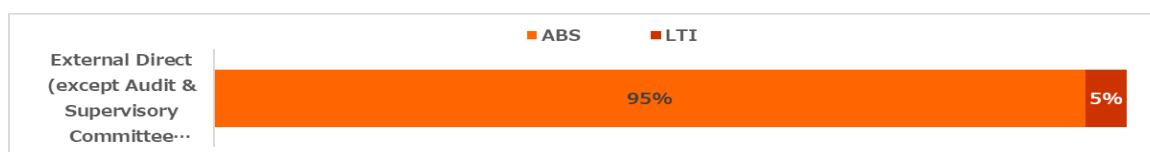
#### **3. Structure of compensation**

##### **(1) Compensation composition ratio**

The compensation structure is set as follows for each position, according to the level of responsibility. The compensation structure for the Representative Director and CEO is designed so that bonuses and stock compensation account for more than half of the total compensation.



While the compensation for independent external directors has previously consisted only of "annual base salary," from fiscal year 2026, independent external directors who are not audit and supervisory committee members will be supplemented with fixed (non-performance-linked) "stock compensation." The compensation structure for independent external directors who are not audit and supervisory committee members is as follows. The compensation for directors who are audit and supervisory committee members will continue to consist only of "annual base salary."



## (2) Overview of each compensation item

### ① Annual Base Salary (ABS)

Annual base salary is determined based on positions according to the job responsibility involved and is paid as a monthly fixed compensation to secure excellent human resources.

### ② Short Term Incentive (STI)

Short Term Incentive is paid to provide an incentive for contributions to improving company performance each fiscal year, based on the Group's consolidated business performance.

Consolidated sales and operating profit are used as KPI for bonus assessment to strengthen the earnings capabilities, and qualitative evaluation is also incorporated. The amount of bonus shall vary in principle from 0% to 200% of the base amount.

The evaluation ratio of each indicator is as follows.

Indicator	President & CEO	Executive Director	Executive Officer
Consolidated Sales	25%	20%	15%
Consolidated OP	75%	60%	55%

Qualitative Evaluation	0%	20%	30%
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\* The target values are the consolidated financial indicators to be announced at the beginning of each fiscal year after a resolution of the Board of Directors.

\* The evaluation of overseas executive officers also includes the performance of their respective regions.

The target values and coefficients for each indicator are as follows:

	Target Values	Coefficients
Consolidated Sales	Consolidated financial indicators to be announced at the beginning of each fiscal year after a resolution of the Board of Directors	Varies in the range of 0~2.0
Consolidated OP	Same as above	Varies in the range of 0~2.0
Qualitative Evaluation	To be fixed individually according to each officer's responsibility, and the Nomination, Compensation, and Governance Committee shall decide after consultation	Varies in the range of 0~2.0

### ③ Long Term Incentive (LTI, Stock compensation) ※Executive Directors & Officers

The Company's shares will be granted to officers with the aim of further enhancing their motivation to contribute to improve the Company's business performance and corporate value from a mid-to-long term viewpoint and increase value-sharing with shareholders. Stock compensation consists of performance-linked compensation (PS 50%) and non-performance-linked compensation (RS 50%).

From fiscal year 2024, our "stock compensation" system will utilize a trust mechanism to grant "restricted stock" with a transfer restriction period until retirement ("RS Trust System"), creating a system that allows for even greater value sharing with our shareholders.

Furthermore, from fiscal year 2026, our medium-term management plan will switch to a fixed-term three-year plan that further strengthens our commitment to medium- and long-term goals. Based on this, the performance evaluation timing for the performance-linked portion of stock compensation will also be changed as shown in the diagram below

FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
◆	Performance-linked portion	Evaluation			
	◆	Performance-linked portion			
		★ Changed to fixed Mid Term Plan (3 years)			
		◆	Performance-linked portion	Evaluation	
			◆	Performance-linked portion	Evaluation
				◆	Performance-linked portion Evaluation

The performance-linked portion of stock compensation, which accounts for 50% of the total, will be determined based on the achievement of targets for performance indicators in the Mid Term Plan (cumulative operating profit margin, ROE or ROIC\*, TSR, Employee Engagement), and will be set within a range of 0% to 200%. The above indicators will be reviewed appropriately and in a timely manner with each new Mid Term Plan.

\*ROE will be used as the indicator for the President & CEO, Executive Directors, and Corporate Executive Officers, while ROIC will be used for Business Unit Executive Officers.

The evaluation ratio of each indicator is as follows.

Indicator	President & CEO	
	Executive Director Executive Officer for corporate operations	Executive Officer for business operations
OP Margin (cumulative 3 years)	40%	
ROE or ROIC	ROE 30%	ROIC 30%
TSR	20%	
Employee Engagement	10%	

The target values and coefficients for each indicator are as follows:

	Target Values	Coefficients
OP Margin (cumulative 3 years)	Cumulative value for the period of the applicable Mid-Term Management Plan (in principle, three years).	Varies in the range of 0–2.0
ROE / ROIC	Final value for the period of the applicable Mid-Term	Varies in the range

	Management Plan (in principle, three years).	of 0–2.0
TSR	Comparison against TOPIX (including dividends) as of the day before the first day and the last day of the applicable Mid-Term Management Plan.	Varies in the range of 0–2.0
Employee Engagement	Final value for the period of the applicable Mid-Term Management Plan (in principle, three years), based on the “Sustainable Engagement Index” from the global employee engagement survey conducted every other year.	Varies in the range of 0–2.0

④ Stock compensation ※External Directors who are not Audit & Supervisory Committee Member  
 To further enhance value sharing with our shareholders, "stock compensation" will be added to external directors who are not audit and supervisory committee members, starting in fiscal year 2026. This stock compensation will utilize a trust mechanism and will be granted as "restricted stock" with a transfer restriction period until retirement ("RS Trust System"), and the entire amount will be non-performance-linked.

### (3) Forfeiture of compensation (Malus and clawback provision)

In the event that the Board of Directors resolves to implement a correction of financial results due to a serious accounting error or misconduct or determines that there were serious, inappropriate acts during their terms of office, the Board of Directors may restrict the payment or claim the return of bonuses and stock compensation after going through deliberation by the Nomination, Compensation, and Governance Committee.

## 4. Guidelines for holding own shares

The Company will promote holding the Company’s shares by Directors and Executive Officers in order to further raise their motivation to improve the Company’s business performance and increase its share price from the viewpoint of shareholders.

## 5. Decision-making process

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