

Notice of 72nd Annual General Meeting of Shareholders



Date and time

Thursday, June 20, 2024
10 a.m. (reception begins at 9:30 a.m.)

Venue

4-1-23 Shiba, Minato-ku, Tokyo
Mita NN Hall, B1F (1st basement floor), Mita NN Building

Proposals

- | | |
|------------|---|
| Proposal 1 | Appropriation of Surplus |
| Proposal 2 | Election of Five Directors Who Are Not Audit and Supervisory Committee Members |
| Proposal 3 | Partial Revision to Stock-Based Compensation System for Directors, etc. Who Are Not Audit and Supervisory Committee Members |

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To Our Shareholders

The right to vote at general meetings of shareholders is an important right of shareholders. Please review the attached Reference Documents for the General Meeting of Shareholders before exercising your voting rights.
For details of how to exercise your voting rights, please see page 3.

Nifco Inc.

Securities Code: 7988

To Shareholders

Securities Code: 7988

June 4, 2024

(Start date of electronic provision measures: May 29, 2024)

5-3 Hikari-no-oka, Yokosuka, Kanagawa

Nifco Inc.

President & Representative Director

Masaharu Shibao

Notice of the 72nd Annual General Meeting of Shareholders

We would like to express our gratitude for your continued support.

You are cordially invited to attend the 72nd Annual General Meeting of Shareholders of the Company, which will be held as described below.

For this General Meeting of Shareholders, we have taken electronic provision measures for the Reference Documents for the General Meeting of Shareholders, etc. (electronic provision measures). For such documents, please refer to one of the following websites:

[Company website]

<https://www.nifco.com/en/news/detail/2024shoushuu.html>

(Please access the above website and select “Notice of the 72nd Annual General Meeting of Shareholders.”)



[Website for the materials for the General Meeting of Shareholders]

<https://d.sokai.jp/7988/teiji/>



[Tokyo Stock Exchange website (TSE-listed company information service)]

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>



(In the TSE website, enter “Nifco Inc.” in Issue name (company name) or “7988” in code and click search. In the page that appears, select [Basic Information] -> [Documents for public inspection / PR information] to display the list of available documents. From the list, select [Click here for access] under **Notice of General Shareholders Meeting / Information Materials for a General Shareholders Meeting.**)

Please review the attached Reference Documents for the General Meeting of Shareholders before exercising your voting rights.

[Voting in writing (by mail)]

Please indicate your approval or disapproval of the proposals on the agenda on the enclosed Voting Rights Exercise Form and return it to us to arrive by no later than 5 p.m. on Wednesday, June 19, 2024.

[Voting via the Internet]

To exercise your voting rights via the Internet, **please enter your approval or disapproval of the proposals in accordance with the onscreen instructions by no later than 5 p.m. on Wednesday, June 19, 2024**, by (1) scanning the login QR code or (2) accessing the website for exercising voting rights designated by the Company (<https://soukai.mizuho-tb.co.jp/>).

If you exercise your voting rights via the Internet, please refer to “Guide to Exercising Voting Rights via the Internet, etc.” on page 4.

If you do not indicate your approval or disapproval of a proposal when you exercise your voting rights by means of the Voting Rights Exercise Form, it will be treated as an approval.




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|-----------------|--|---|--------------------------|--|--|---|---|--|-----------------|--------------------------|-----------------|--|-----------------|---|
| 1 | Date and time | Thursday, June 20, 2024, at 10 a.m. (reception begins at 9:30 a.m.) | | | | | | | | | | | | |
| 2 | Location | Mita NN Hall, B1F (1st basement floor), Mita NN Building 4-1-23 Shiba, Minato-ku, Tokyo | | | | | | | | | | | | |
| 3 | Objectives | <table border="0" style="width: 100%;"><tr><td style="vertical-align: top; padding-right: 10px;">Reports</td><td>1. Business Report, Consolidated Financial Statements and Results of Audit of Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 72nd fiscal year (from April 1, 2023, to March 31, 2024)</td></tr><tr><td></td><td>2. Non-consolidated Financial Statements for the Company’s 72nd fiscal year (from April 1, 2023, to March 31, 2024)</td></tr><tr><td style="vertical-align: top; padding-right: 10px;">Resolutions</td><td><table border="0" style="width: 100%;"><tr><td style="vertical-align: top; padding-right: 10px;">Proposal No. 1:</td><td>Appropriation of Surplus</td></tr><tr><td style="vertical-align: top; padding-right: 10px;">Proposal No. 2:</td><td>Election of Five Directors Who Are Not Audit and Supervisory Committee Members</td></tr><tr><td style="vertical-align: top; padding-right: 10px;">Proposal No. 3:</td><td>Partial Revision to Stock-Based Compensation System for Directors, etc. Who Are Not Audit and Supervisory Committee Members</td></tr></table></td></tr></table> | Reports | 1. Business Report, Consolidated Financial Statements and Results of Audit of Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 72nd fiscal year (from April 1, 2023, to March 31, 2024) | | 2. Non-consolidated Financial Statements for the Company’s 72nd fiscal year (from April 1, 2023, to March 31, 2024) | Resolutions | <table border="0" style="width: 100%;"><tr><td style="vertical-align: top; padding-right: 10px;">Proposal No. 1:</td><td>Appropriation of Surplus</td></tr><tr><td style="vertical-align: top; padding-right: 10px;">Proposal No. 2:</td><td>Election of Five Directors Who Are Not Audit and Supervisory Committee Members</td></tr><tr><td style="vertical-align: top; padding-right: 10px;">Proposal No. 3:</td><td>Partial Revision to Stock-Based Compensation System for Directors, etc. Who Are Not Audit and Supervisory Committee Members</td></tr></table> | Proposal No. 1: | Appropriation of Surplus | Proposal No. 2: | Election of Five Directors Who Are Not Audit and Supervisory Committee Members | Proposal No. 3: | Partial Revision to Stock-Based Compensation System for Directors, etc. Who Are Not Audit and Supervisory Committee Members |
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| 4 | Guide to Exercising Voting Rights | Please refer to the “Guide to Exercising Voting Rights” on page 3. | | | | | | | | | | | | |
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- When attending the meeting, please present the enclosed Voting Rights Exercise Form to the receptionist at the meeting.
- If any amendments are made to the Electronic Provision Measures, a notice to that effect along with the matters before and after amendment will be posted on each website indicated above.

There will be no social gathering or gifts on the day of the General Meeting of Shareholders. We would appreciate your understanding.
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Please review the attached Reference Documents for the General Meeting of Shareholders before exercising your voting rights.

		
<h3>Voting via the Internet</h3> <p>Enter your approval or disapproval of each proposal according to the instructions on the next page.</p> <hr/> <p>Deadline</p> <p>Entries completed by 5 p.m. on Wednesday, June 19, 2024</p>	<h3>Voting in writing (by mail)</h3> <p>Indicate your approval or disapproval of the proposals on the enclosed voting form and return it to us.</p> <hr/> <p>Deadline</p> <p>Voting cards must arrive by 5 p.m. on Wednesday, June 19, 2024</p>	<h3>Attending the General Meeting of Shareholders</h3> <p>Submit the enclosed Voting Rights Exercise Form to the receptionist at the meeting.</p> <hr/> <p>Date and time</p> <p>Thursday, June 20, 2024 10 a.m. (Reception starts at 9:30 a.m.)</p>

Instructions for Filling Out the Voting Rights Exercise Form

[illegible]

- 3 -

Guide to Exercising Voting Rights via the Internet

Scanning login QR code: “Smart Voting”

You can log in to the voting website without entering your voting code and password.

- 1 議決権行使書紙右下に記載のQRコードを読み取ってください。



※「QRコード」は株式会社デンソーウェブの登録商標です。

- 2 以降は画面の案内に従って賛否をご入力ください。



「スマート行使」での議決権行使は**1回のみ**。
議決権行使後に行使内容を変更する場合は、お手数ですがPC向けサイトへアクセスし、議決権行使書紙に記載の「議決権行使コード」・「パスワード」を入力してログイン、再度議決権行使をお願いいたします。
※QRコードを再度読み取っていただくと、PC向けサイトへ遷移できます。

If you are not sure how to operate your computer, smartphone, or mobile phone when exercising your voting rights via the Internet, please contact us with the information on the right.

Institutional investors can use the electronic voting platform for institutional investors operated by ICJ, Inc.

Entering your voting code and password

Voting website <https://soukai.mizuho-tb.co.jp/>

- 1 議決権行使ウェブサイトへアクセスしてください。



「次へすすむ」をクリック

- 2 議決権行使書紙に記載された「議決権行使コード」をご入力ください。



「議決権行使コード」を入力

「次へ」をクリック

- 3 議決権行使書紙に記載された「パスワード」をご入力ください。



「初期パスワード」を入力

実際にご使用になる新しいパスワードを設定してください

「登録」をクリック

- 4 以降は画面の案内に従って賛否をご入力ください。

※操作画面はイメージです。

Internet Help Dial, Stock Transfer Agency Department,
Mizuho Trust & Banking Co., Ltd.

0120-768-524

(Business hours: 9:00 to 21:00)

1. Current Status of the Corporate Group

(1) Business in the Current Fiscal Year

<a> Business Progress and Results

During the fiscal year under review (hereinafter “the period”), the Japanese economy experienced production cuts in the automobile industry and weak exports of goods in the manufacturing sector due to the suspension of shipments by some automobile manufacturers and other factors. On the other hand, in the non-manufacturing sector, business confidence improved significantly due to factors such as a recovery in inbound demand, increased margins from price pass-through, and progress in digitalization. Looking overseas, in the Chinese economy, although business conditions made a rapid recovery going into 2023 on the lifting of the zero-COVID-19 policy, they have slowed since spring because of factors such as the end of stay-at-home demand, a slowdown in exports of IT-related products, and a stagnant real estate market. The European economy also experienced a slowdown due to global sluggishness in demand for goods, as well as pent-up demand and inbound demand running their course post-COVID-19 in the service sector. In the U.S. economy, the manufacturing sector continued to increase production of automobiles and high-tech-related goods in industrial production, while a trend of a production decline continued in other manufacturing sectors. Meanwhile, in the non-manufacturing sector, business conditions improved in areas such as agriculture, forestry, and fisheries, accommodation and food services, and health care, boosting the economy overall. As a result, the global economy was generally on a recovery trend despite some regional weaknesses. However, the outlook remains uncertain due to factors such as the stagnant real estate market within the Chinese economy, continuing tension in the Middle East, and anticipated changes in the international political balance as a result of elections in various countries around the world. With regard to automobile manufacturers, which are the main customers of Nifco Inc. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”), in the Japanese market, both production volume and sales volume increased year on year for the period, despite the impact from factors such as suspended shipments by some automobile manufacturers. In overseas markets as well, due to the easing of semiconductor supply constraints, etc., both production and sales volumes in China, Europe, the U.S.A., and other markets increased year on year.

As a result, the Group’s consolidated earnings were as follows. Net sales for the period amounted to 371,639 million yen, up 15.5% year on year. In terms of profits, operating profit increased 27.5% year on year to 43,925 million yen, due to controlling increases in fixed costs such as depreciation and personnel expenses, despite the soaring prices of raw materials and electricity. Ordinary profit increased 31.1% year on year to 49,665 million yen due to foreign exchange gains resulting from the depreciating yen. Profit attributable to owners of parent decreased 13.8% year on year to 18,252 million yen, mainly due to the posting of 18,765 million yen in extraordinary losses, including an allowance for losses on business transfer related to the transfer of the German business and an impairment loss.

The recognition, analysis, and examination of operating results by segment are as follows.

Net sales in each segment are to external customers.

(i) Industrial Plastic Parts & Components

(For the domestic automobile industry)

For automotive production in Japan, sales exceeded the initial plan and the previous year’s results from the first to the third quarter due to increased production in response to the elimination of the shortage of semiconductors. However, fourth quarter sales did not exceed the plan due to a series of production cuts in connection with certification test irregularities by a number of automobile manufacturers since December 2023 and the Noto Peninsula Earthquake. However, the full-year sales total exceeded the plan due to factors such as contributions from mold sales associated with the launch of new vehicles, compensation for electric power charges, compensation for production cutbacks, and price revision negotiations.

(For the overseas automobile industry)

Overseas, both net sales and profits exceeded the plan and increased year on year thanks to support from generally strong automobile demand. In particular, business for Korean OEMs remained strong due to factors such as increased production by customers, and both net sales and profits substantially exceeded the plan and increased year on year, especially in South Korea, North America, and Europe. For Japanese OEMs, net sales and profits grew overall supported by strong sales by customers in the U.S., where sales and profits increased, and also firm performance mainly in India and Indonesia. However, in China, Japanese OEMs struggled due to sluggish sales, resulting in an overall decrease in net sales and profit. Furthermore, in Europe, the German OEM business faced a difficult time in terms of profits. In particular, the U.S. subsidiary that conducts business for German customers suffered losses due to operational problems. In the current fiscal year, we aim to further boost profitability by improving our business portfolio through the sale of the German OEM business to purge loss-making businesses, while strengthening capital investment in the strong Korean OEM business and the Japanese OEM business in North America and India.

[For other industries]

In the housing and living sector, the number of new housing starts was sluggish due to soaring construction costs and real estate prices, leading to a decline in production related to household equipment, where the Group has major customers, and this resulted in performance falling short of the initial plan. In the sports and outdoor sector, sites in China delivered higher profits due to aggressive sales activities to brands made in China, but performance fell short of the initial plan due to continued significant production cutbacks at major customers in Europe and the U.S. caused by a drop in consumption due to global inflation.

As a result of the above, net sales in the industrial plastic parts & components business increased 15.9% from the previous fiscal year to 334,729 million yen. Segment profit was up 25.8% year on year to 42,840 million yen.

(ii) Bed and furniture business

In the bedding & furniture business, both net sales and profits increased due to steady sales to retailers and exports, as well as strong demand from hotels, partly reflecting inbound demand recovery, although the market in Japan was affected by factors such as soaring raw material prices and cost increases due to the yen's depreciation. Meanwhile, demand overseas from hotels increased at all sites, as it did in Japan, and wholesale and retail sales grew steadily, especially in China, resulting in higher net sales and profits. As a result, net sales in the bedding & furniture business increased 11.7% year on year to 36,910 million yen. Segment profit rose 11.2% year on year to 6,544 million yen.

Net Sales and Production by Business Category

Business category	Net sales	Comparison with the previous period	Output	Comparison with the previous period
	Million yen	%	Million yen	%
Industrial Plastic Parts & Components	334,729	115.9	229,414	112.1
Bed and furniture business	36,910	111.7	13,193	113.5
Total	371,639	115.5	242,607	112.2

 Capital Investment

Capital expenditures in the current period totaled 10,018 million yen. These included the acquisition of molds and equipment at Nifco America Corporation, our subsidiary.

In addition, the ongoing construction and expansion of major facilities during the current period is for the acquisition of production facilities to promote future global expansion and production automation in the industrial plastic parts & components, our core business.

<c> Funding Status

No noteworthy financing was conducted during the current period.

(2) Assets and Income for the Previous Three Fiscal Years

		69th Period (April 1, 2020, to March 31, 2021)	70th Period (April 1, 2021, to March 31, 2022)	71st Period (April 1, 2022, to March 31, 2023)	72nd Period (Current period) (April 1, 2023, to March 31, 2024)
Net sales	(Million yen)	256,078	283,777	321,771	371,639
Ordinary profit	(Million yen)	29,535	33,602	37,876	49,665
Profit attributable to owners of parent	(Million yen)	18,402	22,959	21,170	18,252
Profit per share		181.09 yen	227.27 yen	211.28 yen	183.26 yen
Total assets	(Million yen)	307,127	333,068	359,150	380,405
Net assets	(Million yen)	178,649	200,875	226,127	247,052
Net assets per share		1,737.80 yen	1,978.36 yen	2,237.06 yen	2,455.97 yen

- (Notes)
- Profit per share is calculated based on the average number of shares outstanding during the period and net assets per share is calculated based on the total number of shares outstanding at the end of the period. The total number of shares outstanding excludes treasury shares.
 - The Company introduced the Executive Compensation BIP Trust in the 65th fiscal year and the Stock Grant ESOP Trust in the 66th fiscal year, and the shares of the Company held by these trusts are recorded as treasury shares in the consolidated financial statements. For this reason, in the calculation of profit per share, these shares are included in treasury shares that are excluded in calculating the average number of shares during the period, and in the calculation of net assets per share, these shares are included in treasury shares that are excluded in calculating the total number of shares outstanding at the end of the period.

(3) Statuses of Parent Company and Major Subsidiaries

<a> Status of the Parent Company

Not applicable.

 Status of Major Subsidiaries

Company name	Share capital	Voting rights of the Company (%)		Main Business
		Direct	Indirect	
Nifco America Corporation	US\$ 3,500 thousand	100.00	—	Manufacturing and sales of industrial plastic parts & components
Nifco Central Mexico S. de R. L. de C. V.	325,258 thousand Mexican pesos	47.49	52.51	Manufacturing and sales of industrial plastic parts & components
Nifco UK Ltd.	14,510 thousand pounds	—	100.00	Manufacturing and sales of industrial plastic parts & components
Nifco Korea Poland Sp. z o.o.	6,000 thousand zloty	—	100.00	Manufacturing and sales of industrial plastic parts & components
Nifco Germany GmbH	25 thousand euros	—	※100.00	Manufacturing and sales of industrial plastic parts & components
Shanghai Nifco Plastic Manufacturer Co., Ltd.	US\$3,000 thousand	—	100.00	Manufacturing and sales of industrial plastic parts & components
Dongguan Nifco Co., Ltd.	HK\$75,000 thousand	—	90.00	Manufacturing and sales of industrial plastic parts & components
Beijing Nifco Co., Ltd.	US\$ 14,534 thousand	—	100.00	Manufacturing and sales of industrial plastic parts & components
Nifco Taiwan Corporation	NT\$150,000 thousand	92.00	—	Manufacturing and sales of industrial plastic parts & components
Nifco Korea Inc.	34,400,000 thousand won	100.00	—	Manufacturing and sales of industrial plastic parts & components
Nifco (Thailand) Co., Ltd.	320,000 thousand baht	100.00	—	Manufacturing and sales of industrial plastic parts & components
Union Nifco Co., Ltd.	100,000 thousand baht	50.00	—	Manufacturing and sales of industrial plastic parts & components
Nifco Poland Sp. z o.o.	9,000 thousand zloty	—	100.00	Manufacturing and sales of industrial plastic parts & components
Simmons Co., Ltd.	259,150 thousand yen	99.96	—	Manufacture and sale of beds, import and sale of furniture
Simmons Bedding & Furniture (HK) Limited	HK\$10,000 thousand	—	100.00	Bed and furniture business

(Notes) 1. Percentages of voting rights of the Company are rounded down to the indicated decimals.

2. On April 15, 2024, the Company transferred all shares of Nifco Germany GmbH.

(4) Challenges to Be Addressed

The automotive industry, which is a major market in the Group, is expected to continue to grow on a global basis, but various changes such as geopolitics are taking place, and demands from customers are becoming more diverse and complex.

Therefore, in order for the Group to make further advancement and growth, it is important to respond appropriately to these issues and needs and to improve customer satisfaction on a global basis.

To achieve this goal, we are focusing on developing products and production process technologies that accurately and quickly respond to the needs of each user, the improvement of working styles, the development of human resources and Nifco's job-type personnel system (a method of clearly defining jobs, and then hiring people with the appropriate skills and work experience to perform those jobs), and constructing information systems for security and IT utilization. At the same time, we are currently working to further strengthen the budget control of global group companies, build a cooperative framework among regional bases through the introduction of an overseas regional control system, and promote rapid decision-making in the field.

The Company respects the intellectual property rights of other companies. We strive to avoid infringing the intellectual property rights of other companies by conducting patent research and other activities from the development stage to ensure that the Company's products do not infringe their intellectual property rights, thereby reducing the risk of litigation related to intellectual property. During the current period, there were no lawsuits filed by a third party concerning intellectual property rights.

(5) Main Business (as of March 31, 2024)

The Group is primarily engaged in the industrial plastic parts & components, including industrial plastics and fasteners and plastic functional precision components. The Group's subsidiaries also engage in the bed and furniture business.

(6) Major Offices and Plants (as of March 31, 2024)

Nifco Inc.	Headquarters	5-3 Hikari-no-oka, Yokosuka, Kanagawa
	Branch office	Minato-ku, Tokyo
	Plant	Nagoya, Sagami-hara
	Business office	Utsunomiya, Saitama, Asaka, Ota, Suzuka, Hamamatsu, Osaka, Hiroshima
	Research institute	Yokosuka
Nifco America Corporation	Headquarters	Ohio, U.S.A.
Nifco Central Mexico S. de R. L. de C. V.	Headquarters	Guanajuato, Mexico
Nifco UK Ltd.	Headquarters	Stockton-on-Tees, United Kingdom
Nifco Korea Poland Sp. z o.o.	Headquarters	Zory, Poland
Shanghai Nifco Plastic Manufacturer Co., Ltd.	Headquarters	Shanghai, China
Dongguan Nifco Co., Ltd.	Headquarters	Guangdong Province, China
Beijing Nifco Co., Ltd.	Headquarters	Beijing, China
Nifco Taiwan Corporation	Headquarters	Taoyuan, Taiwan
Nifco Korea Inc.	Headquarters	Asan-si, South Korea
Nifco (Thailand) Co., Ltd.	Headquarters	Chonburi, Thailand
Union Nifco Co., Ltd.	Headquarters	Bangpakong, Thailand
Nifco Poland Sp. z o.o.	Headquarters	Swidnica, Poland
Simmons Co., Ltd.	Headquarters	Minato-ku, Tokyo
	Plant	Oyamacho, Sunto-gun, Shizuoka
Simmons Bedding & Furniture (HK) Limited	Headquarters	Hong Kong

(7) Status of Employees (as of March 31, 2024)

<a> People Working for Corporate Groups

Business category	Number of employees		Change from the end of the previous fiscal year	
Industrial Plastic Parts & Components	9,138	(3,004)	Increased 24	(Increased 163)
Bed and furniture business	932	(255)	Increased 18	(Decreased 4)
Company-wide (common)	156	(-)	Increased 15	(-)
Total	10,226	(3,259)	Increased 57	(Increased 159)

- (Notes)
1. The numbers indicated under “Number of employees” are the number of people working (excluding employees seconded from the Group to outside the Group, and including employees seconded from outside the Group to the Group and regular part-timers). Among them, the numbers indicated in parentheses are the average numbers of temporary employees per year (part-timers, temporary employees from temporary employment agencies, and temporary workers, excluding part-timers who work regularly), and are not included in the numbers on the left.
Other than these, there are 14 employees seconded to our affiliates.
 2. The number of employees indicated as under “Company-wide (common)” is the number of people who belong to administrative departments not belonging to a specific segment.
 3. The number of employees at the end of the previous fiscal year, which is the basis for “change from the end of the previous fiscal year,” is calculated under the conditions described in Note 1.

 Employees for the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average years of service
1,363 (354)	Increased 2 (decreased 29)	42.3	16.6

- (Notes)
1. The numbers indicated under “Number of employees” are the number of people working (excluding employees seconded from the Company to outside the Company, and including employees seconded from outside the Company to the Company and regular part-timers). Among them, the numbers indicated in parentheses are the average numbers of temporary employees per year (part-timers, temporary employees from temporary employment agencies, and temporary workers, excluding part-timers who work regularly), and are not included in the numbers on the left.
Other than these, there are 14 employees seconded to our affiliates.
 2. The number of employees at the end of the previous fiscal year, which is the basis for “change from the end of the previous fiscal year,” is calculated under the conditions described in Note 1.

(8) Status of Major Lenders (as of March 31, 2024)

Lenders	Borrowings
MUFG Bank, Ltd.	6,977 million yen
Mizuho Bank, Ltd.	3,285 million yen
Sumitomo Mitsui Banking Corporation	3,000 million yen
The Shizuoka Bank, Ltd.	2,000 million yen

(9) Other Important Matters Concerning the Current Status of the Corporate Group

Not applicable.

2. Current Status of the Company

(1) Stocks (as of March 31, 2024)

<a> Total Number of Shares Authorized 233,000,000

 Total Number of Shares Outstanding 100,257,053

(Note) As a result of the cancellation of treasury shares on September 29, 2023, the total number of shares outstanding decreased by 7,251,901 shares from the end of the previous fiscal year.

<c> Number of Shareholders 4,261

<d> Major Shareholders (top 10)

Shareholder name	Number of shares held	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	17,881,700	17.94
Toshiaki Ogasawara Memorial Foundation	10,343,665	10.37
Custody Bank of Japan, Ltd. (trust account)	7,140,400	7.16
GOLDMAN, SACHS & CO. REG	6,093,278	6.11
Nippon Life Insurance Company	2,915,390	2.92
SSBTC CLIENT OMNIBUS ACCOUNT	2,795,837	2.80
Dai-ichi Life Insurance Company, Ltd.	2,065,400	2.07
TAIYO FUND, L.P.	1,837,300	1.84
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	1,685,800	1.69
GOVERNMENT OF NORWAY	1,660,699	1.66

The shareholding ratio is calculated after deducting treasury shares (603,468 shares).

The Company shares (377,810 shares) held by the Executive Compensation BIP Trust account and the Company shares (49,739 shares) held by the Stock Grant ESOP Trust account are not included in treasury shares.

<e> Status of Shares Delivered to Officers as Consideration for Their Performance During the Current Fiscal Year

		Shares	Number of recipients
Directors (excluding Audit and Supervisory Committee Members)	Directors (excluding external directors)	23,752	1
	External directors	-	-
Directors (Audit and Supervisory Committee Members)		-	-

(Notes) For details of the Company's stock-based compensation system, please refer to the "Notice Concerning The Officer Nomination Policies and The Officer Compensation Policies" (<https://www.nifco.com/en/csr/governance/pdf/2023OfficerNominationPoliciesAndOfficerCompensationPolicies.pdf>) on the Company's website in fiscal 2023.

(2) Share Acquisition Rights, etc.

<a> Share Acquisition Rights Held by Officers as Consideration for Their Performance (as of March 31, 2024)

Not applicable.

 Status of Share Acquisition Rights Delivered to Employees, etc. as Consideration for the Performance of Duties during the Current Fiscal Year

Not applicable.

<c> Other Important Matters Related to Share Acquisition Rights

Not applicable.

(3) Status of Company Officers

<a> Directors (as of March 31, 2024)

Position	Name	Responsibilities and significant concurrent positions
President & Representative Director CEO (Chief Executive Officer)	Masaharu Shibao	
Director, Chairman	Toshiyuki Yamamoto	
Director, Senior Executive Managing Officer CFO (Chief Financial Officer) CSO (Chief Strategy Officer)	Toshiki Yauchi	
Director	Yoshiko Nonogaki	External Director, GS Yuasa Corporation External Director, Sato Holdings Corporation
Director	Brian K. Heywood	Taiyo Pacific Partners L.P. CEO External Director, Roland DG Corporation External Director, Roland Corporation
Director	Masayuki Abe	
Director (Full-time Audit and Supervisory Committee Member)	Junji Honda	
Directors (Audit and Supervisory Committee Members)	Mitsuhiro Matsumoto	Certified public accountant External Director, Suzuki Co., Ltd. (Audit and Supervisory Committee Member)
Directors (Audit and Supervisory Committee Members)	Izumi Hayashi	Lawyer External Director, Weathernews Inc. External Director, NOF Corporation

(Notes) 1. Directors Yoshiko Nonogaki, Brian K. Heywood and Masayuki Abe, and Directors (Audit and Supervisory Committee Members) Mitsuhiro Matsumoto and Izumi Hayashi are external directors.

- Director (Full-time Audit and Supervisory Committee Member) Junji Honda has worked in the Accounting Division of the Company for many years and has considerable financial and accounting knowledge.
- Director (Audit and Supervisory Committee Member) Mitsuhiro Matsumoto is a certified public accountant and has considerable financial and accounting knowledge.
- The Company has designated directors Yoshiko Nonogaki, Brian K. Heywood and Masayuki Abe, as well as directors (Audit and Supervisory Committee Members) Mitsuhiro Matsumoto and Izumi Hayashi, as independent officers pursuant to the provisions of the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange of their appointment.
- Junji Honda has been selected as a full-time member of the Audit and Supervisory Committee in order to enhance information-gathering, enhance the effectiveness of audits through adequate collaboration with the Internal Audit Department, etc., and strengthen the audit and supervisory functions.

** Summary of the Contents of the Liability Limitation Agreement**

In accordance with the Articles of Incorporation, the Company has entered into agreements with the directors (excluding those who are executive directors, etc.) to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under such agreements is 20 million yen or the minimum liability amount stipulated by laws and regulations, whichever is higher.

<c> Summary, etc. of Contents of Officers' Liability Insurance Contract

The Company has entered into a liability insurance (Directors and Officers insurance, or D&O insurance) contract with an insurance company for officers as provided in Article 430, Paragraph 3-1 of the Companies Act.

The scope of insured persons under this insurance policy includes the Company directors, executive officers and management employees, etc., as well as officers of the Company subsidiaries, and insured persons do not pay any insurance premiums. The insurance policy provides that the insured is liable for the performance of its duties or is compensated for any damage that may result from receiving a claim related to the pursuit of such liability.

However, there are certain disclaimers; for example, damages caused by acts committed while knowing that they are violation of the law, and damages caused when profits or benefits are obtained illegally are not covered.

<d> Compensation, etc. of Directors

i. Policies, etc. for Determining the Content of Compensation, etc. for Directors

At a meeting held on May 17, 2024, the Board of Directors of the Company resolved to establish Officer Nomination Policies and Officers Compensation Policy for fiscal 2024 and thereafter. When the Board of Directors makes a resolution, it consults the Nomination, Compensation and Governance Committee on the matters to be resolved and receives a report in advance. The Officers Compensation Policy includes:

1. Basic Policy on 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: "Sparkling 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 composition ratio of the Representative Director, President & CEO consists of 47% base salary, 20% bonus, and 33% stock compensation. It is designed so that a bonus and stock compensation accounts for more than half of the total compensation.

Compensation for Directors who are not Audit & Supervisory Committee Members, and Executive Officers consists of "Base Salary," "Bonus" and "Stock compensation." As for Independent External Directors and Directors who are Audit & Supervisory Committee Members, their compensation is "Base Salary" only.

The compensation of the Chairman and Director shall be based on the response to important management issues designated by CEO and the Board of Directors and the results thereof.

(2) Overview of each compensation item

<a> Base Salary

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.

 Bonus (annual incentive)

Bonus is paid to provide an incentive for the contribution to improve company performance for each single fiscal year, as an incentive for 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.

<c> Stock compensation (mid-to-long term incentive)

The Company's shares will be granted to the 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. The Stock compensation consists of performance-linked compensation (PS 50%) and non-performance-linked compensation (RS 50%).

Since 2016, the stock compensation system has been adopted in which company shares are delivered to each eligible person using a trust mechanism. Until now, points were awarded during the term of office, and the company's stock equivalent to the number of cumulative points were awarded upon retirement. From 2024, the system is changed to a method of granting restricted shares through a trust mechanism during each officer's term of office (the "RS Trust System"), creating a system that allows its officers to share value with our shareholders even more than before. In addition, in order to respond more flexibly to changes in the social environment, the Company has implemented a rolling Mid-Term Management Plan, in which the Plan is reviewed every year to further strengthen incentives for mid-to-long term goals in light of the perspective of shareholders and investors.

The performance-linked portion, which accounts for 50% of stock compensation, is determined based on the evaluation of the achievement of targets for performance indicators (Cumulative OP, ROIC, TSR) in the mid-term management plan, and is determined within the range of 0% to 200%. The above indicators will be reviewed in a timely and appropriate manner each time the rolling mid-term plan is set. The non-performance-linked portion, which accounts for 50% of stock compensation, shall be paid as stock compensation to grant a fixed number of shares in order to further enhance the link with shareholder value for a mid to long term.

(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 of its own 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

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 efforts on governance going forward. The Nomination, Compensation, and Governance Committee, in principle, convenes no fewer than four (4) times a year, and deliberates on individual compensation amounts and qualitative assessments to provide 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 compensation levels and systems, 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 Officers' compensation plan to its shareholders through the Annual Securities Report, Business Report, Corporate Governance Report or the corporate website, 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.

ii. Total Amount of Compensation, etc. for the Current Fiscal Year

Category	Total amount of compensation, etc. (Million yen)	Total amount of compensation by type (Million yen)			Number of eligible officers
		Basic Compensation	Performance-linked compensation	Non-monetary compensation, etc.	
Directors (excluding Audit and Supervisory Committee Members) (External directors)	271 (28)	166 (28)	61 (-)	44 (-)	5 (2)
Directors (Audit and Supervisory Committee Members) (External directors)	60 (28)	52 (28)	8 (-)	- (-)	4 (3)
Total (External officers)	331 (56)	218 (56)	69 (-)	44 (-)	9 (5)

- (Notes)
- At the end of the current fiscal year, there were six Directors who were not Audit and Supervisory Committee Members (including three external directors) and three Directors who were Audit and Supervisory Committee Members (including two external directors). The number of directors paid excludes one non-remunerated external director.
 - Performance indicators related to performance-linked compensation are consolidated net sales and consolidated operating profit, and the results are shown in “1. Current Status of the Corporate Group” in “(2) Assets and Income for the Previous Three Fiscal Years.” The reason for selecting these indexes is from the perspective of strengthening the earning power of our core business. For details, please refer to the “Notice Concerning The Officer Nomination Policies and The Officer Compensation Policies” on the Company’s website for fiscal 2023.
(<https://www.nifco.com/en/csr/governance/pdf/2023OfficerNominationPoliciesAndOfficerCompensationPolicies.pdf>)
 - The non-monetary compensation consists of the Company shares. For the conditions of the allotment, please refer to the Company’s website above.
 - At the 69th Annual General Meeting of Shareholders held on June 24, 2021, it was resolved that the maximum amount of compensation for directors who are not members of the Audit and Supervisory Committee would be 460 million yen per year (60 million yen for external directors). The number of directors who are not Audit and Supervisory Committee Members at the conclusion of this General Meeting of Shareholders is six. (Three of them are external directors.) In addition to monetary compensation, the 69th Annual General Meeting of Shareholders held on June 24, 2021, resolved that a performance-linked stock-based compensation system using a trust for directors and executive officers (excluding external directors and overseas residents) should not exceed 400 million yen per fiscal year, with three directors and nine executive officers subject to the plan immediately after the conclusion of the meeting.
 - At the 69th Annual General Meeting of Shareholders held on June 24, 2021, it was resolved that the maximum amount of compensation for directors who are members of the Audit and Supervisory Committee would not exceed 90 million yen per year. The number of directors who are Audit and Supervisory Committee Members at the conclusion of this General Meeting of Shareholders is three.
 - The amount of individual compensation for directors is resolved by the Board of Directors in response to a voluntary report by the Nomination, Compensation and Governance Committee.
 - The Board of Directors has confirmed that the policy for determining the content of compensation, etc. and the content of compensation, etc. determined are consistent with the decision policy resolved by the Board of Directors and that the reports from the Nomination, Compensation and Governance Committee are respected. Accordingly, the Board of Directors has determined that compensation, etc. for individual directors for the current fiscal year is in line with the said decision policy.

<e> Matters Related to External Officers

(i) Significant Concurrent Positions Held in Other Corporations, etc., and the Relationship between the Company and Such Other Corporations, etc.

Director Yoshiko Nonogaki is an external director of GS Yuasa Corporation and an external director of Sato Holdings Corporation. There is no special relationship between the Company and the two companies.

Director Brian K. Heywood is CEO of Taiyo Pacific Partners L.P., external director of Roland DG Corporation, and external director of Roland Corporation. Taiyo Pacific Partners L.P. holds shares in the Company and has entered into an advisory agreement with the Company for the purpose of providing advice and proposals on management and business strategies, but the services of the advisory agreement are provided by different members of Taiyo Pacific Partners L.P. There is no special relationship between the Company and the two other companies.

Director (member of the Audit and Supervisory Committee) Mitsuhiro Matsumoto is an external director (member of the Audit and Supervisory Committee) of Suzuki Co., Ltd. There is no special relationship between the Company and Suzuki Co., Ltd.

Director (member of the Audit and Supervisory Committee) Izumi Hayashi is an external director of Weathernews Inc. and an external director of NOF Corporation. There is no special relationship between the Company and the two companies.

(ii) Principal Activities in the Current Fiscal Year

	Summary of duties performed in terms of attendance, opinions expressed, and roles expected of external directors
Yoshiko Nonogaki, Director	<p>Attended 14 of the 14 Board of Directors meetings held during the current fiscal year. At meetings of the Board of Directors, she has expressed her opinions and asked questions about strategies and other matters related to the overall business in Japan and overseas, mainly based on her extensive experience and insight at major companies.</p> <p>She also attended eight of the eight committee meetings held during the current period as chairperson of the voluntary Nomination, Compensation and Governance Committee. In this committee, she offered advice on strengthening the structure for our company's continued growth and enhancement of corporate value, drawing on her extensive experience and insight at major companies.</p>
Brian K. Heywood, Director	<p>Attended 14 of the 14 Board of Directors meetings held during the current fiscal year. Based on his extensive experience and insight as a specialist in corporate management and investment, he has expressed his opinions and asked questions at the Board of Directors meetings regarding the Company's management strategy and overseas business, particularly from the perspective of shareholders and investors.</p> <p>He also attended eight of the eight meetings of the voluntary Nomination, Compensation and Governance Committee held during the current fiscal year. With his extensive experience and insight as a corporate management and investment specialist, he expresses his opinions in meetings on what the Company should be like.</p>
Masayuki Abe, Director	<p>Attended 14 of the 14 Board of Directors meetings held during the current fiscal year. At the meetings of the Board of Directors, he has expressed his opinions and asked questions about DX and IT and systems based on his extensive experience and insight cultivated in the IT field, mainly at major companies.</p>
Directors (Audit and Supervisory Committee Members) Mitsuhiro Matsumoto	<p>Attended 14 of the 14 Board of Directors meetings and 17 of the 17 Audit and Supervisory Committee Meetings held during the current fiscal year. Mainly from his professional perspective as a certified public accountant, he expressed his opinions and asked questions on finance and accounting at meetings of the Board of Directors, and expressed his opinion focusing on accounting and financial auditing at meetings of the Audit and Supervisory Committee.</p>
Directors (Audit and Supervisory Committee Members) Izumi Hayashi	<p>Attended 11 of the 11 Board of Directors meetings and 9 of the 9 Audit and Supervisory Committee Meetings held during the current fiscal year. She provided advice and recommendations to ensure the appropriateness and validity of the Board of Directors' decision-making, mainly by expressing her opinions from her professional perspective as an attorney and an intellectual property expert, and made remarks at the Audit and Supervisory Committee with an emphasis on the internal control system.</p>

<f> Officer Nomination Policies and Officer Compensation Policies

After deliberations by the Nomination, Compensation and Governance Committee, the Board of Directors resolved at its meeting held on May 17, 2024, to establish policies on the appointment of directors and the officers' compensation for fiscal 2024 and thereafter. For details, please refer to the Company's website (<https://www.nifco.com/en/csr/governance/pdf/2024NominationPolicies.pdf>).

(4) Status of Accounting Auditor

<a> Name KPMG AZSA LLC

** Amount of Compensation**

	Amount paid
Amount of compensation for the Accounting Auditor for the current fiscal year	100 million yen
Total amount of money and other property benefits owed by the Company and its subsidiaries to the Accounting Auditor	119 million yen

- (Notes) 1. In the auditing contract between the Company and the Accounting Auditor, the amount of audit fees, etc. for audits conducted under the Companies Act and those conducted under the Financial Instruments and Exchange Act is not clearly differentiated, and therefore the total amount of these fees, etc. for the Accounting Auditor for the current fiscal year is stated.
2. The Audit and Supervisory Committee of the Company have decided to agree on the amount of compensation paid to the Accounting Auditor after conducting necessary verification of the appropriateness of the amount by comparing the performance of the Accounting Auditor and the amount of compensation paid by peer companies to their auditors.
3. Fourteen of the Company's significant subsidiaries, including Nifco America Corporation and Nifco South Korea Inc., are audited by certified public accountants or auditing firms (including those with equivalent qualifications in foreign countries) other than the Accounting Auditor of the Company.

<c> Details of Non-audit Services

Not applicable.

<d> Policy on Decisions of Dismissal or Non-Reappointment of Accounting Auditor

If the Accounting Auditor is deemed to deserve dismissal by the Audit and Supervisory Committee as stipulated in each item of Article 340, Paragraph 1 of the Companies Act, or if it is deemed difficult for the Accounting Auditor to perform its duties properly, the Company will propose the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders as determined by the Audit and Supervisory Committee.

<e> Summary of the Contents of the Liability Limitation Agreement

Not applicable.

(5) System to Ensure the Appropriateness of Business Operations

The Board of Directors has resolved on a system to ensure that the execution of duties by directors complies with laws, regulations and the Articles of Incorporation, and to ensure the appropriateness of the business operations of the Company as follows:

1. System to ensure that the performance of duties by directors and employees complies with laws, regulations and the Articles of Incorporation

Under the Nifco Group Charter of Corporate Behavior and under the leadership of the Compliance Committee established based on the Company Compliance Regulations, the Group shall establish an internal system in which directors and employees carry out their duties with a high sense of ethics, not to mention compliance with laws and regulations.

Under the supervision of the Compliance Committee, when an approach is taken by antisocial forces, the Group shall block and eliminate them without ever responding to unreasonable demands.

2. System for the preservation and management of information related to the execution of duties by directors

Based on the Document Management Rules, the Company shall establish a system that ensures the preservation and management of such information so that the decision-making process of directors concerning the execution of duties and details and the execution status of duties can be reviewed at any time.

3. Regulations and systems for the management of risk of loss

Led by the Risk Management Committee established based on the Risk Management Basic Regulations, the Group shall identify and analyze its major risks, consider and implement preventive measures for each risk, and establish a reactive system to minimize losses in the unlikely event that a risk materializes.

In addition, the Information Security System based on the Information Security Policy shall be promoted primarily by the Information Security Committee.

4. System to ensure efficient execution of duties by directors

The directors shall efficiently execute important management matters through thorough discussion in the Board of Directors and monthly management committee meetings.

In addition, directors shall ensure the efficient execution of their duties by having the executive officers and department heads in charge attend management committee meetings as necessary in order to receive reports on the status of execution and management of pending issues and give appropriate instructions.

The Group shall establish a system that ensures that decisions, policies and instructions by directors will be communicated to all corners of the organization through such communication, and the execution of duties by executive officers and other senior employees will be conducted in an integrated and efficient manner.

5. System to ensure the appropriateness of business operations in the corporate group

In accordance with the Regulations on the Authority of Affiliates in Japan and abroad, the directors shall accurately ascertain the status of subsidiaries belonging to the corporate group and manage them appropriately.

Also, each month, directors shall receive not only a qualitative report on performance but also a qualitative report on customers, products, etc. Furthermore, when necessary, directors and senior employees shall visit subsidiaries, including those overseas, to identify and resolve problems.

6. Matters relating to the system for directors and employees who assist with the duties of the Audit and Supervisory Committee, the independence of such employees from the directors, and the effectiveness of instructions to such employees

When the Audit and Supervisory Committee requests staff, the Board shall coordinate their execution of duties with utmost respect to such request. The employees designated as staff members shall preferentially perform the services directed by the Audit and Supervisory Committee, and shall not be subject to the direction of a director (excluding directors who are Audit and Supervisory Committee Members) in connection with the services so directed.

In addition, prior consent from the Audit and Supervisory Committee shall be obtained for personnel changes and personnel evaluations of employees designated as staff members.

7. System for directors (excluding directors who are Audit and Supervisory Committee Members) and employees to report to the Audit and Supervisory Committee

The Board of Directors shall ensure that directors and employees are fully aware of their obligations to report important matters to the Audit and Supervisory Committee. In addition, in accordance with the Nifco Group Internal Reporting Regulations, the Board of Directors shall set up internal and external whistleblowing contact point to collect information widely on compliance violations.

Information received by the whistleblower contact point shall be reported to the Audit and Supervisory Committee. The Group shall ensure that the whistleblower will not be subjected to adverse dispositions or unfair treatment on the basis of the report. Full-time members of the Audit and Supervisory Committee shall attend management committee meetings of operating departments as well as the Board of Directors to receive reports on the execution status of duties conducted by directors and executive employees. The full-time member of the Audit and Supervisory Committee shall inspect all the documents for approval in advance and shall ask questions and receive reports from directors or employees in charge regarding the contents of the documents for the approval.

8. System to ensure that audits by the Audit and Supervisory Committee are conducted effectively

The Representative Director and other directors shall regularly exchange views with the Audit and Supervisory Committee, which in turn shall regularly discuss with the Internal Audit Department. In addition, the Audit and Supervisory Committee and the Internal Audit Department shall consult and review with the Accounting Auditor and, as necessary, discuss and exchange views with the audit departments of domestic and foreign subsidiaries.

Expenses, etc. incurred in the execution of duties by members of the Audit and Supervisory Committee shall be dealt with appropriately and promptly.

(6) Overview of the Operational Status of the System for Ensuring the Appropriateness of Business Operations

The Company has developed the internal control system described above, and based on the basic policy, the following specific initiatives are being implemented.

<a> Efforts to Ensure Proper and Efficient Execution of Duties

In principle, the Board of Directors meets once a month, and the management committee bodies, composed of full-time officers and others, deliberate on each proposal, supervise the status of business execution, and exchange opinions, thus ensuring the effectiveness of decision-making and supervision.

** Efforts to Ensure the Effectiveness of Audits Conducted by the Audit and Supervisory Committee**

The Audit and Supervisory Committee conducts audits in accordance with its audit plan established by the Audit and Supervisory Committee, and by attending meetings of the Board of Directors and regularly exchanging information with the Accounting Auditor and the Internal Audit Department, it audits the execution of duties by directors, develops the system for internal control, and monitors the operation of the system.

<c> Initiatives for Internal Control over Financial Reporting

In accordance with the audit plan for internal controls, the Internal Audit Department conducts internal control assessments to ensure the reliability and appropriateness of financial reporting across the Group, and reports the assessment results to the Board of Directors.

(7) Basic Policy on Control of the Company

Not applicable.

(8) Basic Policy on Determination of Dividends of Surplus

The Company has adopted a dividend policy of targeting approximately 30% of consolidated profit. The reason for adopting this policy is that the contribution of overseas subsidiaries to the consolidated profit has increased due to the progress of globalization of the Group, so that a payout ratio based on consolidated profit rather than non-consolidated profit of the Company contributes to shareholder returns. The year-end dividend for the current fiscal year will be 32 yen per share. Together with the interim dividend of 32 yen per share already distributed, the annual dividend becomes 64 yen per share.

Consolidated Financial Statements

Consolidated Balance Sheet (as of March 31, 2024)

(Million yen)

Item	Current period	(Reference) Previous period	Difference	Item	Current period	(Reference) Previous period	Difference
Assets				Liabilities			
Current assets	269,806	243,668	26,137	Current liabilities	84,091	71,744	12,346
Cash and deposits	149,784	129,793	19,991	Notes and accounts payable—trade	26,601	25,076	1,525
Notes receivable—trade	1,750	1,668	82	Short-term borrowings	5,529	8,903	(3,374)
Electronically recorded monetary claims—operating	8,114	7,771	343	Current portion of long-term borrowings	10,075	10,209	(134)
Accounts receivable—trade	57,410	52,262	5,148	Accounts payable—other	6,543	5,190	1,353
Contract assets	1,171	786	384	Income taxes payable	5,523	5,329	193
Securities	1,144	691	452	Contract liabilities	4,899	4,240	658
Merchandise and finished goods	27,414	27,966	(552)	Provision for bonuses	2,924	2,517	407
Work in process	3,173	3,226	(52)	Allowance for losses on business transfer	10,068	—	10,068
Raw materials and supplies	10,289	10,020	269	Other	11,924	10,277	1,647
Other	9,844	9,742	102	Non-current liabilities	49,262	61,278	(12,015)
Allowance for doubtful accounts	(292)	(261)	(31)	Bonds payable	35,000	35,000	—
Non-current assets	110,599	115,482	(4,882)	Long-term borrowings	285	10,345	(10,060)
Property, plant and equipment	96,953	104,921	(7,967)	Deferred tax liabilities	6,344	7,175	(830)
Buildings and structures	45,618	48,118	(2,500)	Retirement benefit liability	1,886	1,818	67
Machinery, equipment and vehicles	17,675	19,780	(2,105)	Other	5,746	6,938	(1,192)
Tools, furniture and fixtures	3,966	4,426	(460)	Total liabilities	133,353	133,023	330
Mold	4,614	4,458	155	Net assets			
Land	18,973	18,502	470	Shareholders' equity	218,983	209,966	9,017
Leased assets	46	44	2	Share capital	7,290	7,290	—
Construction in progress	2,851	2,913	(62)	Capital surplus	—	13,908	(13,908)
Other	3,207	6,676	(3,468)	Retained earnings	215,302	208,459	6,842
Intangible assets	1,407	1,887	(480)	Treasury shares	(3,608)	(19,691)	16,083
Goodwill	—	467	(467)	Accumulated other comprehensive income	24,712	13,585	11,127
Other	1,407	1,419	(12)	Valuation difference on available-for-sale securities	2,028	737	1,291
Investments and other assets	12,238	8,673	3,564	Deferred gains or losses on hedges	(21)	(63)	42
Investment securities	4,764	3,317	1,446	Revaluation reserve for land	6	6	—
Deferred tax assets	1,847	963	884	Foreign currency translation adjustment	23,019	13,002	10,017
Retirement benefit assets	2,829	1,664	1,164	Remeasurements of defined benefit plans	(320)	(96)	(223)
Other	2,797	2,728	69	Non-controlling interests	3,356	2,576	780
Allowance for doubtful accounts	(0)	(0)	0	Total net assets	247,052	226,127	20,924
Total assets	380,405	359,150	21,255	Total liabilities and net assets	380,405	359,150	21,255

(Note) Differences from the previous fiscal year are presented for reference.

Consolidated Statement of Income (April 1, 2023, to March 31, 2024)

(Million yen)

Item	Current period	Previous period (for reference)	Difference
Net sales	371,639	321,771	49,868
Cost of sales	269,936	235,927	34,008
Gross profit	101,703	85,843	15,860
Selling, general and administrative expenses	57,777	51,403	6,373
Operating profit	43,925	34,439	9,486
Non-operating income	6,838	4,538	2,300
Interest income	1,369	527	841
Gain on valuation of investment securities	61	413	(351)
Foreign exchange gains	4,383	2,315	2,068
Other	1,023	647	375
Non-operating expenses	1,098	1,101	(2)
Interest expenses	720	520	200
Other	378	580	(202)
Ordinary profit	49,665	37,876	11,788
Extraordinary income	76	158	(82)
Gain on sale of non-current assets	76	42	33
Insurance claim income	-	116	(116)
Extraordinary losses	18,765	2,378	16,387
Impairment losses	8,531	1,903	6,628
Loss on sale and retirement of non-current assets	165	128	36
Business restructuring expenses	-	317	(317)
Loss on suspension of operations due to COVID-19	-	28	(28)
Allowance for losses on business transfer	10,068	-	10,068
Profit before income taxes	30,975	35,657	(4,681)
Income taxes—current	13,901	12,670	1,231
Income taxes—deferred	(2,212)	855	(3,068)
Profit	19,286	22,130	(2,844)
Profit attributable to non-controlling interests	1,033	960	73
Profit attributable to owners of parent	18,252	21,170	(2,917)

(Note) Differences from the previous fiscal year are presented for reference.

Consolidated Statement of Changes in Equity (April 1, 2023, to March 31, 2024)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,290	13,908	208,459	(19,691)	209,966
Changes during the fiscal year					
Dividends of surplus			(6,520)		(6,520)
Profit attributable to owners of parent			18,252		18,252
Purchase of treasury shares				(3,037)	(3,037)
Disposal of treasury shares		67		256	323
Cancellation of treasury shares		(18,864)		18,864	-
Transfer from retained earnings to capital surplus		4,889	(4,889)		-
Net changes in items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	-	(13,908)	6,842	16,083	9,017
Balance at end of period	7,290	-	215,302	(3,608)	218,983

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	737	(63)	6	13,002	(96)	13,585	2,576	226,127
Changes during the fiscal year								
Dividends of surplus								(6,520)
Profit attributable to owners of parent								18,252
Purchase of treasury shares								(3,037)
Disposal of treasury shares								323
Cancellation of treasury shares								-
Transfer from retained earnings to capital surplus								-
Net changes in items other than shareholders' equity during the fiscal year	1,291	42	-	10,017	(223)	11,127	780	11,907
Total changes during the fiscal year	1,291	42	-	10,017	(223)	11,127	780	20,924
Balance at end of period	2,028	(21)	6	23,019	(320)	24,712	3,356	247,052

Notes to Consolidated Financial Statements

1. Notes on Important Matters That Serve As the Basis for Preparation of Consolidated Financial Statements

(1) Scope of Consolidation

<a> Consolidated Subsidiaries

- | | |
|--|--|
| i. Number of Subsidiaries | 50 |
| ii. Names of Major Consolidated Subsidiaries | Nifco America Corporation
Nifco Korea Inc.
Simmons Co., Ltd. |

 Non-consolidated Subsidiaries

- | | |
|---|------------------------|
| i. Name of Non-consolidated Subsidiary | Breezeway Capital Inc. |
| ii. Reasons for Exclusion from the Scope of Consolidation | |

The non-consolidated subsidiary is excluded from the scope of consolidation because it is small in size and its total assets, net sales, profit and loss (amount commensurate with equity) and retained earnings (amount commensurate with equity) have little impact on the consolidated financial statements and are immaterial as a whole.

<c> Status of Companies, etc., Which Have Not Become Subsidiaries Although the Company Owns the Majority of the Voting Rights

There are no such companies.

(2) Application of the Equity Method

<a> Companies, etc. to Which the Equity Method Is Applied

- | | |
|--|-------------------------|
| i. Number of Companies or Affiliates to Which the Equity Method Is Applied | 1 |
| ii. Names of Major Companies, etc. | Nichiei Seiki Co., Ltd. |

 Non-consolidated Subsidiary or Affiliate to Which the Equity Method Is Not Applied

- | | |
|--|------------------------|
| i. Name of Non-consolidated Subsidiary | Breezeway Capital Inc. |
| ii. Reasons for Not Applying the Equity Method | |

The equity method is not applied to the company because excluding it from the application of the equity method has little impact on the consolidated financial statements and is immaterial as a whole, in view of its profit and loss (amount commensurate with equity) and retained earnings (amount commensurate with equity).

<c> Status of Companies Where the Company Owns No Less than 20/100 and No More than 50/100 of Voting Rights but That Are Not Affiliated

There are no such companies.

<d> Special Notes on Equity Method Application Procedures

For equity method affiliates with a different closing date from the consolidated closing date, the financial statements for the most recent fiscal year of each company are used.

(3) Changes in Scope of Consolidation and Scope of Application of the Equity Method

<a> Change in Scope of Consolidation

Companies excluded from the scope of consolidation due to liquidation during the current period
Nifco Trading Ltd.
Nifco (Chongqing) Limited Liability Company

 Change in Scope of Equity Method

There are no such companies.

(4) Business Year of Consolidated Subsidiaries

The following consolidated subsidiaries have different closing dates:

Companies that close accounts on December 31	Nifco America Corporation Nifco Korea USA Inc. Nifco UK Ltd. Nifco Poland Sp. z o.o.
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Nifco Germany GmbH
 Shanghai Nifco Plastic Manufacturer Co., Ltd.
 Dongguan Nifco Co., Ltd.
 Tifco (Dongguan) Co., Ltd.
 Beijing Nifco Co., Ltd.
 Nifco (HK) Ltd.
 Nifco Taiwan Corporation
 Nifco Korea Inc.
 Nifco (Thailand) Co., Ltd.
 Union Nifco Co., Ltd.
 Nifco Manufacturing (Malaysia) Sdn. Bhd.
 Nifco Vietnam Ltd
 Simmons Bedding & Furniture (HK) Limited
 27 other companies

For these companies, the most recent financial statements available at the closing date are used in preparing the consolidated financial statements. However, for significant transactions that occurred during the period from January 1, 2024, to the consolidated closing date of March 31, 2024, adjustments necessary for consolidation have been made.

(5) Matters Related to Accounting Policies

<a> Valuation Standards and Methods for Significant Assets

i. Valuation Standards and Methods for Securities

- Held-to-maturity debentures The amortized cost method (straight-line method) is used.
- Other securities
 - Securities other than stocks, etc. with no market value The market value method is used (all valuation differences are reported directly to net assets, and the cost of sale is determined primarily by the moving-average method).
 - Stocks, etc. without market value The cost method based on the moving-average method is mainly used.

ii. Valuation Standards and Methods for Derivatives

- Derivatives The market value method is used.

iii. Valuation Standards and Methods for Inventories

- Merchandise, finished goods, work in process, raw materials and supplies (excluding inventories related to molds) The cost method based on the gross average method is mainly used. (For values in the balance sheet, devaluation based on a decline in profitability is used.)
- Inventories related to molds The cost method based on the individual method is used. (For values in the balance sheet, devaluation based on a decline in profitability is used.)

 Depreciation Method for Significant Depreciable Assets

- i. Property, plant and equipment (excluding leased assets) The straight-line method is used for the Company and subsidiaries in Japan, and the straight-line method is mainly used for overseas subsidiaries.

Principal useful lives are as follows:

Buildings and structures	1 to 50 years
Machinery, equipment and vehicles	2 to 20 years
Tools, furniture and fixtures	1 to 20 years
Mold	1 to 11 years

- ii. Intangible assets
(excluding leased assets)
 - Software for internal use The straight-line method based on the internal estimated useful life (5 years) is used.
 - Other intangible fixed assets Depreciation is made based on economic useful lives.
- iii. Leased assets The straight-line method is used, with the lease term as the useful life and zero as the residual value.

<c> Basis for Recognition of Significant Provisions

- i. Allowance for doubtful accounts In order to prepare for possible loss from bad debts including loans receivable, uncollectible amounts are estimated for general receivables based on the historical loan loss ratio, and for specific receivables such as doubtful receivables based on individual estimates of collectability.
- ii. Provision for bonuses For the Company and certain consolidated subsidiaries, the amount is recorded based on the estimated amount to be paid to cover the payment of bonuses to employees.
- iii. Allowance for losses on business transfer
In order to prepare for expected losses arising from the transfer of the business, the Company has recorded an amount expected to be incurred in the future.

<d> Basis for Recognition of Significant Revenues and Expenses

The details of the principal performance obligations of the Company and its consolidated subsidiaries in relation to revenue from contracts with customers and the ordinary point in time at which such performance obligations are satisfied (the ordinary point in time at which revenue is recognized) are as follows:

<a> Industrial Plastic Parts & Components Business

In the industrial plastic parts & components business, the Company mainly manufactures and sells industrial plastic fasteners and precision plastic molded parts, and provides customers with components used in the automotive and home appliance industries.

For the sale of these products, we consider that the performance obligation is delivering the products to the customer based on the sales contract with the customer. We recognize revenue at the time of delivery of the products because, in principle, the customer acquires control over the products at the time of delivery and we determine that the performance obligation is satisfied at this point in time. Performance obligations over which a transaction price is distributed are sold independently.

In the calculation of transaction prices, revenue is recognized on the basis of the amount of consideration promised in the contract with the customer from which the amount of discount is deducted.

These amounts of promised consideration are not adjusted because they do not include significant financial factors. Consideration for performance obligations is generally received within one year, depending on when the performance obligations are satisfied and the customer's payment terms.

For transactions of paid supply goods subject to repurchase agreements, inventories are recognized for goods remaining at supplied parties as financial transactions, and "other current liabilities" are recognized for inventories of paid supply goods remaining at the end of period at supplied parties. For transactions of paid supply goods, only the processing cost is recognized as revenue on a net basis.

** Bed and Furniture Business**

In the bed and furniture business, we manufacture and sell beds and purchase and sell bedding and furniture, and supply them to mass merchandisers, specialty stores, department stores, hotels, etc.

For the sale of these products or merchandise, we consider that the performance obligation is delivering the products or merchandise to the customer based on the sales contract with the customer. We recognize revenue at the time of delivery of the products or merchandise because, in principle, the customer acquires control over the products or merchandise at the time of delivery and we determine that the performance obligation is satisfied at this point in time. Performance obligations to fulfill transaction prices are usually sold independently.

In the calculation of transaction prices, revenue is recognized on the basis of the amount of consideration promised in the contract with some customer from which the amount of sales promotion expenses is deducted.

These amounts of promised consideration are not adjusted because they do not include significant financial factors. Consideration for performance obligations is generally received within one year, depending on when the performance obligations are satisfied and the customer's payment terms.

For some transactions of paid supply goods, inventories are continued to be recognized for goods remaining at supplied parties as financial transactions, and "other current liabilities" are recognized for inventories of paid supply goods remaining at the end of period at supplied parties.

<e> Other Significant Matters for Preparation of Consolidated Financial Statements

- | | |
|--|--|
| i. Accounting for Retirement Benefits | <p>In calculating retirement benefit obligations, the benefit calculation formula is mainly used to attribute estimated retirement benefits to the period up to the end of the current period.</p> <p>The cost of past service is expensed from the fiscal year using the straight-line method over a fixed number of years within the average remaining service years at the time of expensing, but some consolidated subsidiaries expense immediately in the fiscal year.</p> <p>Actuarial gains and losses are expensed from the fiscal year using the straight-line method over a fixed number of years (10 years) within the average remaining service years at the time of expensing, but some consolidated subsidiaries expense immediately in the fiscal year or use the straight-line method over 5 to 10 years starting from the next fiscal year.</p> <p>Unrecognized actuarial gains and losses and unrecognized past service cost are recognized in remeasurements of defined benefit plans in accumulated other comprehensive income in net assets, with tax effect adjustment.</p> <p>Some consolidated subsidiaries use the simplified method.</p> |
| ii. Standards for the Translation of Significant Foreign Currency Assets or Liabilities into Japanese Currency | <p>Foreign currency receivables and payables are translated into Japanese yen at the spot exchange rate on the balance sheet date, and translation differences are recognized in profit or loss.</p> <p>Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the year-end spot exchange rates. Revenues and expenses are translated at the average exchange rates during the period, and translation differences are included in foreign currency translation adjustments in non-controlling interests and net assets.</p> |
| iii. Method of Hedge Accounting | <p><a> Method of Hedge Accounting</p> <p>The Company employs deferred hedge accounting. In addition, when hedging of foreign exchange fluctuation risks satisfies the requirements for designation, we apply designation, and when interest rate swaps satisfy the conditions for exceptional accounting, we apply exceptional accounting.</p> <p> Hedging Instruments and Hedged Items</p> <p>The hedging instruments and hedged items for which hedge accounting was applied during the current period are as follows:</p> <p style="padding-left: 20px;">Hedging instruments: Currency swaps, interest rate swaps</p> <p style="padding-left: 20px;">Hedged item: Loans receivable</p> <p><c> Hedging Policy</p> <p>The Company primarily hedges foreign exchange risks and interest rate risks in accordance with its internal rule, Derivative Handling Regulations. Consolidated subsidiaries are authorized by the Company in accordance with the Regulations on the Authority to Operate Domestic Subsidiaries and Affiliates and the Regulations on the Authority to Operate Overseas Subsidiaries and Affiliates.</p> <p><d> Method of Evaluating Hedge Effectiveness</p> <p>Validity is assessed in accordance with the Practical Guidelines for Accounting Standards of Financial Instruments (Japanese Institute of Certified Public Accountants).</p> <p>However, evaluating hedge effectiveness is omitted for transactions for which exceptional accounting or designation as defined in the Financial Instruments Accounting Standards, etc. is applied as hedge accounting.</p> |
| iv. Amortization of Goodwill | <p>Goodwill is amortized on a straight-line basis over the estimated period in which the effect of the investment is realized.</p> |

2. Notes on Changes in Accounting Policies

Not applicable.

3. Notes on Changes in Presentation

(Consolidated statement of income)

“Gain on valuation of derivatives” and “Subsidy income” under “Non-operating income” and “Compensation expenses” under “Non-operating expenses,” which were presented independently in the previous fiscal year, are included in “Other” under “Nonoperating income” and “Other” under “Non-operating expenses,” respectively, from the current fiscal year due to monetary insignificance.

4. Notes on Accounting Estimates

Recognition of impairment losses on non-current assets held by Nifco Germany GmbH and Nifco KTW America Corporation

(1) Amount Recorded in the Consolidated Financial Statements for the Current Period

Nifco Germany GmbH	Book value	32 million yen	Impairment losses	5,368 million yen
Nifco KTW America Corporation	Book value	10 million yen	Impairment losses	3,162 million yen

(2) Information on the Content of Significant Accounting Estimates for Identified Items

As described in “6. Notes to Consolidated Statements of Income, Impairment Loss,” due to the conclusion of a business transfer agreement on Nifco Germany GmbH and Nifco KTW America Corporation, in the event of sale, the business subject to sale is grouped as a single cash-generating unit.

The assets related to the business subject to this sale were classified and measured as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” If a fair value less costs to sell falls below the carrying amount, any difference between the carrying amount and the fair value less costs to sell is recognized as an impairment loss. As a result of the measurement, it was found the fair value less costs to sell was less than the carrying amount. Consequently, the carrying amount was reduced to the fair value less costs to sell and the reduction was recognized as an impairment loss (8,531 million yen).

The estimated fair value less costs to sell for the measurement of impairment loss is calculated based on the business transfer agreement, etc. Any development in the status of future business transfers may incur additional impairment losses in the consolidated financial statements for the following fiscal year and beyond.

5. Notes to Consolidated Balance Sheet

(1) Assets Pledged as Collateral and Collateralized Debt

<a> Assets Pledged as Collateral

Cash and deposits	56 million yen
Notes receivable–trade	175 million yen

 Collateralized Debt

Notes payable–trade	185 million yen
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(2) Accumulated Depreciation of Property, Plant and Equipment 212,299 million yen

Accumulated depreciation of property, plant and equipment includes accumulated impairment losses.

(3) Contingent liability

On-site investigation by Korea Fair Trade Commission

Our Korean consolidated subsidiary was subject to an on-site investigation by the Korea Fair Trade Commission (South Korea) on July 5, 2023 (local time), on suspicion of violating the Monopoly Regulation and Fair Trade Act in relation to trade in industrial plastic parts & components products.

Although the investigation is still ongoing, the results may have an impact on the Group’s business results and financial position.

6. Notes to Consolidated Statement of Income

Impairment losses

Location	Applications	Type	Impairment losses
Nifco Germany GmbH	Industrial Plastic Parts & Components	Machinery, equipment and vehicles, tools, furniture and fixtures, other tangible fixed assets, etc.	5,368 million yen
Nifco KTW America Corporation	Industrial Plastic Parts & Components	Buildings and structures, machinery, equipment and vehicles, etc.	3,162 million yen

On March 12, 2024, the Company concluded an agreement with AEQUITA SE & Co. KGaA, headquartered in Munich, Germany, to transfer Nifco Germany GmbH, a consolidated subsidiary, and its subsidiary Nifco KTW America Corporation.

In the event of sale, the business subject to sale is grouped as a single cash-generating unit.

The assets related to the business subject to this sale were classified and measured as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” As a result, the fair value less costs to sell was less than the carrying amount. Consequently, the carrying amount was reduced to the fair value less costs to sell and the reduction was recognized as an impairment loss (8,531 million yen).

The main items in the breakdown of these are as follows: Nifco Germany GmbH (machinery, equipment and vehicles, 1,552 million yen; tools, furniture and fixtures, 517 million yen, other tangible fixed assets, 2,048 million yen) and Nifco KTW America Corporation (buildings and structures, 1,896 million yen; machinery, equipment and vehicles, 1,173 million yen).

Allowance for losses on business transfer

The agreement on the transfer of Nifco Germany GmbH, our consolidated subsidiary, and its subsidiary Nifco KTW America Corporation contractually stipulates that the Company shall waive all loans to both companies upon the completion of the transfer agreement.

Accordingly, the amount of loss expected to be incurred due to the forgiveness of claims on loans to Nifco KTW America Corporation at the completion of the transfer agreement is recorded as allowance for losses on business transfer (10,068 million yen).

7. Notes to Consolidated Statement of Changes in Equity

(1) Total Number of Shares Issued

Class of shares	Number of shares at the beginning of the current period	Increase in number of shares during the current period	Decrease in number of shares during the current period	Number of shares at the end of the current period
Common stock	107,508 thousand shares	-	7,251 thousand shares	100,257 thousand shares

(Note) The decrease in the number of shares issued of common stock of 7,251 thousand shares was a decrease of 7,251 thousand shares due to the cancellation of treasury shares in accordance with a resolution of the Board of Directors.

(2) Number of treasury shares

Class of shares	Number of shares at the beginning of the current period	Increase in number of shares during the current period	Decrease in number of shares during the current period	Number of shares at the end of the current period
Common stock	7,577 thousand shares	797 thousand shares	7,344 thousand shares	1,031 thousand shares

(Notes) 1. The number of shares at the beginning of the current period includes 413 thousand shares of the Company held by the Executive Compensation BIP Trust account and 49 thousand shares of the Company held by the Stock Grant ESOP Trust account.
2. The increase in the number of treasury shares of common stock of 797 thousand shares consists of an increase of 797 thousand shares through a market purchase of the Company's own shares in accordance with a resolution of the Board of Directors, and an increase of 0 thousand shares through the purchase of fractional shares.
3. The decrease in the number of treasury shares of common stock of 7,344 thousand shares consists of a decrease of 7,251 thousand shares due to the cancellation of treasury shares in accordance with a resolution of the Board of Directors, a decrease of 57 thousand shares associated with sale of the Company shares to the Employee Stock Ownership Plan, and a decrease of 35 thousand shares as a result of share awards from the Executive Compensation BIP Trust account.
4. The number of shares at the end of the current period includes 377 thousand shares of the Company held by the Executive Compensation BIP Trust account and 49 thousand shares of the Company held by the Stock Grant ESOP Trust account.

(3) Dividends of Surplus

<a> Dividends Paid

(Resolution)	Class of shares	Total dividends (Million yen)	Dividends per share (yen)	Record date	Effective date
June 22, 2023 Annual General Meeting of Shareholders	Common stock	3,313	33	March 31, 2023	June 23, 2023
October 31, 2023 Board of Directors	Common stock	3,207	32	September 30, 2023	November 27, 2023

(Notes) 1. The total amount of dividends as resolved at the Annual General Meeting of Shareholders held on June 22, 2023, includes dividends of 13 million yen to the Executive Compensation BIP Trust account and 1 million yen to the Stock Grant ESOP Trust account.
2. The total amount of dividends as resolved at the Board of Directors meeting held on October 31, 2023, includes dividends of 12 million yen to the Executive Compensation BIP Trust account and 1 million yen to the Stock Grant ESOP Trust account.

 Dividends with a Record Date in the Current Period That Become Effective in the Following Fiscal Year

At the Annual General Meeting of Shareholders to be held on June 20, 2024, the Company proposes the following items regarding dividends on common stock.

(Resolution)	Class of shares	Total dividends (Million yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
June 20, 2024 Annual General Meeting of Shareholders	Common stock	3,188	Retained earnings	32	March 31, 2024	June 21, 2024

(Note) The total amount of dividends includes dividends of 12 million yen to the Executive Compensation BIP Trust account and 1 million yen to the Stock Grant ESOP Trust account.

8. Notes on Financial Instruments

1. Status of Financial Instruments

(1) Policy on Measures for Financial Instruments

The Group raises part of its capital expenditures mainly through bank loans and issuing bonds payable. As for fund management, funds requiring liquidity are invested mainly in checkable deposits, and funds that can be invested over medium- or long-term periods are invested in debentures and time deposits. We use derivatives to avoid the risks described below, and our policy is not to engage in speculative transactions.

(2) Details of Financial Instruments and Their Risks

Operating receivables such as notes receivable–trade, electronically recorded monetary claims–operating, and accounts receivable–trade are exposed to customer credit risk. In addition, operating receivables denominated in foreign currencies arising from overseas operations are exposed to the risk of foreign exchange fluctuations.

Securities and investment securities are mainly held-to-maturity debentures, government bonds, shares of companies with which we have business relationships, and investments in investment partnerships. Debentures and listed stocks are exposed to the risk of fluctuations in market prices.

Most notes and accounts payable–trade, as well as money unpaid, which are operating payables, are due within one year. Certain foreign-currency-denominated items are also exposed to foreign exchange fluctuation risk.

Borrowings and bonds payable are principally for the purpose of financing capital expenditures and are redeemed at most five years after the closing date. A portion of this is exposed to the risk of interest rate fluctuations, which are hedged using derivatives (currency swaps and interest rate swaps).

Derivatives are mainly currency options, currency swaps, and forward exchange contracts for hedging against foreign exchange fluctuation risks in foreign-currency-denominated bonds payable, and interest rate swaps for hedging against the risk of fluctuations in interest rates payable on borrowings. The accounting methods for hedging are described in “1. Notes on Important Matters That Serve As the Basis for Preparation of Consolidated Financial Statements,” in “(5) Matters Related to Accounting Policies,” under “<e> Other Significant Matters for Preparation of Consolidated Financial Statements,” in “iii. Method of Hedge Accounting.”

(3) Risk Management System for Financial Instruments

<a> Management of Credit Risks (Risks Related to Non-performance of Contracts by Business Partners)

With respect to operating receivables, sales managers in each business unit regularly monitor the status of major business partners, manage due dates and balances for each partner, and promptly identify and mitigate collection concerns arising from deteriorating financial conditions. Consolidated subsidiaries are conducting management in the same manner as the Company. The Company conducts derivative transactions only with highly rated financial institutions in order to mitigate credit risk.

 Management of Market Risks (Risks of Fluctuations in Foreign Exchange Rates, Interest Rates, Etc.)

Against the risk of future exchange rate fluctuations principally with respect to foreign currency receivables and payables, the Company uses currency swaps, and forward exchange contracts within the scope of the outstanding foreign currency receivables and payables. The Company uses interest rate swaps to reduce the risk of fluctuations in interest rates payable on borrowings.

With regard to securities and investment securities, we regularly check the market values and the financial conditions of the issuers (partner companies). With regard to securities other than held-to-maturity debentures, we continuously review the status of holdings in consideration of market conditions and the relationship with partner companies.

Derivatives are executed and managed by the division in charge of funds with the approval of the person with authority in accordance with the Derivative Handling Regulations.

Consolidated subsidiaries are conducting management in the same manner as the Company.

<c> Management of Liquidity Risks in Funding (Risks of Not Being Able to Make Payments When Due)

The department responsible for funding prepares and updates funding plans in a timely manner based on reports from different departments, and manages liquidity risks by maintaining liquidity on hand, etc. Consolidated subsidiaries are conducting management in the same manner as the Company.

(4) Supplementary Explanation on Matters Related to Market Values, etc. of Financial Instruments

The market values of financial instruments include values based on market prices and, in the absence of market prices, reasonably estimated values. Because variable factors are used in the calculation of values, values may change due to the adoption of different assumptions. Also, the contract amount, etc. for derivatives indicated in “2. Matters Related to Market Values, etc. of Financial Instruments” does not indicate market risks involved in the derivatives.

2. Matters Related to Market Values, etc. of Financial Instruments

	Amount recorded in consolidated balance sheet (million yen)	Market price (million yen)	Difference (million yen)
(1) Accounts receivable-trade	57,410	57,399	(10)
(2) Securities and investment securities			
<a> Held-to-maturity Debentures	1,124	1,124	(0)
- Other securities	4,658	4,658	-
Total assets	63,193	63,182	(11)
(1) Bonds payable	35,000	34,091	(908)
(2) Long-term borrowings (including current portion)	10,360	10,353	(6)
Total liabilities	45,360	44,444	(915)
Derivatives	99	99	-

(Note 1) Stocks without market value are not included in “(2) Securities and Investment Securities.” The amounts of the financial instruments recorded on the consolidated balance sheet are as follows:

Category	Amount recorded in consolidated balance sheet (million yen)
Unlisted stock	124
Share capital in investment partnerships	0

(Note 2) Net receivables and payables arising from derivatives are presented on a net basis.

3. Breakdown of Market Values of Financial Instruments by Appropriate Category

The market values of financial instruments are classified into the following three levels according to the observability and importance of the inputs involved in the calculation of market values.

Level 1 market value: Market value for which the market price, formed in an active market, of the assets or liabilities relevant to the calculation of the market value is used as the input for the calculation of the market value, amongst the observable inputs related to the calculation of the market value

Level 2 market value: Market value for which an input, other than that of level 1, relevant to the calculation of the market value is used for the calculation of the market value, amongst the observable inputs related to the calculation of the market value

Level 3 market value: Market value calculated using an unobservable input relevant to the calculation of the market value

For a market value for which multiple inputs are used that have a significant impact on the calculation of the market value, the market value is classified based on the input that classifies the market value as the lowest level.

(1) Financial assets and financial liabilities recorded on the consolidated balance sheet at market value

(Million yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities				
Stocks	4,135	-	-	4,135
Government and local government bonds	-	-	-	-
Bonds payable	-	-	-	-
Other	-	499	24	523
Derivatives				
Those related to currencies	-	99	-	99
Those related to interest rate	-	-	-	-
Total assets	4,135	598	24	4,757
Derivatives				
Those related to currencies	-	-	-	-
Those related to interest rate	-	-	-	-
Total liabilities	-	-	-	-

(2) Financial assets and financial liabilities recorded on the consolidated balance sheet not at market value

(Million yen)

Category	Market value			
	Level 1	Level 2	Level 3	Total
Accounts receivable–trade	-	57,399	-	57,399
Securities and investment securities				
Held-to-maturity debentures				
Government and local government bonds	-	1,124	-	1,124
Total assets	-	58,524	-	58,524
Bonds payable	-	34,091	-	34,091
Long-term borrowings (including current portion)	-	10,353	-	10,353
Total liabilities	-	44,444	-	44,444

(Note) Explanation of valuation techniques used in the calculation of market value and inputs relating to the calculation of market value

Accounts receivable–trade

The market value of accounts receivable–trade is calculated for each fixed period by the present value based on the amount of receivables and a discount at an interest rate that takes into account the time to maturity and credit risk, and is classified as Level 2 market value.

Securities and investment securities

Other securities

Listed shares are valued using quoted market prices and, because they are traded in an active market, their market values are classified as Level 1 market value. On the other hand, the market values of “Other” classified as Level 2 are so classified because they are not considered quoted market prices in active markets due to inactive market trade.

Held-to-maturity debentures

Government bonds and local government bonds held by the Company are classified as level 2 market value because they are not considered quoted market prices in active markets due to inactive market trade.

Derivatives

The market values of currency swaps are calculated using the discounted present value method using observable inputs such as interest rates and exchange rates, and are classified as Level 2 market values.

Bonds payable

The market value of bonds payable issued by the Company is calculated by discounting the sum of the principal and interest at an interest rate that takes into account the time to maturity of the bonds payable and the credit risk, and is classified as Level 2 market value.

Long-term borrowings

The market value of long-term borrowings is calculated by discounting the sum of the principal and interest at an interest rate that takes into account the time to maturity of the borrowings and credit risk, and is classified as Level 2 market value.

9. Notes on Revenue Recognition

(1) Breakdown of Revenue from Contracts with Customers

(Million yen)

	Reported segments		Total
	Industrial Plastic Parts & Components	Bed and Furniture Business	
Revenue from contracts with customers	334,729	36,910	371,639
Other revenue	-	-	-
Net sales to external customers	334,729	36,910	371,639

(2) Basics for Understanding Revenue

- As stated in “Matters Related to Accounting Policies,” in “<d> Basis for Recognition of Significant Revenues and Expenses.”

(3) Information for Understanding the Amounts of Revenue for the Current and Subsequent Period

- Balance of Contract Assets and Contract Liabilities

(Million yen)

	Current period
Claims arising from contracts with customers (beginning balance)	61,702
Claims arising from contracts with customers (ending balance)	67,275
Contract assets (beginning balance)	786
Contract assets (ending balance)	1,171
Contract liabilities (beginning balance)	4,240
Contract liabilities (ending balance)	4,899

Contract assets are the rights of the Company and its consolidated subsidiaries to receive payment for the delivery of products and merchandise to customers whose sales contracts have been completed as of the end of the period but have not been billed. Contract assets are transferred to receivables arising from contracts with customers when the rights of the Company and its consolidated subsidiaries become unconditional. Contract liabilities are advances received from customers in sales contracts. Contract liabilities are reversed primarily at the recognition of revenue.

The amount of revenue recognized during the current period included in the balance of contract liabilities at the beginning of the period is 2,866 million yen.

The main reason for the increase in contract assets of 384 million yen in the current period is that the increase by new contracts exceeded the decrease by transfer to receivables arising from contracts with customers. The main reason for the increase in contract liabilities of 658 million yen in the current period is the increase in advances received exceeded the decrease by revenue recognition.

2. Transaction Price Allocated to the Remaining Performance Obligation

The outstanding performance obligations amounted to 11,991 million yen as of March 31, 2024. Such performance obligations relate to the manufacture and sale of products in the industrial plastic parts & components, and approximately 81% of their revenue is expected to be recognized within one year after the end of the period and almost all of their revenue within two years.

10. Notes on Per Share Information

(1) Net assets per share 2,455.97 yen

(2) Profit per share 183.26 yen

(Note) Among shareholders' equity, the Company shares held in trust are recorded as treasury shares, and in the calculation of profit per share, such treasury shares are excluded in calculating the average number of shares during the period, and in the calculation of net assets per share, such treasury shares are excluded in calculating the total number of shares outstanding at the end of the period.

Average number of such treasury shares during the period, excluded in the calculation of profit per share: 437,621 shares

Number of such treasury shares at the end of the period, excluded in the calculation of net assets per share: 427,549 shares

11. Notes to Significant Subsequent Events

(Purchase of treasury shares)

The Company purchased treasury shares in accordance with the resolution of the meeting of the Board of Directors held on March 12, 2024. The treasury shares purchased after the balance sheet date are as follows.

1. Reason for treasury share acquisition

To enhance capital funds efficiency and enable a flexible financial policy in response to changes in the business environment.

2. Status of treasury share purchase

(1) Class of shares for purchase	Common shares of the Company
(2) Total number of shares purchased	399,400 shares
(3) Total share acquisition price	1,520,961,200 yen
(4) Acquisition period	April 1, 2024 to April 25, 2024
(5) Acquisition method	Market purchase on the Tokyo Stock Exchange

(Reference)

1. Contents of the resolution by the meeting of the Board of Directors held March 12, 2024

(1) Class of shares for purchase	Common shares of the Company
(2) Total number of shares authorized for purchase	550,000 shares (maximum) (Share of total number of issued shares [excluding treasury shares]: 0.55%)
(3) Total share acquisition price	2,000,000,000 yen (maximum)
(4) Acquisition period	March 14, 2024 to April 30, 2024
(5) Acquisition method	Market purchase on the Tokyo Stock Exchange

2. Cumulative total of treasury shares acquired based on the above resolution at the Board of Directors Meeting (as of April 26, 2024)

(1) Total number of shares purchased	522,800 shares
(2) Total share acquisition price	1,999,829,300 yen

(Transfer of important business)

The Company, at the Board of Directors meeting held on March 12, 2024, resolved to transfer our consolidated subsidiary Nifco Germany GmbH, and its subsidiary Nifco KTW America Corporation, etc. to AEQUITA SE & Co. KGaA, headquartered in Munich, Germany, and completed the business transfer on April 15, 2024.

(1) Reasons for Business Transfer

The Company had worked on improving earnings of the business for German customers to respond to changes in the market environment and customer needs of the automotive industry in Europe, but we are not able to get expected results and the business environment has become increasingly severe. Under these circumstances, the Company has determined that the transfer of the business to AEQUITA SE & Co. KGaA will contribute to the enhancement of the Group's shareholder value by taking into account the sustainable growth of the business and employees of the subsidiary subject to transfer.

(2) Name of a transferee company

AEQUITA SE & Co. KGaA

(3) Business of the company to be transferred

Manufacturing and sales of industrial plastic parts & components

(4) Timing of the transfer

April 15, 2024

(5) Impact on earnings

During the current period, the Company recognized impairment losses of 8,531 million yen and allowance for losses on business transfer of 10,068 million yen as extraordinary losses.

12. Other Notes

(Stock-based compensation system for officers)

On August 22, 2016, the Company introduced a stock-based compensation system (hereafter referred to as “the System”) for its directors and other officers to enhance their motivation to contribute to the improvement of the Company’s medium- and long-term performance and the increase of corporate value. Because the System was to become ineffective after August 31, 2019, the Board of Directors at its meeting held on May 20, 2019, resolved to propose the continuation and partial amendment of the System to the 67th Annual General Meeting of Shareholders held on June 21, 2019, and the proposal was approved at the meeting.

Because of transition to a company with an Audit and Supervisory Committee, the Board of Directors meeting held on May 20, 2021, resolved to abolish the compensation amount under the System for directors and executive officers at the time, to newly establish a compensation amount under the System for directors who are not members of the Audit and Supervisory Committee and executive officers (excluding external directors and overseas residents), and to submit a proposal for continuation of the System after partial amendments at the 69th Annual General Meeting of Shareholders held on June 24, 2021, and the proposal was approved at the meeting.

1 Transaction Overview

The system adopts a structure known as Board Incentive Plan (BIP) Trust (hereafter referred to as the “BIP Trust”). The BIP Trust is an incentive plan for officers and it is based on the U.S. Performance Share and Restricted Stock plans. In the BIP Trust, shares of the Company acquired by the BIP Trust and the cash equivalent of the conversion value of the shares are delivered upon the retirement of directors and other officers, in principle, according to their rank and the achievement of their performance goals.

For the Company shares held in the trust, the voting rights are not exercised during the trust period to ensure the neutrality of the management.

2 Company Shares Held in the Trust

The Company shares held in the trust are recorded as treasury shares in net assets at the carrying amount under the trust (excluding the amount of incidental expenses). The carrying amount and number of such treasury shares are 1,143 million yen and 377,810 shares for the current period.

(Stock-based compensation system for employees)

On August 27, 2018, the Company introduced a stock-based compensation system (hereafter referred to as “the System”) for its employees to enhance their motivation to contribute to the improvement of the Company’s medium- and long-term performance and the increase of corporate value.

1 Transaction Overview

The System adopts a structure called Employee Stock Ownership Plan (ESOP) Trust (hereafter referred to as the “ESOP Trust”). The ESOP Trust is an employee incentive plan, and it is based on the U.S. ESOP system. The System delivers Company shares acquired by the ESOP Trust to executive employees who satisfy certain requirements and employees with high performance contributions, in accordance with share delivery rules that are prescribed in advance.

Because the Company will fully fund the acquisition of Company shares by the trust, there will be no payment by employees.

With the introduction of the ESOP Trust, employees receive the economic benefits from the rise in Company stock prices, which is expected to encourage employees to carry out their work with an awareness of the stock price and to increase their work motivation. In addition, the intention of employees, who are potential beneficiaries, is reflected in the exercise of voting rights on Company shares belonging to the trust assets of the ESOP Trust, which is effective as a corporate value enhancement plan that encourages employees to participate in management.

2 Company Shares Held in the Trust

The Company shares held in the trust are recorded as treasury shares in net assets at the carrying amount under the trust (excluding the amount of incidental expenses). The carrying amount and number of such treasury shares are 161 million yen and 49,739 shares for the current period.

Non-consolidated Financial Statements

Balance Sheet (as of March 31, 2024)

(Million yen)

Item	Current period	(Reference) Previous period	Difference
Assets			
Current assets	106,273	108,770	(2,497)
Cash and deposits	69,407	70,980	(1,572)
Notes receivable–trade	243	285	(42)
Accounts receivable–trade	20,093	19,206	887
Electronically recorded monetary claims–operating	5,085	4,584	500
Merchandise and finished goods	4,804	6,629	(1,824)
Work in process	438	515	(77)
Raw materials and supplies	440	435	5
Short-term loans receivable from subsidiaries and associates	11,037	2,023	9,013
Accounts receivable–other	2,716	2,889	(173)
Other	2,075	1,219	856
Allowance for doubtful accounts	(10,068)	-	(10,068)
Non-current assets	81,332	93,713	(12,380)
Property, plant and equipment	29,505	30,896	(1,390)
Buildings	14,945	15,780	(835)
Structures	495	544	(48)
Machinery and equipment	3,003	3,299	(295)
Vehicles	4	3	0
Tools, furniture and fixtures	636	883	(246)
Mold	513	559	(46)
Land	8,718	8,737	(18)
Construction in progress	1,169	1,063	105
Other	18	23	(5)
Intangible assets	381	224	156
Software	168	199	(31)
Other	213	25	187
Investments and other assets	51,445	62,591	(11,146)
Investment securities	4,193	2,318	1,875
Shares of subsidiaries and associates	39,589	52,987	(13,398)
Long-term loans receivable from subsidiaries and associates	4,014	9,162	(5,147)
Long-term accounts receivable–other	96	114	(18)
Deferred tax assets	2,467	184	2,283
Other	1,594	1,196	397
Allowance for doubtful accounts	(510)	(3,372)	2,862
Total assets	187,605	202,483	(14,877)

Item	Current period	(Reference) Previous period	Difference
Liabilities			
Current liabilities	29,181	28,822	358
Accounts payable–trade	6,275	9,463	(3,187)
Electronically recorded obligations–operating	3,845	1,582	2,263
Accounts payable–other	2,785	1,853	931
Accrued expenses	422	409	13
Income taxes payable	2,926	2,186	740
Deposits received	143	78	64
Provision for bonuses	1,852	1,518	333
Electronically recorded equipment obligations	156	134	22
Accounts payable–facilities	745	334	410
Current portion of long-term borrowings	10,000	10,000	-
Refund liabilities	-	1,229	(1,229)
Other	26	31	(4)
Non-current liabilities	36,811	46,734	(9,922)
Bonds payable	35,000	35,000	-
Long-term borrowings	-	10,000	(10,000)
Long-term borrowings from subsidiaries and associates	757	667	89
Accrued retirement benefits for directors (and other officers)	6	6	-
Asset retirement obligations	75	75	-
Provision for share awards	68	34	(34)
Provision for share awards for directors (and other officers)	768	831	(63)
Other	136	119	17
Total liabilities	65,992	75,557	(9,564)
Net assets			
Shareholders' equity	119,603	126,205	(6,601)
Share capital	7,290	7,290	-
Capital surplus	151	14,204	(14,052)
Legal capital surplus	151	151	-
Other capital surplus	-	14,052	(14,052)
Retained earnings	115,770	124,402	(8,632)
Legal retained earnings	1,793	1,793	-
Other retained earnings	113,977	122,609	(8,632)
Reserve for special account for tax purpose reduction entry of non-current assets	2,025	2,095	(70)
General reserve	44,700	44,700	-
Retained earnings brought forward	67,252	75,814	(8,562)
Treasury shares	(3,608)	(19,691)	16,083
Valuation and translation adjustments	2,009	720	1,288
Valuation difference on available-for-sale securities	2,009	720	1,288
Total net assets	121,612	126,926	(5,313)
Total liabilities and net assets	187,605	202,483	(14,877)

(Note) Differences from the previous fiscal year are presented for reference.

Statement of Income (April 1, 2023, to March 31, 2024)

(Million yen)

Item	Current period	Previous period (for reference)	Difference
Net sales	98,691	86,391	12,299
Cost of sales	69,322	62,549	6,772
Gross profit	29,369	23,842	5,527
Selling, general and administrative expenses	17,504	16,869	635
Operating profit	11,864	6,972	4,892
Non-operating income	19,828	19,186	641
Interest and dividend income	14,582	16,388	(1,805)
Foreign exchange gains	4,696	2,317	2,379
Reversal of allowance for doubtful accounts	102	-	102
Other	446	481	(34)
Non-operating expenses	679	3,770	(3,090)
Interest expenses	161	161	0
Rental costs on real estate	459	458	0
Provision of allowance for doubtful accounts	-	3,090	(3,090)
Other	58	60	(1)
Ordinary profit	31,013	22,389	8,624
Extraordinary income	371	-	371
Gain on sale of non-current assets	46	-	46
Gain on liquidation of subsidiaries and associates	325	-	325
Extraordinary losses	26,442	65	26,377
Loss on sale and retirement of non-current assets	94	65	29
Loss on valuation of shares of subsidiaries and associates	19,039	-	19,039
Provision of allowance for doubtful accounts	7,308	-	7,308
Profit before income taxes	4,942	22,323	(17,380)
Income taxes—current	5,160	4,341	819
Income taxes—deferred	(2,850)	(691)	(2,159)
Profit	2,633	18,674	(16,040)

(Note) Differences from the previous fiscal year are presented for reference.

Statement of Changes in Equity (April 1, 2023, to March 31, 2024)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for special account for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	7,290	151	14,052	14,204	1,793	2,095	44,700	75,814	124,402
Changes during period									
Dividends of surplus								(6,520)	(6,520)
Profit								2,633	2,633
Reversal of reserve for special account for tax purpose reduction entry of non-current assets						(70)		70	-
Purchase of treasury shares									
Disposal of treasury shares			67	67					
Cancellation of treasury shares			(18,864)	(18,864)					
Transfer from retained earnings brought forward to other capital surplus			4,745	4,745				(4,745)	(4,745)
Net changes in items other than shareholders' equity									
Total changes during period	-	-	(14,052)	(14,052)	-	(70)	-	(8,562)	(8,632)
Balance at end of period	7,290	151	-	151	1,793	2,025	44,700	67,252	115,770

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(19,691)	126,205	720	720	126,926
Changes during period					
Dividends of surplus		(6,520)			(6,520)
Profit		2,633			2,633
Reversal of reserve for special account for tax purpose reduction entry of non-current assets		-			-
Purchase of treasury shares	(3,037)	(3,037)			(3,037)
Disposal of treasury shares	256	323			323
Cancellation of treasury shares	18,864	-			-
Transfer from retained earnings brought forward to other capital surplus		-			-
Net changes in items other than shareholders' equity			1,288	1,288	1,288
Total changes during period	16,083	(6,601)	1,288	1,288	(5,313)
Balance at end of period	(3,608)	119,603	2,009	2,009	121,612

Notes to Non-Consolidated Financial Statements

1. Significant Matters of Accounting Policies

(1) Valuation Standards and Methods for Assets

<a> Valuation Standards and Methods for Securities

- | | |
|---|---|
| i. Held-to-maturity debentures | The amortized cost method (straight-line method) is used. |
| ii. Shares of subsidiaries and affiliates | The cost method based on the moving-average method is used. |
| iii. Other securities | |
| - Securities other than stocks, etc. with no market value | The market value method is used (all valuation differences are reported directly to net assets, and the cost of sale is determined by the moving-average method). |
| - Stocks, etc. without market value | The cost method based on the moving-average method is used. |

 Valuation Standards and Methods for Derivatives

- | | |
|-------------|----------------------------------|
| Derivatives | The market value method is used. |
|-------------|----------------------------------|

<c> Valuation Standards and Methods for Inventories

- | | |
|--|--|
| i. Merchandise, finished goods, work in process, raw materials and supplies (excluding inventories related to molds) | The cost method based on the gross average method is used. (For values in the balance sheet, devaluation based on a decline in profitability is used.) |
| ii. Inventories related to molds | The cost method based on the individual method is used. (For values in the balance sheet, devaluation based on a decline in profitability is used.) |

(2) Depreciation Method for Non-current Assets

<a> Property, Plant and Equipment (excluding leased assets)

The straight-line method is used.
Principal useful lives are as follows:

Buildings	38 to 50 years
Machinery and equipment	5 to 10 years
Tools, furniture and fixtures	2 to 15 years
Mold	2 years

 Intangible Assets

- | | |
|-----------------------------------|---|
| i. Software for internal use | The straight-line method based on the internal estimated useful life (5 years) is used. |
| ii. Other intangible fixed assets | The straight-line method is used. |

<c> Leased Assets

The straight-line method is used, with the lease term as the useful life and zero as the residual value.

(3) Basis for Recognition of Provisions

<a> Allowance for Doubtful Accounts

In order to prepare for possible loss from bad debts including loans receivable, uncollectible amounts are estimated for general receivables based on the historical loan loss ratio, and for specific receivables such as doubtful receivables based on individual estimates of collectability.

 Provision for Bonuses

The amount is recorded based on the estimated amount to be paid to cover the payment of bonuses to employees.

<c> Provision for Retirement Benefits

To prepare for employees' retirement benefits, the amount is recorded based on the estimated retirement benefit obligations and estimated annuity payment assets as of the end of the current fiscal year.

In calculating retirement benefit obligations, the benefit calculation formula is used to attribute estimated retirement benefits to the period up to the end of the current fiscal year. Actuarial gains and losses are amortized by the straight-line method over a period (10 years) not longer than the average remaining service period of employees at the time they occur.

<d> Provision for Share Awards

To prepare for granting the Company's shares to employees, the estimated amount required for at the end of the current fiscal year is recorded.

<e> Provision for Share Awards for Directors (and other officers)

To prepare for the payment of stock-based compensation to officers, the estimated amount required for payment at the end of the current fiscal year is recorded in accordance with the internal rules.

(4) Basis for Recognition of Revenues and Expenses

The Company mainly manufactures and sells industrial plastic fasteners and precision plastic molded parts, and provides customers with components used in the automotive and home appliance industries.

For the sale of these products, we consider that the performance obligation is delivering the products to the customer based on the sales contract with the customer. We recognize revenue at the time of delivery of the products because, in principle, the customer acquires control over the products at the time of delivery and we determine that the performance obligation is satisfied at this point in time. Performance obligations over which a transaction price is distributed are sold independently.

In the calculation of transaction prices, revenue is recognized on the basis of the amount of consideration promised in the contract with the customer from which the amount of discount is deducted.

These amounts of promised consideration are not adjusted because they do not include significant financial factors. Consideration for performance obligations is generally received within one year, depending on when the performance obligations are satisfied and the customer's payment terms.

(5) Other Significant Basic Matters for Preparation of Financial Statements

<a> Method of Hedge Accounting

i. Method of Hedge Accounting

The Company employs deferred hedge accounting. In addition, when hedging of foreign exchange fluctuation risks satisfies the requirements for designation, we apply designation, and when interest rate swaps satisfy the conditions for exceptional accounting, we apply exceptional accounting.

ii. Hedging Instruments and Hedged Items

There were no hedged items for which hedge accounting was applied during the current fiscal year.

iii. Hedging Policy

The Company primarily hedges foreign exchange risks and interest rate risks in accordance with its internal rule, Derivative Handling Regulations.

iv. Method of Evaluating Hedge Effectiveness

Validity is assessed in accordance with the Practical Guidelines for Accounting Standards of Financial Instruments (Japanese Institute of Certified Public Accountants).

However, evaluating hedge effectiveness is omitted for transactions for which exceptional accounting or designation as defined in the Financial Instruments Accounting Standards, etc. is applied as hedge accounting.

** Accounting for Retirement Benefits**

In the non-consolidated financial statements, the balance sheet treatment of unrecognized actuarial gains and losses differs from the consolidated financial statements. On the non-consolidated balance sheet, the provision for retirement benefits is calculated by subtracting annuity payment assets from retirement benefit obligations that have been adjusted by unrecognized actuarial gains or losses.

2. Notes on Changes in Presentation

(Balance Sheet)

"Provision for share awards," which was included in "Other" under "Non-current liabilities" in the previous fiscal year, is now separately stated in the current fiscal year due to its increased monetary importance. Financial statements for the previous fiscal year have been restated to reflect this change in presentation method.

"Provision for share awards for directors (and other officers)," which was included in "Other" under "Non-current liabilities" in the previous fiscal year, is now separately stated in the current fiscal year due to its increased monetary importance as the Company considered to change its stock-based compensation system to the "RS Trust System" from the "BIP Trust System." Financial statements for the previous fiscal year have been restated to reflect this change in presentation method.

As a result, 985 million yen shown in "Other" under "Non-current liabilities" in the balance sheet for the previous fiscal year has been reclassified into "Provision for share awards" of 34 million yen, "Provision for share awards for directors (and other officers)" of 831 million yen, and "Other" of 119 million yen, respectively.

3. Notes on Accounting Estimates

1. Allowance for doubtful accounts concerning loans receivable from Nifco KTW America Corporation

(1) Amount Recorded in the Financial Statements for the Current Fiscal Year

Short-term loans receivable from subsidiaries and associates	10,068 million yen
Allowance for doubtful accounts	10,068 million yen

(2) Information on the Content of Significant Accounting Estimates for Identified Items

The Company entered into a transfer agreement on Nifco KTW America Corporation, which contractually stipulates that the Company shall waive all loans to Nifco KTW America at the completion of the transfer. It is highly likely the Company will waive such loans so it recognized all relevant loans receivable from subsidiaries and associates as an allowance for doubtful accounts.

At the end of the previous fiscal year, the Company recognized 2,760 million yen related to loans to Nifco KTW America as an allowance for doubtful accounts and the remaining amount of 7,308 million yen as a provision of allowance for doubtful accounts.

2. Valuation of shares of subsidiaries and associates

(1) Amount Recorded in the Financial Statements for the Current Fiscal Year

Shares of subsidiaries and associates	39,589 million yen
Loss on valuation of shares of subsidiaries and associates	19,039 million yen

(2) Information on the Content of Significant Accounting Estimates for Identified Items

The Company recognizes acquisition costs of shares of subsidiaries and associates as their carrying values in the balance sheet for valuation. If these values drop significantly compared with the valuations of net assets, etc. of subsidiaries and associates, the Company will write them down to their assessed values.

Of shares of subsidiaries and associates, as for shares of our subsidiary Nifco Europe GmbH, the conclusion of an agreement to transfer its subsidiary Nifco Germany GmbH caused a decline in the fair value of shares of Nifco Germany held by Nifco Europe, resulting in worsening financial conditions of Nifco Europe. As a result, upon comparing the Company's acquisition cost of shares of Nifco Europe GmbH with the valuation of its net assets, etc., it was found the valuation was significantly lower than the acquisition cost. Accordingly, the Company recognized 19,039 million yen as a loss on valuation of shares of subsidiaries and associates.

4. Notes to Balance Sheet

(1) Accumulated Depreciation of Property, Plant and Equipment 88,039 million yen

(2) Receivables and obligations (excluding those presented separately) for affiliated companies are as follows:

<a> Short-term Receivables	3,879 million yen
 Short-term Obligations	1,125 million yen

5. Notes to Statement of Income

(1) Trading volume with affiliates

<a> Volume of Business Transactions	32,005 million yen
 Volume of Non-Business Transactions	14,273 million yen

(2) Loss on valuation of shares of subsidiaries and associates

The Company, at the Board of Directors meeting held on March 12, 2024, resolved to enter into an agreement with AEQUITA SE & Co. KGaA, headquartered in Munich, Germany, to transfer our consolidated subsidiary Nifco Germany GmbH that is engaged in business for German customers, and its subsidiary Nifco KTW America Corporation. A formal agreement was entered into on March 22, 2024, and the transfer was completed on April 15, 2024. The conclusion of the transfer agreement on its subsidiary Nifco Germany GmbH caused a decline in the fair value of shares of Nifco Germany held by Nifco Europe, a parent company of Nifco Germany, resulting in worsening financial conditions of Nifco Europe. Also, the fair value of shares of Nifco Europe GmbH held by the Company decreased significantly. As a result, the Company adequately wrote down its holding shares of Nifco Europe GmbH and recognized a valuation loss of 19,039 million yen.

(3) Provision of allowance for doubtful accounts

The Company entered into a transfer agreement on its consolidated subsidiary, KTW America Corporation, which contractually stipulates that the Company shall waive all loans to Nifco KTW America at the completion of the transfer. It is highly likely the Company will waive these loans so it recognized a provision of allowance for doubtful accounts of 7,308 million yen.

6. Notes to Statement of Changes in Equity

Number of treasury shares

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	7,577 thousand shares	797 thousand shares	7,344 thousand shares	1,031 thousand shares

- (Notes)
1. The number of shares at the beginning of the current fiscal year includes 413 thousand shares of the Company held by the Executive Compensation BIP Trust account and 49 thousand shares of the Company held by the Stock Grant ESOP Trust account.
 2. The increase in the number of treasury shares of common stock of 797 thousand shares consists of an increase of 797 thousand shares through a market purchase of the Company's own shares in accordance with a resolution of the Board of Directors, and an increase of 0 thousand shares through the purchase of fractional shares.
 3. The decrease in the number of treasury shares of common stock of 7,344 thousand shares consists of a decrease of 7,251 thousand shares due to the cancellation of treasury shares in accordance with a resolution of the Board of Directors, a decrease of 57 thousand shares associated with sale of the Company shares to the Employee Stock Ownership Plan in accordance with a resolution of the Board of Directors, and a decrease of 35 thousand shares as a result of share awards from the Executive Compensation BIP Trust account.
 4. The number of shares at the end of the current fiscal year includes 377 thousand shares of the Company held by the Executive Compensation BIP Trust account and 49 thousand shares of the Company held by the Stock Grant ESOP Trust account.

7. Notes on Tax Effect Accounting

(1) Major Causes of Accrual of Deferred Tax Assets and Deferred Tax Liabilities

(Deferred tax assets)	
Accrued enterprise tax	182 million yen
Loss on valuation of molds	3 million yen
Provision for bonuses	566 million yen
Loss on valuation of shares of subsidiaries and associates	7,129 million yen
Allowance for doubtful accounts	3,234 million yen
Other	556 million yen
Subtotal of deferred tax assets	11,673 million yen
Total deductible temporary differences	
Valuation allowance	(7,173) million yen
Total of deferred tax assets	4,499 million yen
(Deferred tax liabilities)	
Retirement benefit trust securities	232 million yen
Reserve for special account for tax purpose reduction entry of non-current assets	892 million yen
Valuation difference on available-for-sale securities	885 million yen
Other	22 million yen
Total of deferred tax liabilities	2,032 million yen
Net value of deferred tax assets	2,467 million yen

(2) Breakdown by Major Item That Caused Material Differences Between the Statutory Effective Tax Rate and the Effective Income Tax Rate after the Application of Tax Effect Accounting

Effective statutory tax rate	30.6%
(Adjustment)	
Items that are permanently excluded from gross income, such as dividend income	(82.6%)
Taxable amount under controlled foreign company rules, etc.	0.2%
Per capita resident tax	0.5%
Special deduction for experimentation and research expenses	(3.2%)
Foreign subsidiary dividend withholding tax	10.9%
Valuation allowance	100.5%
Deductible foreign corporation tax amount deemed to have been paid	(1.81%)
Loss carryforward of liquidated subsidiaries	(0.3%)
Other	(8.1%)
Income tax burden after application of tax effect accounting	46.7%

8. Notes on Transactions with Related Parties

Attribute	Name of company, etc.	Business content or occupation	Ownership (%) of voting rights, etc. (or percentage of them being owned)	Relationship		Transaction	Amount of transaction (Million yen)	Item	Balance at end of period (Million yen)
				Concurrent positions held by officers	Business relationship				
Subsidiary	Nifco KTW America Corporation	Manufacturing and sales of industrial plastic parts & components	Ownership Indirect 100.00	1 officer	Financial assistance, etc.	Collection of loan funds (Note) 1	278	Short-term loans receivable from subsidiaries and associates	10,068
								Allowance for doubtful accounts (Note) 2	10,068
						Loan of funds (Note) 1	4,209	Long-term loans receivable from subsidiaries and associates	-
						Interest received (Note) 1	318	Accrued interest	-
	Nifco Kumamoto Inc.	Manufacturing and sales of industrial plastic parts & components	Ownership Direct 100.00	0 officers	Financial assistance, etc.	Collection of loan funds (Note) 1	350	Short-term loans receivable from subsidiaries and associates	350
						Interest received (Note) 1	20	Long-term loans receivable from subsidiaries and associates	2,100
	Nifco Europe GmbH	Manufacturing and sales of industrial plastic parts & components	Ownership Direct 100.00	1 officer	Financial assistance, etc.	Underwriting of capital increase	5,650	-	-

Transaction conditions and policies for determining transaction conditions

- (Notes) 1. Interest rates on loans receivable are rationally determined by taking into account market interest rates.
2. Provision of allowance for doubtful accounts is described in “3. Notes on Accounting Estimates.”

9. Notes on Revenue Recognition

(Information that serves as a basis for understanding revenue from contracts with customers)

Information that serves as a basis for understanding revenue from contracts with customers is described in “Notes to Consolidated Financial Statements,” in “9. Notes on Revenue Recognition,” and therefore notes are omitted here.

10. Notes on Per Share Information

(1) Net assets per share 1,225.62 yen

(2) Profit per share 26.44 yen

11. Notes to Significant Subsequent Events

(Significant subsequent events)

Notes are omitted here because they are described in “Notes to Consolidated Financial Statements,” in “11. Notes to Significant Subsequent Events.”

12. Other Notes

(Stock-based compensation system for officers)

Notes are omitted here because they are described in “Notes to Consolidated Financial Statements,” in “12. Other Notes (Stock-based compensation system for officers).”

(Stock-based compensation system for employees)

Notes are omitted here because they are described in “Notes to Consolidated Financial Statements,” in “12. Other Notes (Stock-based compensation system for employees).”

Audit Report

Accounting Audit Report on Consolidated Financial Statements

Audit Report from Independent Auditor

May 16, 2024

Nifco Inc.
Dear Board of Directors,

KPMG AZSA LLC
Tokyo Office

Designated limited
liability partner
Executive member
Designated limited
liability partner
Executive member

Certified public
accountant

Tomoyasu Sugisaki

Certified public
accountant

Michiko Muramatsu

Audit opinion

In accordance with Article 444, Paragraph 4 of the Companies Act, we audited the consolidated financial statements of Nifco Inc. for the fiscal year from April 1, 2023, to March 31, 2024, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above fairly present, in all material respects, the position of assets and the position of profit and loss of the corporate group consisting of Nifco Inc. and its consolidated subsidiaries for the period covered by such consolidated financial statements, in accordance with accounting principles generally accepted in Japan.

Basis for audit opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities in the context of the auditing standards are set out in "Auditors' Responsibilities in Auditing Consolidated Financial Statements." In accordance with the Code of Professional Ethics in Japan, we are independent of the Company and its consolidated subsidiaries and perform our other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence on which to base our opinion.

Other statements

"Other statements" refer to business reports and annexed detailed statements. Management's responsibility is to prepare and disclose other information. The Audit and Supervisory Committee is responsible for monitoring the performance of directors' duties in the development and operation of the reporting process for other statements.

The subject of our audit opinion on the consolidated financial statements does not include any other statements, and we do not express our opinion on any other statements.

Our responsibility in the audit of the consolidated financial statements is to read through the other statements and, in the course of reading through, to consider whether there are any material differences between the other statements and the consolidated financial statements or the knowledge we have acquired in the course of the audit, and to pay attention to whether, other than such material differences, there are signs of material errors in the other statements.

If we determine, based on the work we have done, that there are material errors in other statements, we are required to report them. There are no matters that we should report on the contents of the other statements.

Responsibilities of Management and Audit and Supervisory Committee for Consolidated Financial Statements

Management is responsible for preparing and presenting the consolidated financial statements in conformity with accounting principles generally accepted in Japan. This includes developing and operating internal controls that management deems necessary to prepare and properly present the consolidated financial statements free of material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the appropriateness of basing the preparation of the consolidated financial statements on the going concern assumption and for disclosing matters relating to the going concern if necessary in accordance with accounting standards generally accepted in Japan as fair and appropriate.

The Audit and Supervisory Committee is responsible for monitoring the performance of directors' duties in the development and operation of the financial reporting process.

Auditor's Responsibilities in Auditing Consolidated Financial Statements

The auditor's responsibility is to express an independent opinion on the consolidated financial statements in the audit report, based on the audit conducted by the auditor, and with reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error. A misstatement could arise due to fraud or error, and is judged to be material if it could reasonably be expected, individually or when aggregated, to influence the decision-making of users of the consolidated financial statements.

Throughout the audit process, in accordance with auditing standards generally accepted in Japan, the auditor shall exercise professional judgment and, with professional skepticism, shall:

- Identify and assess material misrepresentation risks due to fraud or error. The auditor shall also plan and implement audit procedures that address material misstatement risks. The choice and application of audit procedures shall be at the discretion of the auditor. In addition, the auditor shall obtain sufficient and appropriate audit evidence on which to base opinions.
- Although the purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of internal controls, when conducting a risk assessment, the auditor will consider internal controls related to the audit in order to design appropriate audit procedures for the situation.
- Evaluate the appropriateness of the accounting policies adopted by management and the application thereof, as well as the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the consolidated financial statements on the assumption of a going concern and, based on the audit evidence available, whether there are material uncertainties regarding events or circumstances that would raise material doubts about the going concern assumption. If material uncertainties regarding the going concern assumption are found, the audit report is required to call attention to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements regarding material uncertainties are not appropriate, to express an opinion with exclusions on the consolidated financial statements. While the auditor's conclusions are based on audit evidence received up to the audit report date, future events or circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether the presentation and notes to the consolidated financial statements comply with accounting principles generally accepted in Japan, as well as whether the presentation, structure and content of the consolidated financial statements, including the related notes, and the consolidated financial statements themselves fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence of the financial information of the Company and its consolidated subsidiaries to express opinions on the consolidated financial statements. The auditor is responsible for the direction, supervision and implementation of the audit of the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditor will report to the Audit and Supervisory Committee on the scope and execution dates of the planned audit, important audit findings identified during the audit process, including significant deficiencies in internal controls, and other matters required by the audit standards.

The auditor reports to the Audit and Supervisory Committee on its compliance with professional ethics rules in Japan regarding independence, on matters reasonably believed to affect the independence, and the contents of any measures taken to eliminate or reduce disincentives or safeguards applied to reduce disincentives to an acceptable level.

Interests

There is no conflict of interest between the Company and its consolidated subsidiaries and the auditing company or its executive members that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Accounting Audit Report on Financial Statements

Audit Report from Independent Auditor

May 16, 2024

Nifco Inc.
Dear Board of Directors,

KPMG AZSA LLC	
Tokyo Office	
Designated limited liability partner	Certified public accountant
Executive member	Tomoyasu Sugisaki
Designated limited liability partner	Certified public accountant
Executive member	Michiko Muramatsu

Audit opinion

In accordance with Article 436, Paragraph 2, item 1 of the Companies Act, we audited the financial statements of Nifco Inc. for the 72nd fiscal year from April 1, 2023, to March 31, 2024, namely the balance sheet, the statement of income, the statement of changes in equity, the notes to the non-consolidated financial statements, and their annexed detailed statements (hereafter referred to as "Financial Statements, etc.>").

In our opinion, the Financial Statements, etc. referred to above fairly present, in all material respects, the position of assets and the position of profit and loss for the period covered by such Financial Statements, etc., in accordance with accounting principles generally accepted in Japan.

Basis for audit opinion

We conducted our audits in accordance with auditing standards generally accepted in Japan. Our responsibilities in the context of the auditing standards are set out in "Auditors' Responsibilities in Auditing Financial Statements, etc.>" In accordance with the Code of Professional Ethics in Japan, we are independent of the Company and perform our other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence on which to base our opinion.

Other statements

"Other statements" refer to business reports and annexed detailed statements. Management's responsibility is to prepare and disclose other information. The Audit and Supervisory Committee is responsible for monitoring the performance of directors' duties in the development and operation of the reporting process for other statements.

The subject of our audit opinion on the Financial Statements, etc. does not include any other statements, and we do not express our opinion on any other statements.

Our responsibility in the audit of the Financial Statements, etc. is to read through the other statements and, in the course of reading through, to consider whether there are any material differences between the other statements and the Financial Statements, etc. or the knowledge we have acquired in the course of the audit, and to pay attention to whether, other than such material differences, there are signs of material errors in the other statements.

If we determine, based on the work we have done, that there are material errors in other statements, we are required to report them.

There are no matters that we should report on the contents of the other statements.

Responsibilities of Management and Audit and Supervisory Committee for Financial Statements, Etc.

Management is responsible for preparing and properly presenting the Financial Statements, etc. in conformity with accounting principles generally accepted in Japan. This includes developing and operating internal controls that management deems necessary to prepare and properly present the Financial Statements, etc. free of material misstatement due to fraud or error.

In preparing the Financial Statements, etc., management is responsible for evaluating the appropriateness of basing the preparation of the Financial Statements, etc. on the going concern assumption and for disclosing matters relating to the going concern if necessary in accordance with accounting standards generally accepted in Japan as fair and appropriate.

The Audit and Supervisory Committee is responsible for monitoring the performance of directors' duties in the development and operation of the financial reporting process.

Auditor's Responsibilities in Auditing Financial Statements, Etc.

The auditor's responsibility is to express an independent opinion on the Financial Statements, etc. in the audit report, based on the audit conducted by the auditor, and with reasonable assurance as to whether the Financial Statements, etc. as a whole are free from material misstatement due to fraud or error. A misstatement could arise due to fraud or error, and is judged to be material if it could reasonably be expected, individually or when aggregated, to influence the decision-making of users of the Financial Statements, etc.

Throughout the audit process, in accordance with auditing standards generally accepted in Japan, the auditor shall exercise professional judgment and, with professional skepticism, shall:

- Identify and assess material misrepresentation risks due to fraud or error. The auditor shall also plan and implement audit procedures that address material misstatement risks. The choice and application of audit procedures shall be at the discretion of the auditor. In addition, the auditor shall obtain sufficient and appropriate audit evidence on which to base opinions.
- Although the purpose of an audit of the Financial Statements, etc. is not to express an opinion on the effectiveness of internal controls, when conducting a risk assessment, the auditor will consider internal controls related to the audit in order to design appropriate audit procedures for the situation.
- Evaluate the appropriateness of the accounting policies adopted by management and the application thereof, as well as the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the Financial Statements, etc. on the assumption of a going concern and, based on the audit evidence available, whether there are material uncertainties regarding events or circumstances that would raise material doubts about the going concern assumption. If material uncertainties regarding the going concern assumption are found, the audit report is required to call attention to the notes to the Financial Statements, etc. or, if the notes to the Financial Statements, etc. regarding material uncertainties are not appropriate, to express an opinion with exclusions on the Financial Statements, etc. While the auditor's conclusions are based on audit evidence received up to the audit report date, future events or circumstances may prevent the Company from continuing as a going concern.
- Evaluate whether the presentation and notes to the Financial Statements, etc. comply with accounting principles generally accepted in Japan, as well as whether the presentation, structure and content of the Financial Statements, etc., including the related notes, and the Financial Statements, etc. themselves fairly present the underlying transactions and accounting events.

The auditor will report to the Audit and Supervisory Committee on the scope and execution dates of the planned audit, important audit findings identified during the audit process, including significant deficiencies in internal controls, and other matters required by the audit standards.

The auditor reports to the Audit and Supervisory Committee on its compliance with professional ethics rules in Japan regarding independence, on matters reasonably believed to affect the independence, and the contents of any measures taken to eliminate disincentives or safeguards applied to reduce disincentives to an acceptable level.

Interests

There is no conflict of interest between the Company and the auditing company or its executive members that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report of the Audit and Supervisory Committee

Audit Report

The Audit and Supervisory Committee has audited the execution of duties by directors during the 72nd fiscal year from April 1, 2023, to March 31, 2024. We report the methods and results below.

1. Method and Content of Audit

The Audit and Supervisory Committee has been working to ensure the sound and sustainable growth of the Company and the Group and to establish a good corporate governance system that responds to social trust. In such effort, the Audit and Supervisory Committee has received regular reports from directors and employees on the status of the construction and operation of the system (internal control system) established based on the Board of Directors' resolutions and their contents regarding the matters listed in Article 399, 13, Paragraph 1, Item 1 (b) and (c) of the Companies Act, and has requested explanations and expressed opinions as necessary, and has conducted audits in the following manner.

- <a> In accordance with the Auditing Standards of the Audit and Supervisory Committee established by the Audit and Supervisory Committee, and in accordance with the auditing policy and the division of duties, we investigated the decision-making process at important meetings, the content of key decision documents and other important documents related to the execution of business, the status of the execution of duties by directors and key employees, and the status of the business and assets of the Company in cooperation with the internal audit department and other departments responsible for internal control. In addition, with respect to subsidiaries, we communicated and exchanged information with the directors and auditors of subsidiaries, and received business reports from subsidiaries as necessary.
- We monitored and verified whether the Accounting Auditor maintained an independent position and conducted proper audits, and received reports from the Accounting Auditor on the status of the execution of its duties and requested explanations as necessary. In addition, we received a report from the Accounting Auditor saying that it has put in place a system to ensure the proper execution of duties (matters listed in each item of Article 131 of the Corporate Accounting Rules) in accordance with the Quality Control Standards for Audits (Business Accounting Council) and other standards, and requested explanations as necessary.

Based on the methods described above, we reviewed the business report and its annexed detailed statements, the financial statements (balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements) and their annexed detailed statements, and the consolidated financial statements (consolidated balance sheet, consolidated statements of income, consolidated statements of changes in equity, and notes to consolidated financial statements) for the current fiscal year.

2. Results of Audit

(1) Results of Audit of Business Reports, Etc.

<a> In accordance with laws, regulations and the Articles of Incorporation, we acknowledge that the business report and its annexed detailed statements accurately describe the status of the Company.

 We do not find any misconduct or material facts in violation of laws and regulations or the Articles of Incorporation in connection with the execution of duties by directors.

<c> We believe that the content of the Board of Directors' resolution on the internal control system is reasonable. In addition, we do not find any matters to be pointed out regarding the contents of the business report on the internal control system or the execution of duties by directors.

(2) Results of Audit of Financial Statements and Annexed Detailed Statements

We acknowledge that the methods and results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC, are reasonable.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of the audit conducted by the Accounting Auditor, KPMG AZSA LLC, are reasonable.

May 16, 2024

Audit and Supervisory Committee, Nifco, Inc.

Full-time Audit and
Supervisory
Committee Member
Member of Audit

Junji Honda (Seal)

and Supervisory
Committee (External
Director)

Mitsuhiro Matsumoto (Seal)

Member of Audit
and Supervisory
Committee (External
Director)

Izumi Hayashi (Seal)

Reference Documents for the General Meeting of Shareholders

Proposal 1

Appropriation of Surplus

The appropriation of surplus is proposed as follows:

Year-end dividend

The Company proposes to pay a year-end dividend for the 72nd fiscal year as follows, taking into account the results of the current period and future business development.

Type of dividend property	Money
Allotment of dividend property and total amount thereof	<p>The Company proposes to pay 32 yen (ordinary dividend: 32 yen) per share of common stock.</p> <p>In this case, the total dividends will be 3,188,914,720 yen.</p> <p>Including the interim dividend, the annual dividend for the current fiscal year will be 64 yen per share.</p>
Effective date of dividends of surplus	We would like to make it June 21, 2024.

Election of Five Directors Who Are Not Audit and Supervisory Committee Members

The terms of office of all six Directors (Directors who are Audit and Supervisory Committee Members are excluded; the same shall apply hereinafter in this proposal) will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, the election of five Directors is proposed.

The Audit and Supervisory Committee confirmed the policy, approach and deliberation process for each candidate submitted to the Board by the Nomination, Compensation and Governance Committee, an advisory body to the Board of Directors. As a result, the Audit and Supervisory Committee has determined that each candidate is qualified to serve as a director who is not an Audit and Supervisory Committee Member.

The candidates for Director are as follows:

[illegible]

Reappointment

[Brief Personal History, Positions and Responsibilities in the Company]

April 1985	Joined Nifco Inc.	June 2020	Vice President & Representative
April 2010	President of Nifco Deutschland GmbH		Director, Head of Sales, Chief Operating
June 2015	Executive Officer of Nifco Inc. and President of Nifco America Corp.	April 2021	Officer (COO), Nifco Inc.
June 2016	Director and Executive Managing Officer, CMO, Head of Sales, Nifco Inc.		President & Representative Director, Chief Operating Officer (COO), Nifco Inc.
June 2019	Director and Senior Executive Managing Officer, CMO, Head of Sales, In charge of Technology & Platform Business Division, Nifco Inc.	June 2023	President & Representative Director, Chief Executive Officer (CEO), Nifco Inc. (current position)

[Significant Concurrent Positions] None

Reasons for Nomination as a Candidate for Director

He has been primarily in charge of product development and the Sales Division and served as President of European and U.S. subsidiaries. The Company has nominated him as a candidate for reappointment as a director because of his diverse and global experience, knowledge and expertise.

Candidate Number <div style="font-size: 48pt; font-weight: bold; margin: 10px 0;">2</div>	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Male</div>	Number of the Company shares owned 29,836 (of which, shares to be delivered under the stock-based compensation system) (27,736) Years in office 6 Attendance at Board of Directors meetings 14/14
<div style="font-size: 24pt; font-weight: bold; margin: 0 10px;">Toshiki Yauchi</div> <div style="margin: 0 10px;">(Born on July 16, 1961)</div>		

Reappointment

[Brief Personal History, Positions and Responsibilities in the Company]

April 1985	Joined Nifco Inc.	June 2019	Director and Senior Executive Managing Officer, Divisional General Manager of Corporate Strategy Division, In charge of Administration & Finance, Nifco Inc.
July 2007	Divisional General Manager of Corporate Strategy Division, Nifco Inc.		
June 2015	Executive Officer, Divisional General Manager of Corporate Strategy Division, Nifco Inc.	June 2021	Director, Senior Executive Managing Officer, Chief Financial Officer (CFO) and Chief Strategy Officer (CSO), Nifco Inc. (current position)
June 2018	Director and Executive Managing Officer, Divisional General Manager of Corporate Strategy Division, In charge of Administration & Finance, Nifco Inc.		

[Significant Concurrent Positions] None

Reasons for Nomination as a Candidate for Director

The Company has nominated him as a candidate for director based on his diverse experience, knowledge and expertise, which he has gained through his involvement primarily in the Corporate Strategy Division and his role as General Manager of Corporate Strategy Division, where he formulates corporate strategies and oversees overall investor relations activities of the Company.

New appointment

Candidate for new director

Reappointment

Candidate for reappointment
as director

External

Candidate for external director

Independent

Independent officer as required by a stock exchange

Candidate Number

3

Yoshiko Nonogaki (Born on July 31, 1957)

Female

Number of the Company shares owned -
 (of which, shares to be delivered under the
 stock-based compensation system) (-)
 Years in office 5
 Attendance at Board of Directors meetings 14/14

Reappointment

External

Independent

[Brief Personal History, Positions and Responsibilities in the Company]

April 1980	Joined Sony Corporation (now Sony Group Corporation)	June 2015	External Director, Jolly-Pasta Co., Ltd.
September 1992	President and Representative Director, Sony Poland	June 2019	External Director, Nifco Inc. (current position)
April 2009	Manager of Planning & Marketing Department, Business & Professional Enterprise HQ, Sony Corporation (current Sony Group Corporation)	June 2020	External Director, GS Yuasa Corporation (current position)
April 2013	Director of Global Diversity, Personnel HQ, Sony Corporation	June 2021	External Director, Sato Holdings Corporation (current position)

[Significant Concurrent Positions]

External Director, GS Yuasa Corporation
 External Director, Sato Holdings Corporation

Reasons for the nomination as a candidate for external director and summary of expected role

The reason for selecting her as a candidate for external director is that she has broad insight to supervise overall management based on her business experience in the business divisions of a major company, management experience of overseas subsidiaries, and experience as an external director of listed companies.
 Her expected role is to use her wealth of experience and insight to improve the quality of corporate governance in the Company.

Candidate Number

4

Masayuki Abe (Born on October 5, 1956)

Male

Number of the Company shares owned 400
 (of which, shares to be delivered under the
 stock-based compensation system) (-)
 Years in office 3
 Attendance at Board of Directors meetings 14/14

Reappointment

External

Independent

[Brief Personal History, Positions and Responsibilities in the Company]

April 1980	Joined Kao Soap Co., Ltd. (now Kao Corporation)	April 2018	Senior Advisor of General Digital Business Division (current Information Systems Headquarters) of Toppan Forms Co., Ltd. (current TOPPAN Edge Inc.)
March 2003	General Manager, Information Technology Group, Kao Corporation	June 2021	External Director, Nifco Inc. (current position)
May 2010	General manager of Strategic Planning Department, Kao Corporation		
December 2013	Head of Information Systems Division, Kao Corporation		
March 2015	Executive Officer, Kao Corporation		

[Significant Concurrent Positions] None**Reasons for the nomination as a candidate for external director and summary of expected role**

The reason for selecting him as a candidate for an external director is that he possesses a wealth of experience and insight cultivated in the IT field at major companies, which the Company hopes he will apply to the management of the Company.
 His expected role is to drive the Company's management in areas related to IT and DX.

Candidate Number

5

Yoshio Kometani

Male

(Born on April 11, 1962)

Number of the Company shares owned -
 (of which, shares to be delivered under the
 stock-based compensation system) (-)
 Years in office -
 Attendance at Board of Directors meetings -

New
appointment

External

Independent

[Brief Personal History, Positions and Responsibilities in the Company]

April 1985	Joined Mitsui & Co., Ltd.	April 2020	Representative Director, Senior Executive Managing Officer, CDIO (Chief Digital Information Officer), Mitsui
March 2010	General Manager of Project Operations, Mitsui		
April 2015	Executive Officer, Deputy COO (Chief Operating Officer), Asia Pacific Business Unit	April 2022	Representative Director, Executive Vice President, CDIO, Mitsui
June 2019	Representative Director, Executive Managing Officer, Mitsui	April 2023	Director, Mitsui
		June 2023	Corporate Advisor, Mitsui (current position)

[Significant Concurrent Positions]

None

Reasons for the nomination as a candidate for external director and summary of expected role

The reason for selecting him as a candidate for external director is that he has broad insight to supervise overall management from a long-term perspective, based on his experience in domestic and overseas operations, management and incubation in a leading trading company.

His expected role is to use his wealth of experience and insight to contribute to the sustainable growth and enhancement of corporate value of the Company.

(Notes) 1. Mr. Masaharu Shibao and Ms. Yoshiko Nonogaki are members of the Nomination, Compensation and Governance Committee. The Nomination, Compensation and Governance Committee is chaired by Yoshiko Nonogaki. If this proposal is passed and the reappointment of Yoshio Kometani is approved, he will become a member of the Nomination, Compensation and Governance Committee.

2. There are no special interests between the Company and Mr. Masaharu Shibao, Mr. Toshiaki Yauchi, Ms. Yoshiko Nonogaki, Mr. Masayuki Abe, and Mr. Yoshio Kometani.
3. Ms. Yoshiko Nonogaki, Mr. Masayuki Abe, and Mr. Yoshio Kometani are candidates for external directors.
4. The Company has designated directors Yoshiko Nonogaki, and Masayuki Abe as independent officers pursuant to the provisions of the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange of their appointment. Mr. Yoshio Kometani meets the requirements for independent officers as stipulated by the Tokyo Stock Exchange and will be notified to the Exchange as an independent officer. If this proposal is passed and their appointment is approved, they will become independent officers.
5. The Company has entered into an agreement with Ms. Yoshiko Nonogaki and Mr. Masayuki Abe to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of the Articles of Incorporation. The maximum amount of liability for damages under the contract is 20 million yen or the minimum liability amount stipulated by law, whichever is higher. If they are reappointed, the Company will continue the limited liability agreement with them. If Mr. Yoshio Kometani is elected, the Company will enter into an agreement with him to limit his liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of the Articles of Incorporation.
6. The Company has entered into a liability insurance (Directors and Officers insurance, or D&O insurance) contract with an insurance company for officers as provided in Article 430, Paragraph 3-1 of the Companies Act. The insurance policy provides that the insured is liable for the performance of its duties or is compensated for any damage that may result from receiving a claim related to the pursuit of such liability. However, there are certain disclaimers; for example, damages caused by acts committed while knowing that they are violation of the law, and damages caused when profits or benefits are obtained illegally are not covered. If each candidate on this Proposal is appointed and assumes office, he or she will be included as an insured under such insurance policy. In addition, the policy is scheduled to be renewed with the same contents at the next renewal.
7. The number of shares of the Company owned by each candidate includes the number of shares scheduled to be delivered under the stock-based compensation system as of June 1, 2024.

[Explanation of Shares to Be Delivered under the Stock-Based Compensation System]

In fiscal 2016, the Company introduced a stock-based compensation system (hereafter referred to as "the System") for the Company's directors (excluding external directors and overseas residents; the same applies hereafter). The number of shares to be delivered under the System to each candidate includes (a) the non-performance-linked portion, and (b) the performance-linked portion, which is linked to performance after a certain period of time. The number of shares delivered to each candidate based on the System is presented based on the points of performance that has been determined at this point in time. Specifically, the sum of the cumulative total of points granted for (a) the non-performance-linked portion up to June 1, 2024, and the points granted for (b) the performance-linked portion on June 1, 2024, are listed. The voting rights associated with the shares to be delivered under the System will not be exercised until the shares are delivered to each candidate in the future. In addition, 30% of the shares to be delivered will be sold in the market to secure funds for tax payments, and the proceeds from the sale will be distributed.

8. See page 61 for a skill matrix of the candidates.

Proposal 3

Partial Revision to Stock-Based Compensation System for Directors, etc. Who Are Not Audit and Supervisory Committee Members

1. Reasons for the Proposal and reasons why the compensation is appropriate

The Company received an approval from shareholders for the introduction of the stock-based compensation system at the 64th Annual General Meeting of Shareholders held on June 24, 2016. And by the resolution at the 69th Annual General Meeting of Shareholders held on June 24, 2021, we revised the system to a stock-based compensation system (hereinafter referred to as the “System”) that targets the Company’s directors (excluding directors who are not Audit and Supervisory Committee Members, external directors and those living overseas; the same shall apply hereinafter in this Proposal) and executive officers (excluding those living overseas; hereinafter they are collectively referred to as the “Directors, etc.”), and has maintained the System to this day. This time, we will ask your approval to partially revise the System.

As with the current limit on compensation under the System, the System will provide stock-based compensation to the Directors, etc. as a separate limit from the limit on cash compensation for directors who are not Audit and Supervisory Committee Members (no more than 460 million yen per year, of which, no more than 60 million yen for external directors; excluding the salary as an employee for directors concurrently serving as employees), and this was approved at the 69th Annual General Meeting of Shareholders held on June 24, 2021.

The Company has recently revised its policy on determining the content of the compensation, etc. for the Company’s directors at the Board of Directors meeting held in May 2024 (see pages 13 to 14), with the aim of clarifying the linkage between the compensation of the Directors, etc. and the value of the Company’s shares, enhancing the motivation of the Directors, etc. to contribute to the improvement of the Company’s business performance and corporate value from a mid- to long-term viewpoint, and promoting further value-sharing with shareholders. The partial revision of the System is in line with the above policy and is designed to be necessary and reasonable to grant individual compensation for directors. Accordingly, we believe the System is appropriate.

If Proposal No. 2 “Election of Five (5) Directors who are not Audit and Supervisory Committee Members” is approved and passed as proposed, the number of Directors who are eligible under the Plan will be two (2). In addition, as described above, the System also covers executive officers (the number of executive officers who will not serve as directors covered by the System will be ten at the closing of this General Meeting of Shareholders), and the compensation under the System includes compensation for executive officers. In the Proposal, we will request the amount and content of the total compensation under the System as compensation for the Directors, etc., taking into account the possibility that such executive officers may newly assume office as directors during the target period.

In order to ensure transparency and objectivity in the compensation determination process for Directors, etc., the Company has established the Nomination, Compensation and Governance Committee, which is chaired by an Independent External Director and consists of a majority of Independent External Directors. Partial revision to the Plan has been deliberated by the Nomination, Compensation and Governance Committee.

In addition, the Audit and Supervisory Committee judges that the procedures for determining this Proposal are appropriate because the Nomination, Compensation and Governance Committee, an advisory body to the Board of Directors, deliberated on the partial revision of the System to the Directors, etc., and based on the report, the Board of Directors deliberated and determined on this Proposal. The Audit and Supervisory Committee received an explanation on the content of the deliberations in the Nomination, Compensation and Governance Committee, and as a result of its deliberations, the Audit and Supervisory Committee concluded that the Proposal was appropriate as an incentive for the Directors, etc. to increase corporate value over the medium to long term, and that it has the advantage of contributing to value-sharing between the Directors, etc. and shareholders.

2. Amount of compensation and details of the revised System

(1) Overview of the System

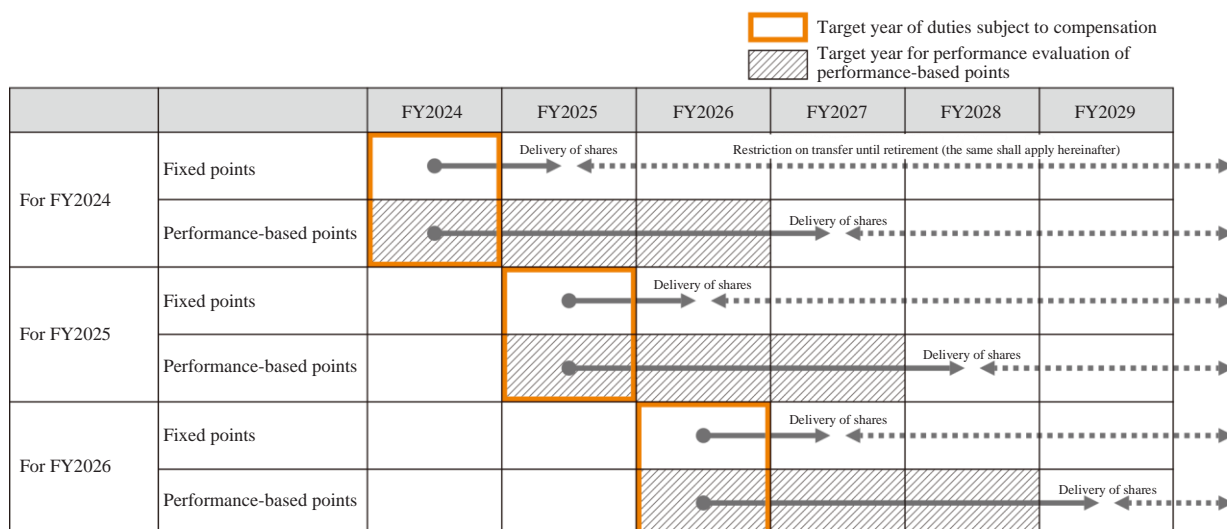
The System is a stock-based compensation plan, under which a trust purchases the Company's shares using compensation to the Directors, etc. to be contributed by the Company as resources and then delivers the Company's shares to the Directors, etc. (Details are described in (2) below.)

The Company will deliver its shares as officers' compensation to the Directors, etc. for the same number of fiscal years as a medium-term management plan (hereinafter referred to as the "Target Period"), in accordance with their positions and the degree of achievement relative to the targets of performance indicators set forth in the medium-term management plan. The initial target period after approval of the revision of the System will be three fiscal years from the fiscal year ending March 2025 to the fiscal year ending March 2027.

*Major revisions are underlined

<a> Persons eligible for delivery of the Company's shares subject to this Proposal	<ul style="list-style-type: none"> • Directors who are not Audit and Supervisory Committee Members (excluding External Directors and those who live abroad) • Executive Officers (excluding those who live abroad)
 Potential impact of the Company's shares subject to this Proposal on the total number of outstanding shares of the Company	
Upper limit of cash to be contributed by the Company (as stated in (2) below)	<ul style="list-style-type: none"> • The amount obtained by multiplying 400 million yen by the number of years of the target period • The upper limit for the three fiscal years starting from this fiscal year, which is the initial target period after the revision, shall be 1,200 million yen in total
Upper limit of the total number of the Company's shares to be acquired by the Directors, etc., and method of acquiring the Company's shares (as stated in (3) below)	<ul style="list-style-type: none"> • The upper limit of points to be granted to the Directors, etc., for each fiscal year shall be 160,000 points • The maximum total number of shares obtained by converting at the rate of 1 point = 1 share is approximately 0.16% of the total shares outstanding (as of March 31, 2024, net of treasury shares) • The upper limit for the three fiscal years starting from this fiscal year, which is the initial target period after the revision, shall be 480,000 points (equivalent to 480,000 shares) • The Company's shares will be acquired from the stock market or the Company (sale of treasury shares)
<c> Details of criteria for achieving performance (as stated in (3) below)	<ul style="list-style-type: none"> • It shall be changed within 0% to 200%, according to the achievement of the performance indicators (operating profit, ROIC, TSR, etc.) set forth in the medium-term management plan
<d> The timing of delivery of the Company's shares to the Directors, etc. (as stated in (4) below)	<ul style="list-style-type: none"> • <u>Performance-linked (performance-based points) portion: After the end of the medium-term management plan period in principle</u> • <u>Non-performance-linked (fixed point) portion: After the end of each fiscal year in principle</u> • <u>In principle, restrictions on the transfer of both the performance-linked portion and the non-performance-linked portion are imposed after the delivery of the Company's shares and until the retirement of Directors, etc.</u>

(Reference) Conceptual image of the System after revision



(2) Upper limit of cash to be contributed by the Company

The Company will contribute money up to an amount equivalent to the upper limit of trust money per fiscal year (400 million yen) multiplied by the number of years corresponding to the medium-term management plan at that time as compensation to the Directors, etc. for each target period, and establish a trust whose beneficiaries are the Directors, etc. who satisfy the beneficiary requirements (hereinafter referred to as the “Trust”) or extend the trust period of the existing Trust. The said upper limit of trust funds shall be the total of the funds to purchase the Company’s shares through the Trust, and trust fees and expenses during the trust period. For the initial target period after approval of the revision of the System, the Company will contribute money with the upper limit of 1,200 million yen as compensation to the Directors, etc. for the three fiscal years.

The Trust shall, according to the custodian’s instructions, purchase the Company’s shares from the stock market or the Company (sale of treasury share) using trust funds as resources. During the trust period, the Company shall grant points to the Directors, etc. (as stated in (3) below), and the Trust shall deliver the Company’s shares when the Directors, etc. satisfy the beneficiary requirements.

Upon the close of the trust period, the Trust may be continued by changing the trust agreement and implementing an additional trust. In such a case, a new target period of the Trust shall be the same period corresponding to the Company’s medium-term management plan at that time and the trust period of the Trust will be extended by the same number of years. The Company shall provide an additional contribution within the range approved by the General Meeting of Shareholders for each extended trust period, and during the extended trust period, it shall continue to grant points to the Directors, etc., and the Trust shall continue to deliver the Company’s shares during the extended trust period. If there are the Company’s shares (excluding the Company’s shares equivalent to points granted to the Directors, etc., for which the delivery of the Company’s shares has not been completed) and cash as of the end of the trust period before extension (hereinafter, referred to as “Remaining Shares, etc.”) in the case of an additional contribution, the total of Remaining Shares, etc. and trust funds to be additionally contributed shall be up to the amount obtained by multiplying the upper limit of trust money per fiscal year by the number of years of the said target period.

If the trust contract is not changed or additional trust is not executed at the expiration of the trust period, points will not be awarded thereafter. However, if a Director, etc. who has not yet received the Company’s shares at that time is in office, the trust period of the Trust may be extended up to approximately two years until the delivery of the Company’s shares is completed.

(3) Method of calculating the number of Company's shares to be acquired by the Directors, etc., and upper limit

The number of the Company's shares to be delivered to the Directors, etc. shall be determined according to the number of points granted to the Directors, etc. each year.

In principle, in June of each year during the trust period, the Directors, etc. are granted "fixed points" according to their positions and "performance-based points" that vary according to their performance.

For "performance-based points," in principle, in June immediately after the end of a medium-term management plan when the said points are granted, "performance-linked points" are calculated by multiplying the performance-linked coefficient according to the achievement of performance targets set forth in the said medium-term management plan. The performance-linked coefficient shall be determined according to the degree of achievement of the performance indicators (operating profit, ROIC, TSR, etc.) set forth in the medium-term management plan and vary from 0% to 200%.

One point shall equal one Company share. In case of a share split or consolidation or other event that is deemed fair to adjust the points of the Company's shares during the trust period, the Company shall adjust the number of Company's shares per point according to the ratio of the share split or consolidation or other event.

The upper limit of points to be granted to the Directors, etc., for each fiscal year shall be 160,000 points. The upper limit of points has been set based on historical stock prices, etc., in light of the upper limit of trust money mentioned above. The number of the Company's shares to be acquired by the Trust (hereinafter referred to as the "Number of Shares to Be Acquired") for each target period shall be limited to the number of shares equivalent to the upper limit of the total number of points per fiscal year multiplied by the number of years of the said target period. The Number of Shares to Be Acquired during the initial target period after the revision of the System shall be up to 480,000 shares.

(4) Method and timing of delivery of the Company's shares to Directors, etc.

<a> Fixed-point portion

The Directors, etc., who meet beneficiary criteria, shall be eligible for the delivery of the Company's shares corresponding to the fixed points at a certain time after the fixed points are granted in principle, by taking specified procedures to determine the beneficiary.

 Performance-based point portion

The Directors, etc., who meet the beneficiary criteria, shall be eligible for the delivery of the Company's shares corresponding to the performance-linked points at a certain time after the completion of the medium-term management plan at the time of granting the performance-linked points and the calculation of the performance-linked points in principle, by taking specified procedures to determine the beneficiary.

<c> Conclusion of transfer restriction agreement

In principle, upon the delivery of the Company's shares as described in 1) and 2) above, the Company shall enter into a transfer restriction agreement with the Directors, etc. by setting a transfer restriction period until the retirement of the Directors, etc., including the following:

- (a) The Directors, etc. shall not transfer, create a security interest or otherwise dispose of the Company's shares during the period from the day on which they receive the delivery of the Company's shares until the day on which they retire;
- (b) Transfer restrictions shall be lifted when the Directors, etc. retire; and
- (c) In case of a serious violation of duties and internal rules or certain illegal acts such as voluntary resignation against the will of the Company during the period of restriction on transfer, the Company shall not lift the restriction on transfer of the Company's shares delivered to such Directors, etc. and shall acquire them free of charge.

The Company's shares subject to the transfer restriction will be managed in a dedicated account opened at a securities company by the Directors, etc. during the transfer restriction period so that they cannot transfer, create a security interest or otherwise dispose of them during the transfer restriction period.

<d> Transition measures for the System before the revision

As a transition measure for the System before the revision, with regard to points already granted to the Directors, etc. under the System before the revision (points scheduled to be granted to provide the Company's shares and cash corresponding to realization value of the Company's shares to the Directors, etc. upon their retirement), the Company's shares corresponding to fixed points and performance-linked points shall be delivered at a certain time after the end of this General Meeting of Shareholders, and performance-linked points shall be promptly converted into performance-linked points to deliver corresponding the Company's shares. After that, by applying the details described in 3), the Company shall enter into a transfer restriction agreement with the Directors, etc., with a transfer restriction period until their retirement, subject to approval at this General Meeting of Shareholders.

(5) Voting rights of the Company's shares held in the Trust

For the Company's shares held in the Trust, the voting rights are not exercised during the trust period to ensure the neutrality of the management.

(6) Treatment of dividend of retained earnings of the Company's shares held in the Trust

Dividend of retained earnings of the Company's shares held in the Trust shall be received by the Trust to be appropriated for its trust fees and expenses. If there is any dividend remaining at the close of the Trust after using dividends for trust fees and expenses, such dividend shall be paid to the Directors, etc. who meet given beneficiary criteria and become beneficiaries of the Trust based on the trust agreement at the close of the Trust.

(7) Other details of the System

Other details of the System shall be determined by the Board of Directors each time the Trust is set up, a trust agreement is changed, and an additional contribution is made to the Trust.

(Reference)

Subject to the approval of this Proposal as proposed, the Company plans to cover directors of certain subsidiaries of the Company as the subject of the System under the same trust. The compensation for directors of certain subsidiaries of the Company shall be established separately from the compensation subject to this Proposal and is scheduled to be submitted to the shareholders' meeting of these subsidiaries.

Reference

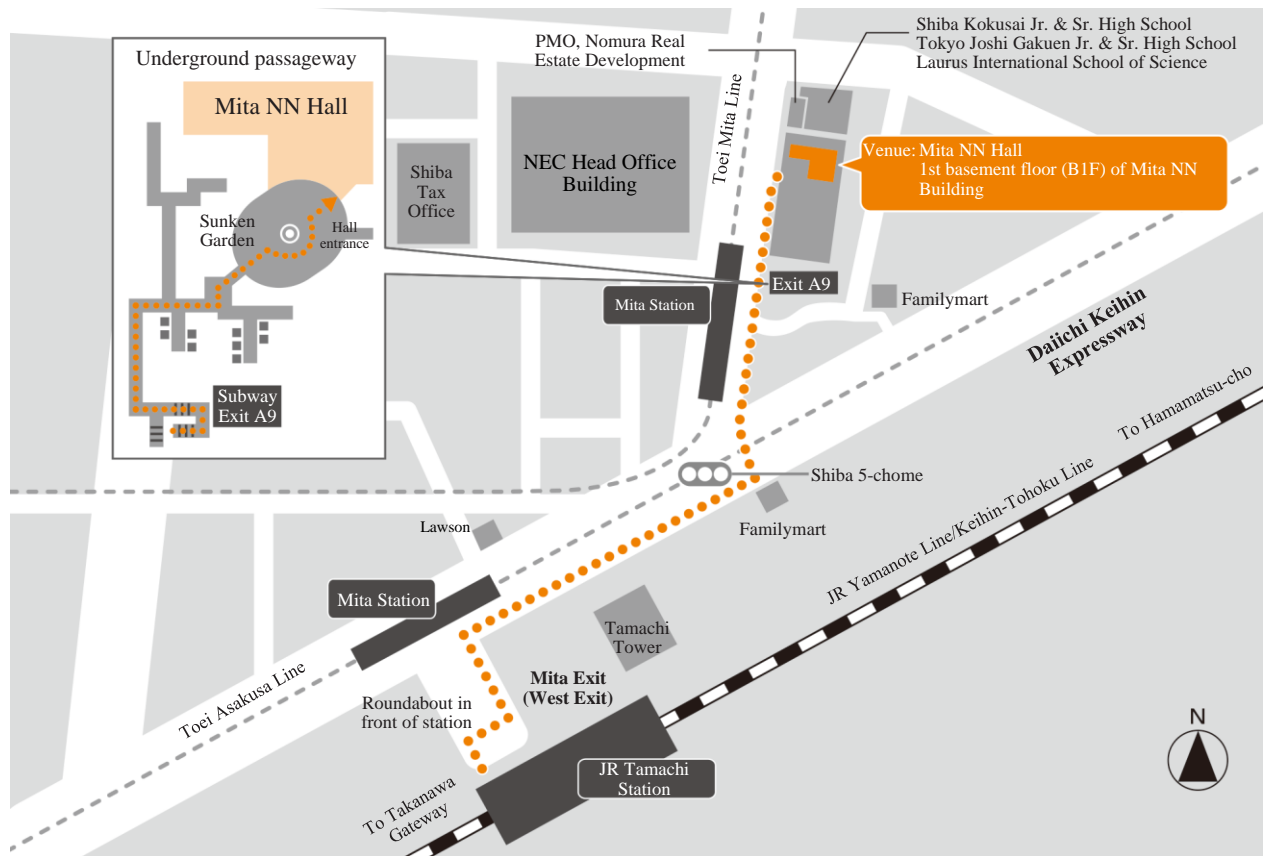
The skill matrix of the candidates for directors who are not Audit and Supervisory Committee Members is as follows:

Candidate Number	Name			Nomination, Compensation and Governance Committee	Audit & Supervisory Committee	Experience and expertise							
						Management strategy	Financial and capital policy	Overseas operations	Legal affairs, risk management	IT DX	ESG, sustainability	Former company/Qualification	
1	Masaharu Shibao	Reappointment			✓		✓		✓		✓	-	
2	Toshiki Yauchi	Reappointment					✓	✓		✓		✓	-
3	Yoshiko Nonogaki	Reappointment	External	Independent	✓ Chairperson		✓		✓		✓		Manufacturing
4	Masayuki Abe	Reappointment	External	Independent						✓	✓		Manufacturing
5	Yoshio Kometani	Reappointment	External	Independent	✓		✓		✓		✓		General trading company
New appointment	Candidate for new director	Reappointment	Candidate for reappointment as director	External	Candidate for external director		Independent	Independent officer as required by a stock exchange					

The skill matrix of present directors who are Audit and Supervisory Committee Members is as follows:

Number	Name	Nomination, Compensation and Governance Committee	Audit & Supervisory Committee	Experience and expertise						
				Management strategy	Financial and capital policy	Overseas operations	Legal affairs, risk management	IT DX	ESG, sustainability	Former company/Qualification
1	Junji Honda		✓ Chairperson		✓					—
2	Mitsuhiro Matsumoto	External	Independent		✓					Certified public accountant
3	Izumi Hayashi	External	Independent		✓			✓	✓	Lawyer
External	External directors	Independent	Independent officer as required by a stock exchange							

Access to Venue of General Meeting of Shareholders



*JR Yamanote Line/Keihin-Tohoku Line

Tamachi Station (about a five-minute walk from Mita Exit)

*Asakusa Line and Mita Line of Toei Subway

Mita Station (about a two-minute walk from Exit A9)

(Request) We do not have a parking lot, so please do not come by car.