

Notice of the 71st Annual General Meeting of Shareholders



Date and time

Thursday, June 22, 2023
10 a.m. (reception begins at 9:30 a.m.)

Venue

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

Proposals

- | | |
|------------|--|
| Proposal 1 | Appropriation of Surplus |
| Proposal 2 | Election of Six Directors Who Are Not Audit and Supervisory Committee Members |
| Proposal 3 | Election of Three Directors Who Are Audit and Supervisory Committee Members |
| Proposal 4 | Election of One Substitute Director Who Is an Audit and Supervisory Committee Member |

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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 5.

Nifco Inc.

Securities Code: 7988

To Shareholders

Securities Code: 7988

June 6, 2023

5-3 Hikarinooka, Yokosuka, Kanagawa

Nifco Inc.

President and Representative Director Masaharu Shibao

Notice of the 71st Annual General Meeting of Shareholders

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

You are cordially invited to attend the 71st 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/2023shoushuu.html>



(Please access the above website and select “Notice of the 71st 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://www.jpx.co.jp/english/>



(In the TSE website, enter “Nifco Inc.” in Issue name (company name) or “7988” in code and press 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 21, 2023.

[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 21, 2023** 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 “Instructions for Exercising Voting Rights via the Internet, etc.” on page 6.

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.

Although this General Meeting of Shareholders will be held with appropriate infection-control measures to prevent the spread of COVID-19, shareholders are requested to consider the infection status and other factors in deciding whether or not to attend the meeting.

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|-----------------|--|--|--------------------------|--|---|--|---|--------------------------|--|---|-----------------|---|-----------------|--|
| 1 | Date and time | Thursday, June 22, 2023, at 10 a.m. (reception begins at 9:30 a.m.) | | | | | | | | | | | | |
| 2 | Venue | Mita NN Hall, B1F (1st basement floor), Mita NN Building 4-1-23 Shiba, Minato-ku, Tokyo | | | | | | | | | | | | |
| 3 | Objectives | <table border="0"><tr><td style="vertical-align: top;">Reports</td><td><ol style="list-style-type: none">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 71st fiscal year (from April 1, 2022, to March 31, 2023)2. Non-consolidated Financial Statements for the Company’s 71st fiscal year (from April 1, 2022, to March 31, 2023)</td></tr><tr><td style="vertical-align: top;">Resolutions</td><td><table border="0"><tr><td>Proposal No. 1:</td><td>Appropriation of Surplus</td></tr><tr><td>Proposal No. 2:</td><td>Election of Six Directors Who Are Not Audit and Supervisory Committee Members</td></tr><tr><td>Proposal No. 3:</td><td>Election of Three Directors Who Are Audit and Supervisory Committee Members</td></tr><tr><td>Proposal No. 4:</td><td>Election of One Substitute Director Who Is an Audit and Supervisory Committee Member</td></tr></table></td></tr></table> | Reports | <ol style="list-style-type: none">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 71st fiscal year (from April 1, 2022, to March 31, 2023)2. Non-consolidated Financial Statements for the Company’s 71st fiscal year (from April 1, 2022, to March 31, 2023) | Resolutions | <table border="0"><tr><td>Proposal No. 1:</td><td>Appropriation of Surplus</td></tr><tr><td>Proposal No. 2:</td><td>Election of Six Directors Who Are Not Audit and Supervisory Committee Members</td></tr><tr><td>Proposal No. 3:</td><td>Election of Three Directors Who Are Audit and Supervisory Committee Members</td></tr><tr><td>Proposal No. 4:</td><td>Election of One Substitute Director Who Is an Audit and Supervisory Committee Member</td></tr></table> | Proposal No. 1: | Appropriation of Surplus | Proposal No. 2: | Election of Six Directors Who Are Not Audit and Supervisory Committee Members | Proposal No. 3: | Election of Three Directors Who Are Audit and Supervisory Committee Members | Proposal No. 4: | Election of One Substitute Director Who Is an Audit and Supervisory Committee Member |
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| 4 | Guide to Exercising Voting Rights | Please refer to the “Guide to Exercising Voting Rights” on page 5. | | | | | | | | | | | | |
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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.

Request to shareholders

- In order to prevent infection, seats will be arranged with greater space between them in the General Meeting of Shareholders. For this reason, the number of seats will be reduced and we may restrict entry to the venue.
- Alcohol sanitizer will be prepared for shareholders near the reception desk.
- The doors of the venue may be open for ventilation.
- In order to shorten the meeting time, we may reduce the explanation of reports and agenda item details. Shareholders are kindly requested to read the Notice in advance.

The above measures may be updated depending on the status of infection by the day of the General Meeting of Shareholders and announcements made by the government and other institutions. In addition, please check the information posted on the Company's website (<https://www.nifco.com/>).




Guide to Exercising Voting Rights

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.

There are three ways to exercise your voting rights:



Voting via the Internet

Enter your approval or disapproval of each proposal according to the instructions on the next page.

Deadline

Entries completed by 5 p.m. on Wednesday, June 21, 2023




Voting in writing (by mail)

Indicate your approval or disapproval of the proposals on the enclosed voting form and return it to us.

Deadline

Voting cards must arrive by 5 p.m. on Wednesday, June 21, 2023



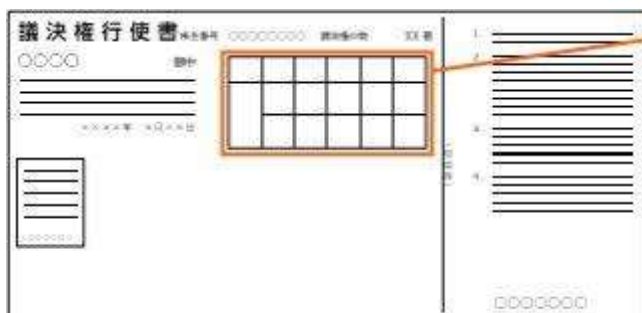
Attending the General Meeting of Shareholders

Submit the enclosed Voting Rights Exercise Form to the receptionist at the meeting.

Date and time

Thursday, June 22, 2023
10 a.m.
(Reception starts at 9:30 a.m.)

Instructions for Filling Out the Voting Rights Exercise Form



※議決権行使書用紙はイメージです。

こちらに議案の賛否をご記入ください。

- 第1、4号議案**
- 賛成の場合 >> [賛] の欄に○印
 - 反対する場合 >> [否] の欄に○印
- 第2、3号議案**
- 全員賛成の場合 >> [賛] の欄に○印
 - 全員反対する場合 >> [否] の欄に○印
 - 一部の候補者を反対する場合 >> [賛] の欄に○印をし、反対する候補者の番号をご記入ください。

If you exercise your voting rights both in writing (by mail) and via the Internet, etc., the exercise of your voting rights via the Internet, etc. will be treated as valid. If you exercise your voting rights more than once via the Internet, etc., the last vote will be treated as the valid vote.

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 議決権行使書用紙右下に記載の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、議決権行使書用紙に記載の「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 at the address 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 議決権行使書用紙に記載された「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 議決権行使書用紙に記載された「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 Period

<a> Business Progress and Results

In the fiscal year under review (hereinafter referred to as the current period), the Japanese economy was polarized, with retail and other consumption-related business conditions improving in the non-manufacturing sector on the back of a recovery in consumer spending and inbound demand, while in the manufacturing sector, business conditions in the materials sector were weak due to higher raw materials prices, and business conditions in the electrical machinery sector deteriorated due to a decline in global semiconductor demand. Looking overseas, both internal and external demand has been sluggish, with the strengthening of the zero-COVID policy by the Chinese government in the fall of 2022, the economic slowdown in the United States and Europe, and exports declining as a result of reduced factory operation due to activity restrictions. In the European economy, persistent inflationary pressures for both goods and services have weighed on the economy, with wages rising reflecting a tight labor supply-demand balance, and higher production costs resulting from higher resource prices being passed on to sales prices. In the U.S. economy, the easing of supply constraints through improvements in product lead times and other factors has been a supportive factor for business activities. However, goods production sectors such as manufacturing and construction have remained sluggish due to declining new orders reflecting reduced demand in response to monetary tightening and other factors. In this way, prices in the global economy are rising against the backdrop of soaring international commodity prices and the overall rise of labor costs. The outlook remains uncertain due to the rapid tightening of monetary policy and the downward political pressure on economic activities for price stabilization.

As for automobile manufacturers, which are major customers of the Group, both production and sales volume increased year on year in the Japanese market in the current period. Overseas, compared with the same period of the previous fiscal year, both production and sales volumes in the European market declined, while production in the U.S. market increased despite a decline in sales. In the Chinese and Indian markets, both production and sales volumes significantly increased.

Under these circumstances, consolidated net sales for the current period increased 13.4% from the previous fiscal year to 321,771 million yen. In terms of profits, operating profit increased 12.8% to 34,439 million yen, as the higher gross profit due to stronger sales outweighed the increase in selling, general and administrative expenses. Ordinary profit increased 12.7% to 37,876 million yen due to foreign exchange gains from the depreciation of the yen. In addition, extraordinary losses of 2,378 million yen were recorded due to impairment losses at subsidiaries in the United States and China and business restructuring expenses of a subsidiary in China. Profit attributable to owners of parent fell 7.8% to 21,170 million yen.

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)

Domestic auto production fell significantly below our initial plan, especially in the first quarter, due to reduced production caused by semiconductor shortages and supply chain stagnation. From the second quarter, production recovered slightly but fell short of the plan, and in the third quarter, production fell short of the plan again due to the spread of COVID-19 in China.

(For the overseas automobile industry)

In overseas operations, results were largely divided by region and customer. In Europe and North America, with the exception of South Korean affiliates, the Group struggled due to a shortage of semiconductors at all of its locations and rising costs of raw materials, personnel expenses, and logistics, resulting in sales and profits that were significantly below plan. In particular, the business for German OEMs experienced operational problems that led to increased losses. On the other hand, the ASEAN region was largely unaffected by these factors and was able to maintain its strong performance, supported by strong demand from Japanese OEMs. In the China region as well, the Group maintained a solid performance for the full year, despite a significant decline in performance toward the end of the year due to the impact of the lifting of the zero-COVID policy. South Korea's OEM business also continued to perform well globally, with the exception of China, with sales and profits exceeding plans, particularly in Europe, North America, and India. In the current period, with the introduction of the overseas regional control system, we will improve the performance of our overseas businesses and further improve our profitability, focusing on

rebuilding European and American bases under regional leadership, while promoting the consolidation and elimination of unprofitable South-Korea-related China bases.

[For other industries]

In the housing and living sector, production was lower than originally planned due to reduced housing-equipment production caused by the impact of the Chinese lockdown and soaring prices of wood due to COVID-19 (called the “wood shock” in Japan). On the other hand, in the sports and outdoor sector, net sales increased from the previous period due to strong demand for running shoe and clothing components as a result of growing health consciousness, especially in Europe and the United States.

As a result of the foregoing, net sales in the industrial plastic parts & components increased 13.7% to 288,734 million yen. Segment profit rose 12.9% to 34,050 million yen.

(ii) Bed and Furniture Business

In the Bed and Furniture business, although sales to dealers grew steadily in Japan, profit fell despite the increased income due to the inability to absorb higher costs resulting from higher raw material prices and a weaker yen. Overseas, the Group was able to avoid a significant decline in the challenging environment brought by the zero-COVID policy in China, and sales and profit increased thanks to steady growth in sales to wholesalers, retailers, and hotels in Taiwan and Singapore, as well as the impact of the weak yen on foreign exchange rates. As a result, net sales in the bed and furniture business grew 11.1% to 33,037 million yen. Segment profit rose 5.8% to 5,885 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	288,734	113.7	204,596	110.5
Bed and furniture business	33,037	111.1	11,627	109.8
Total	321,771	113.4	216,224	110.5

 Capital Investment

Capital expenditures in the current period totaled 8,872 million yen. These included the acquisition of molds and the construction of a new plant for our subsidiary Nifco India Private Ltd.

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

		68th Period (April 1, 2019, to March 31, 2020)	69th Period (April 1, 2020, to March 31, 2021)	70th Period (April 1, 2021, to March 31, 2022)	71st Period (Current period) (April 1, 2022, to March 31, 2023)
Net sales	(Million yen)	288,012	256,078	283,777	321,771
Ordinary profit	(Million yen)	28,765	29,535	33,602	37,876
Profit attributable to owners of parent	(Million yen)	18,321	18,402	22,959	21,170
Profit per share		177.87 yen	181.09 yen	227.27 yen	211.28 yen
Total assets	(Million yen)	304,184	307,127	333,068	359,150
Net assets	(Million yen)	168,786	178,649	200,875	226,127
Net assets per share		1,630.57 yen	1,737.80 yen	1,978.36 yen	2,237.06 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 Remuneration 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) Ltd.	HK\$10,000 thousand	-	100.00	Bed and furniture business

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

(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 in addition to the shortage of components such as semiconductors, 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, and constructing information systems for security and IT utilization. At the same time, we are currently working to smoothly launch projects for global strategic products for vehicles and multilateral projects, and strengthen the quality assurance systems of overseas subsidiaries.

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 cases of lawsuit filed by a third party concerning intellectual property rights.

(5) Main Business (as of March 31, 2023)

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, the purchase of accounts receivable, the consignment of various services, and other businesses.

(6) Major Offices and Plants (as of March 31, 2023)

Nifco Inc.	Headquarters	5-3 Hikinooka, 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
Nifco Germany GmbH	Headquarters	Bayern, Germany
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	Taipei, 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) Ltd.	Headquarters	Hong Kong

(7) Status of Employees (as of March 31, 2023)

<a> People working for corporate groups

Business category	Number of employees		Change from the end of the previous fiscal year	
Industrial Plastic Parts & Components	9,114	(2,841)	Decreased 50	(Increased 80)
Bed and furniture business	914	(259)	Increased 18	(Increased 16)
Company-wide (common)	141	(-)	Increased 8	(-)
Total	10,169	(3,100)	Decreased 24	(Increased 96)

- (Notes)
- 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 12 employees seconded to our affiliates.
 - 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.
 - 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
1,361 (383)	Decreased 14 (decreased 28)	41.8	16.3

- (Notes)
- 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 12 employees seconded to our affiliates.
 - 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, 2023)

Lenders	Borrowings
Mizuho Bank, Ltd.	9,843 million yen
Sumitomo Mitsui Banking Corporation	8,568 million yen
MUFG Bank, Ltd.	8,056 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, 2023)

<a> Total number of shares authorized	233,000,000
 Total number of shares outstanding	107,508,954
<c> Number of shareholders	4,097
<d> Major shareholders (top 10)	

Shareholder name	Number of shares held	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	23,665,100	23.57
Toshiaki Ogasawara Memorial Foundation	10,343,665	10.30
Custody Bank of Japan, Ltd. (trust account)	7,693,400	7.66
GOLDMAN, SACHS & CO. REG	6,152,996	6.12
Nippon Life Insurance Company	2,915,390	2.90
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	2,625,700	2.61
Dai-ichi Life Insurance Company, Ltd.	2,065,400	2.05
TAIYO FUND, L.P.	1,837,300	1.83
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	1,581,900	1.57
Japan Post Insurance Co., Ltd.	1,342,400	1.33

(Note) The shareholding ratio is calculated after deducting treasury shares (7,114,953 shares).

The Company shares (413,221 shares) held by the Executive Remuneration 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 period

		Shares	Number of recipients
Director (excluding Audit and Supervisory Committee Members)	Director (excluding external directors)	-	-
	External directors	-	-
Directors (Audit and Supervisory Committee Members)		-	-

(Note) Details of the Company's stock-based remuneration are described in "(4) Remuneration, etc. of Directors" on page 16 of the Business Report.

(2) Share Acquisition Rights, etc.

<a> Share Acquisition Rights Held by Officers as Consideration for Their Performance (as of March 31, 2023)

Not applicable.

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

Not applicable.

<c> Other Important Matters Related to Share Acquisition Rights

Not applicable.

(3) Status of Company Officers

<a> Directors (as of March 31, 2023)

Position	Name	Responsibilities and significant concurrent positions
Chairperson and Representative Director CEO (Chief Executive Officer)	Toshiyuki Yamamoto	
President and Representative Director COO (Chief Operating Officer)	Masaharu Shibao	
Director, Senior Executive Managing Officer CFO (Chief Financial Officer) CSO (Chief Strategy Officer)	Toshiki Yauchi	
Director	Yoshiko Nonogaki	Outside Director, GS Yuasa Corporation Outside Director, Sato Holdings Corporation
Director	Brian K. Heywood	Taiyo Pacific Partners L.P. CEO Outside Director, Roland DG Corporation Outside Director, Roland Corporation
Director	Masayuki Abe	
Director (Full-time Audit and Supervisory Committee Member)	Junji Honda	
Directors (Audit and Supervisory Committee Members)	Toshiyuki Arai	Lawyer Outside Director, Spiber Inc. Outside Corporate Auditor, Moneytree K.K.
Directors (Audit and Supervisory Committee Members)	Mitsuhiro Matsumoto	Certified public accountant Outside Director, Suzuki Co., Ltd. (Member of Audit and Supervisory Committee) Outside Director, Hoden Seimitsu Kako Kenkyusho Co., Ltd. (Audit and Supervisory Committee Member)

- (Notes)
1. Directors Yoshiko Nonogaki, Brian K. Heywood and Masayuki Abe, and Directors (Audit and Supervisory Committee Members) Toshiyuki Arai and Mitsuhiro Matsumoto are external directors.
 2. 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.
 3. Director (Audit and Supervisory Committee Member) Mitsuhiro Matsumoto is a certified public accountant and has considerable financial and accounting knowledge.
 4. The Company has designated directors Yoshiko Nonogaki, Brian K. Heywood and Masayuki Abe, as well as directors (Audit and Supervisory Committee members) Toshiyuki Arai and Mitsuhiro Matsumoto, as independent officers pursuant to the provisions of the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange of their appointment.
 5. 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.

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

The Company has entered into liability insurance (Directors and Officers, or D&O) contracts with insurance companies 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> Remuneration, etc. of Directors

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

At a meeting held on May 18, 2023, the Board of Directors of the Company resolved to establish a policy for the appointment of directors and a policy for remuneration for directors (and other officers) for fiscal 2023 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 policy for remuneration for directors (and other officers) includes:

1. Basic Policy on Remuneration for Directors (and Other Officers)

Based on the basic principles of corporate governance, the remuneration for directors and executive officers (hereafter referred to as "remuneration for directors (and other officers)") is based on the following basic policy:

- (1) Contributes to the Company's mission of "Nifco generates ideas and cultivates technology to turn your expectations into excitement."
- (2) The remuneration system shall be highly independent, objective, and transparent, and shall be such that the Company is accountable to its employees, customers, shareholders, and other stakeholders.
- (3) The system for remuneration for directors (and other officers) is such that the Company employees find it attractive.

2. Remuneration Level

The levels of remuneration for directors (and other officers) are determined based on the basic policies described above after an annual survey of peer groups and analysis of the remuneration levels of other companies in the same industry and other major companies of the same size based on the Company's business environment and external databases.

Specifically, we examine JPX 400 companies for appropriate remuneration levels, taking into account the remuneration levels of companies having commensurate operating profit and total market value as well as companies having stock-based remuneration systems. We also consider the amount of dividends paid to shareholders, the maximum annual salary of employees, and the pay ratio (the discrepancy between CEO remuneration and average employee salary).

3. Remuneration Structure

(1) Remuneration Composition

The remuneration for the President and Representative Director consists of 47% basic remuneration, 20% executive bonuses, and 33% stock-based remuneration. Bonuses and stock-based remuneration account for a majority of total compensation.

Remuneration for directors who are not Audit and Supervisory Committee members and executive officers consists of "basic remuneration," "executive bonuses," and "stock-based remuneration." Independent external directors and directors who are members of the Audit and Supervisory Committee (hereinafter referred to as "non-executive directors") receive only "basic remuneration."

The remuneration of the Chairperson of the Board of Directors is given for efforts of responding to important management issues designated by the President and the Board of Directors and for the results of such efforts.

(2) Summary of Each Remuneration Item

<a> Basic Remuneration

The amount of remuneration is determined for each position according to the level of responsibility, and is paid as fixed monthly salary according to the role played in order to secure excellent personnel.

 Executive Bonuses (Annual Incentive)

Bonuses are paid on a single-fiscal-year basis to provide an incentive to the Group's consolidated performance. In order to strengthen the earning power of our core business, we use consolidated net sales and consolidated operating profit as evaluation indicators, and also employ qualitative assessment. Payments can vary basically from 40% to 150% of the base amount.

<c> Stock-based Remuneration (Medium- to Long-Term Incentive)

To encourage directors and officers to further raise the level of motivation to contribute to medium- to long-term business performance and corporate value, and to further share value with shareholders, the Company shares are delivered upon retirement. Of stock-based remuneration, 50% is performance-linked and 50% is non-performance-linked. Starting in fiscal 2016, the stock-based remuneration uses a trust structure under which the Company shares, etc. are delivered to eligible directors and officers. Specifically, points are granted annually to eligible directors and officers, and upon retirement, Company shares equivalent to the number of points are delivered from the trust. Management of the Company shares is entrusted to Mitsubishi UFJ Trust and Banking Corporation. In addition, in order to respond more flexibly to changes in the social environment, the Company establishes a medium-term management plan every year (rolling medium-term management plan) from fiscal 2021. The Company is now reviewing the system to further strengthen incentives for medium- and long-term goals from the perspective of shareholders and investors. The performance-linked portion will be determined based on an evaluation of the level of achievement of the performance indicators (operating cash flow, return on invested capital (ROIC), total shareholder return (TSR), etc.) in the medium-term management plan, and will be determined within the range of 0% to 200%. We are also considering incorporating ESG indicators into future rolling medium-term management plans. The above indicators will be reviewed in a timely and appropriate manner for each rolling medium-term management plan. The non-performance-linked portion will be paid as stock-based remuneration with a fixed number of shares to be delivered in order to further encourage linkage with medium- to long-term shareholder value.

(3) Confiscation of Remuneration (Clawback and Malus)

In the event of a resolution by the Board of Directors to make a subsequent adjustment to financial results due to a material accounting error or impropriety, or in the event that the Board of Directors determines that there has been material misconduct during the term of office, the Board of Directors may, following deliberations by the Nomination, Compensation and Governance Committee, request that the payment of bonuses and stock-based remuneration be restricted or refunded.

4. Guidelines for Ownership of Company's Shares

Directors and executive officers will be encouraged to hold the Company's shares in order to further raise awareness of the need to improve business performance and increase stock prices from the perspective of shareholders.

5. Decision Process

In order to enhance the independence, objectivity, and transparency of the system of remuneration for directors (and other officers), the Company established the Nomination and Remuneration Committee on December 10, 2018, as an advisory body to the Board of Directors, with the committee chair and the majority of the members being independent external directors. In addition, the name was changed to the Nomination, Compensation and Governance Committee on October 28, 2020, in order to further strengthen future governance initiatives. In principle, the committee meets at least four times a year, and deliberates on individual remuneration amounts and qualitative assessments to provide advice and recommendations to the Board of Directors.

In order to introduce objective perspectives and expert knowledge of the system for remuneration for directors (and other officers) from outside the Company, we consider remuneration levels and remuneration systems by taking into account external data, the economic environment, industry trends, and business conditions, with advice from outside consultants appointed by the Nomination, Compensation and Governance Committee.

6. Engagement Policy

The details of the Company's system for remuneration for directors (and other officers) will be promptly disclosed to the Company shareholders in securities reports, business reports, corporate governance reports, and Nifco reports, which are required to be prepared and disclosed in accordance with laws and regulations, as well as on the Company's website. We will also actively engage with institutional investors.

In determining the amount of remuneration for directors (and other officers), the amount of dividends paid to shareholders and the level of salaries paid to employees are also taken into account.

ii. Total Amount of Remuneration, etc. for the Current Period

Category	Total amount of remuneration, etc. (Million yen)	Total amount of remuneration by type (Million yen)			Number of eligible officers
		Basic Remuneration	Performance-linked remuneration	Non-monetary remuneration, etc.	
Directors (excluding Audit and Supervisory Committee Members) (External directors)	278 (28)	176 (28)	58 (-)	45 (-)	5 (2)
Directors (Audit and Supervisory Committee Members) (External directors)	61 (28)	53 (28)	8 (-)	- (-)	3 (2)
Total (Outside officers)	339 (56)	229 (56)	66 (-)	45 (-)	8 (4)

- (Notes)
- At the end of the current period, 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.
 - In addition to the above, the amount of expenses recorded in the Executive Remuneration BIP Trust for the current period, which was approved at the 69th Annual General Meeting of Shareholders held on June 24, 2021, was 45 million yen for three directors.
 - Performance indicators related to performance-linked remuneration 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 Company's website (<https://www.nifco.com/>).
 - The non-monetary compensation consists of the Company stock, and the conditions of the allotment are as described in "i. Policies, etc. for Determining the Content of Compensation, etc. for Directors."
 - At the 69th Annual General Meeting of Shareholders held on June 24, 2021, it was resolved that the maximum amount of remuneration 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 remuneration 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 remuneration for directors is resolved by the Board of Directors in response to a voluntary report by the Nomination, Compensation and Governance Committee.

<e> **Matters Related to Outside 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., outside director of Roland DG Corporation, and outside 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 (Audit and Supervisory Committee Member) Toshiyuki Arai is an outside director of Spiber Inc. and an outside corporate auditor of Moneytree K.K. There is no special relationship between the Company and the two 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. and an external director (member of the Audit and Supervisory Committee) of Hoden Seimitsu Kako Kenkyusho Co., Ltd. There is no special relationship between the Company and the two companies.

(ii) Principal Activities in the Current Period

	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 period. 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 five of the five 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 period. 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 five of the five meetings of the voluntary Nomination, Compensation and Governance Committee. 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 period. 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) Toshiyuki Arai	<p>Attended 13 of the 14 Board of Directors meetings and 13 of the 14 Audit and Supervisory Committee meetings held during the current period. He provided advice and recommendations to ensure the appropriateness and validity of the Board of Directors' decision-making, mainly by expressing his opinions from his professional perspective as an attorney, and made remarks at the Audit and Supervisory Committee with an emphasis on the internal control system.</p>
Directors (Audit and Supervisory Committee Members) Mitsuhiro Matsumoto	<p>Attended 14 of the 14 Board of Directors meetings and 14 of the 14 Audit and Supervisory Committee meetings held during the current period. 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>

<f> The Officer Nomination Policies and The Officer Compensation Policies

After deliberations by the Nomination, Compensation and Governance Committee, the Board of Directors resolved at its meeting held on May 18, 2023, to establish a policy for the appointment of directors and remuneration for directors (and other officers) for fiscal 2023 and thereafter. For details, please refer to the Company's website (<https://www.nifco.com/en/news/detail/2023shoushuu.html>).

(4) Status of Accounting Auditor

<a> Name KPMG AZSA LLC

** Amount of Remuneration**

	Amount paid
Amount of remuneration for the Accounting Auditor for the current period	89 million yen
Total amount of money and other property benefits owed by the Company and its subsidiaries to the Accounting Auditor	106 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 period is stated.
 2. The Audit and Supervisory Committee of the Company have decided to agree on the amount of remuneration 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 remuneration 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 of 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 period will be 33 yen per share. Together with the interim dividend of 31 yen per share already distributed, the annual dividend becomes 64 yen per share.

Consolidated Financial Statements

Consolidated Balance Sheet (as of March 31, 2023)

(Million yen)

Item	Current period	Previous period (for reference)	Difference	Item	Current period	Previous period (for reference)	Difference
Assets				Liabilities			
Current assets	243,668	219,556	24,112	Current liabilities	71,744	61,780	9,964
Cash and deposits	129,793	112,944	16,848	Notes and accounts payable–trade	25,076	22,258	2,817
Notes receivable–trade	1,668	2,013	(344)	Short-term borrowings	8,903	11,272	(2,369)
Electronically recorded monetary claims–operating	7,771	6,725	1,045	Current portion of long-term borrowings	10,209	3,462	6,746
Accounts receivable–trade	52,262	48,869	3,393	Accounts payable–other	5,190	6,034	(843)
Contract assets	786	626	160	Income taxes payable	5,329	3,761	1,568
Securities	691	757	(65)	Contract liabilities	4,240	4,530	(289)
Merchandise and finished goods	27,966	26,955	1,011	Provision for Bonuses	2,517	2,226	290
Work in process	3,226	3,350	(124)	Other	10,277	8,233	2,044
Raw materials and supplies	10,020	9,043	976	Non-current liabilities	61,278	70,412	(9,134)
Other	9,742	8,535	1,207	Bonds payable	35,000	35,000	-
Allowance for Doubtful Accounts	(261)	(265)	4	Long-term borrowings	10,345	20,661	(10,316)
Non-current assets	115,482	113,512	1,969	Deferred tax liabilities	7,175	6,926	248
Property, plant and equipment	104,921	103,329	1,591	Retirement benefit liability	1,818	2,392	(574)
Buildings and structures	48,118	47,976	142	Other	6,938	5,430	1,507
Machinery, equipment and vehicles	19,780	20,332	(551)	Total liabilities	133,023	132,193	830
Tools, furniture and fixtures	4,426	4,638	(211)	Net assets			
Mold	4,458	4,340	117	Shareholders' equity	209,966	195,946	14,019
Land	18,502	17,698	803	Share capital	7,290	7,290	-
Leased Assets	44	47	(2)	Capital surplus	13,908	13,863	45
Construction in progress	2,913	3,670	(756)	Retained earnings	208,459	193,531	14,928
Other	6,676	4,625	2,050	Treasury shares	(19,691)	(18,737)	(954)
Intangible assets	1,887	2,094	(207)	Accumulated other comprehensive income	13,585	2,228	11,356
Goodwill	467	735	(268)	Valuation difference on available-for-sale securities	737	898	(161)
Other	1,419	1,358	60	Deferred gains or losses on hedges	(63)	(36)	(27)
Investments and other assets	8,673	8,088	585	Revaluation reserve for land	6	6	-
Investment securities	3,317	3,359	(41)	Foreign currency translation adjustment	13,002	2,062	10,940
Deferred tax assets	963	1,630	(667)	Remeasurements of defined benefit plans	(96)	(701)	604
Retirement benefit asset	1,664	274	1,389	Non-controlling interests	2,576	2,700	(124)
Other	2,728	3,276	(548)	Total net assets	226,127	200,875	25,252
Allowance for Doubtful Accounts	(0)	(452)	451	Total liabilities and net assets	359,150	333,068	26,082
Total assets	359,150	333,068	26,082				

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

Consolidated Statement of Income (April 1, 2022, to March 31, 2023)

(Million yen)

Item	Current period	Previous period (for reference)	Difference
Net sales	321,771	283,777	37,993
Cost of sales	235,927	207,271	28,655
Gross profit	85,843	76,505	9,337
Selling, general and administrative expenses	51,403	45,965	5,438
Operating profit	34,439	30,540	3,899
Non-operating income	4,538	4,345	193
Interest income	527	332	195
Gain on valuation of derivatives	88	-	88
Gain on valuation of investment securities	413	390	22
Foreign exchange gains	2,315	2,854	(538)
Subsidy income	545	115	430
Other	647	652	(5)
Non-operating expenses	1,101	1,283	(182)
Interest expenses	520	430	89
Loss on valuation of derivatives	-	218	(218)
Compensation expenses	117	340	(223)
Other	463	293	170
Ordinary profit	37,876	33,602	4,274
Extraordinary income	158	497	(338)
Gain on sale of non-current assets	42	205	(163)
Gain on sale of investment securities	-	50	(50)
Insurance claim income	116	240	(124)
Extraordinary losses	2,378	804	1,573
Impairment losses	1,903	-	1,903
Loss on sale and retirement of non-current assets	128	60	68
Loss on sale of shares of subsidiaries	-	744	(744)
Business restructuring expenses	317	-	317
Loss on suspension of operations due to COVID-19	28	-	28
Profit before income taxes	35,657	33,294	2,362
Income taxes—current	12,670	8,527	4,142
Income taxes—deferred	855	995	(139)
Profit	22,130	23,771	(1,640)
Profit attributable to non-controlling interests	960	812	148
Profit attributable to owners of parent	21,170	22,959	(1,788)

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

Consolidated Statement of Changes in Equity (April 1, 2022, to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,290	13,863	193,531	(18,737)	195,946
Changes during the fiscal year					
Dividends of surplus			(6,241)		(6,241)
Profit attributable to owners of parent			21,170		21,170
Purchase of treasury shares				(1,328)	(1,328)
Disposal of treasury shares		45		373	419
Net changes in items other than shareholders' equity during the fiscal year					
Total changes during the fiscal year	-	45	14,928	(954)	14,019
Balance at end of period	7,290	13,908	208,459	(19,691)	209,966

	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	898	(36)	6	2,062	(701)	2,228	2,700	200,875
Changes during the fiscal year								
Dividends of surplus								(6,241)
Profit attributable to owners of parent								21,170
Purchase of treasury shares								(1,328)
Disposal of treasury shares								419
Net changes in items other than shareholders' equity during the fiscal year	(161)	(27)	-	10,940	604	11,356	(124)	11,232
Total changes during the fiscal year	(161)	(27)	-	10,940	604	11,356	(124)	25,252
Balance at end of period	737	(63)	6	13,002	(96)	13,585	2,576	226,127

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 52
- 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 included in the scope of consolidation due to new incorporation during the current period
Nifco Europe GmbH
Nifco Germany doo Subotica

 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.
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) Ltd.
29 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, 2023, to the consolidated closing date of March 31, 2023, 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. 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).
 - with no market value
 - 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.

<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

In the industrial plastic parts & components, the Company mainly manufactures and sells industrial plastics 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
- 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.
- 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.
- 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.
- 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.
- Some consolidated subsidiaries use the simplified method.
- ii. Standards for the Translation of Significant Foreign Currency Assets or Liabilities into Japanese Currency
- 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.
- 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.
- iii. Method of Hedge Accounting
- <a> 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.
- Hedging Instruments and Hedged Items
- The hedging instruments and hedged items for which hedge accounting was applied during the current period are as follows:
- Hedging instruments: Currency swaps, interest rate swaps
Hedged item: Loans receivable
- <c> Hedging Policy
- 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.
- <d> 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.
- iv. Amortization of Goodwill
- Goodwill is amortized on a straight-line basis over the estimated period in which the effect of the investment is realized.
- v. Application of Tax Effect Accounting for Transition from Consolidated Tax Payment System to Non-consolidated Tax Payment System
- Some consolidated subsidiaries previously applied the consolidated tax payment system. However, in the previous period, the Group submitted to the competent district tax director a notification saying that the Group will not adopt the Japanese group relief system. Therefore, from this period, the Group will transfer its tax payment from the consolidated tax payment system to the non-consolidated tax payment system. Accordingly, in accordance with the treatment in Section 33 of “Handling of Accounting and Disclosure When Applying the Group Relief System” (Practical Solutions No. 42, August 12, 2021), the Group applies tax effect accounting based on the non-consolidated tax payment system from the current period.

2. Notes on Changes in Accounting Policies

(Adoption of Accounting Standards Codification (ASC) No. 842, “Leases” of Financial Accounting Standards Board)

Overseas subsidiaries that adopt the U.S. accounting standards are applying ASC No. 842, “Leases,” from the current period. As a result, the lessee has in principle recorded all leases as assets and liabilities in the balance sheet.

The Group is applying this accounting standard in a transient manner by recognizing the cumulative effects of changes in accounting policies on the effective date.

As a result of the application of this standard, leased assets (net) decreased 91 million yen and other under property, plant and equipment increased 709 million yen in the current period Other under current liabilities increased 367 million yen and other under non-current liabilities grew 426 million yen.

The impact on earnings for the current period is immaterial.

(Application of guidelines of accounting standards for calculation of market value)

The Company adopted the “Guidance on Accounting Standard for the Measurement of Fair Value” (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021, hereafter referred to as the “Guidance on Accounting Standard for Market Value”) from the beginning of the current period and decided to apply the new accounting policies set forth in the Guidance into the future in accordance with the transitional treatment set forth in Article 27, Paragraph 2 of the Guidance. The effect of this change on the consolidated financial statements is immaterial.

3. Notes on Changes in Presentation

(Consolidated statement of income)

“Subsidy income,” which was included in “Other” under “Non-operating income” in the previous fiscal year, is now separately stated in the current period due to its increased monetary importance.

4. Notes on Accounting Estimates

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

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

Non-current assets of Nifco KTW America Corporation: Book value 3,445 million yen, impairment losses 1,065 million yen

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

Nifco KTW America Corporation (hereafter, “KWA”) adopts U.S. accounting standards. If signs of impairment are identified and the total undiscounted future cash flows from an asset group are less than the carrying amount, the difference between the carrying amount and fair value is recognized as impairment losses. KWA’s profitability has deteriorated significantly due to delays in reflecting higher personnel expenses in product prices and delays in improvement of yields, and non-current assets show signs of impairment. For this reason, we conducted a collectability test for non-current assets in the current period. As a result, the Group determined that the carrying amount of non-current assets was not recoverable, and therefore recognized the difference between the carrying amount and fair value (1,065 million yen) as impairment losses.

The Group estimates the fair value based on the appraisal value for the purpose of measuring impairment losses, and employs outside experts because selecting the valuation techniques and conditions used to calculate such appraisal value requires a high level of expertise. In addition, there may be additional impairment losses in the consolidated financial statements for the following fiscal year and beyond due to changes in the real estate market and other factors.

5. Notes to Consolidated Balance Sheet

(1) Assets Pledged as Collateral and Collateralized Debt

<a> Assets Pledged as Collateral

Cash and deposits	48 million yen
Notes receivable–trade	222 million yen

 Collateralized Debt

Notes payable–trade	268 million yen
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(2) Accumulated Depreciation of Property, Plant and Equipment 191,938 million yen

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

6. Notes to Consolidated Statement of Income

Impairment losses

The Group recorded impairment losses on the following asset groups:

Location	Applications	Type	Impairment losses
Nifco (Chongqing) Limited Liability Company	Industrial Plastic Parts & Components	Buildings and structures, other under investments and other assets	300 million yen
Nifco Yancheng Co., Ltd.	Industrial Plastic Parts & Components	Machinery, equipment and vehicles, molds, etc.	537 million yen
Nifco KTW America Corporation	Industrial Plastic Parts & Components	Machinery, equipment and vehicles, construction in progress, etc.	1,065 million yen

The Group bundles its internally used business assets by each business establishment or consolidated subsidiary, and its real estate for rent, idle assets, and assets to be sold by individual property.

Due to the sale of the business assets of Nifco (Chongqing) Limited Liability Company as a result of a review of the production in China for the South Korean automotive industrial plastic parts & components, the book value was reduced to the recoverable amount, and the decrease was recorded as impairment losses (300 million yen) under extraordinary losses. This consisted of 257 million yen for buildings and structures and 42 million yen for other under investments and other assets.

The recoverable amount is measured at fair value and is calculated based on the amount to be sold under the agreement.

As business assets of Nifco Yancheng Co., Ltd. are underperforming due to the deteriorating business environment, the book value has been reduced to the recoverable amount, and the decrease is recorded as impairment losses (537 million yen) under extraordinary losses. This mainly consists of machinery, equipment and vehicles of 296 million yen and molds of 164 million yen.

The recoverable amount is measured at fair value.

The book value of Nifco KTW America Corporation's business assets has been reduced to the recoverable amount because it was no longer expected to be profitable from the asset group, and the decrease was recorded as impairment losses (1,065 million yen) in extraordinary losses. This mainly consists of machinery, equipment and vehicles of 625 million yen and construction in progress of 271 million yen.

The recoverable amount is measured at fair value.

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	-	-	107,508 thousand shares

(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	7,337 thousand shares	383 thousand shares	143 thousand shares	7,577 thousand shares

- (Notes)
- The number of shares at the beginning of the current period includes 413 thousand shares of the Company held by the Executive Remuneration BIP Trust account and 41 thousand shares of the Company held by the Stock Grant ESOP Trust account.
 - The increase in the number of treasury shares of common stock of 383 thousand consists of an increase of 355 thousand shares through a market purchase of treasury shares in accordance with a resolution of the Board of Directors, an increase of 27 thousand shares through the acquisition of shares of the Company by the Stock Grant ESOP Trust account and an increase of 0 thousand shares through the purchase of fractional shares.
 - The decrease in the number of treasury shares of common stock of 143 thousand shares consisted of a decrease of 27 thousand shares due to the transfer of shares of the Company to the Stock Grant ESOP Trust account, a decrease of 94 thousand shares due to the disposition of shares of the Company to the Employee Stock Ownership Plan, a decrease of 19 thousand shares due to share awards from the Stock Grant ESOP Trust account, and a decrease of 1 thousand shares due to the transfer of treasury shares (shares of the Company) attributable to the Company that was held by Nichiei Seiki Co., Ltd., an equity-method affiliate.
 - The number of shares at the end of the current period includes 413 thousand shares of the Company held by the Executive Remuneration 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 23, 2022 Annual General Meeting of Shareholders	Common stock	3,119	31	March 31, 2022	June 24, 2022
October 28, 2022 Board of Directors	Common stock	3,122	31	September 30, 2022	November 28, 2022

- (Notes)
- The total amount of dividends as resolved at the Annual General Meeting of Shareholders on June 23, 2022, includes dividends of 12 million yen to the Executive Remuneration BIP Trust account and 1 million yen to the Stock Grant ESOP Trust account.
 - The total amount of dividends as resolved at the Board of Directors on October 28, 2022, includes dividends of 12 million yen to the Executive Remuneration BIP Trust account and 0 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 22, 2023, 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 22, 2023 Annual General Meeting of Shareholders	Common stock	3,313	Retained earnings	33	March 31, 2023	June 23, 2023

- (Note) The total amount of dividends includes dividends of 13 million yen to the Executive Remuneration 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 6 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 options, 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	52,262	52,256	(5)
(2) Securities and investment securities			
<a> Held-to-maturity debentures	657	657	(0)
 Other securities	3,236	3,236	-
Total assets	56,157	56,150	(6)
(1) Bonds payable	35,000	34,012	(987)
(2) Long-term Borrowings (Including Current Portion)	20,554	20,502	(51)
Total liabilities	55,554	54,515	(1,038)
Derivatives	219	219	-

(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	115
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	2,251	-	-	2,251
Government and local government bonds	-	-	-	-
Bonds payable	-	-	-	-
Other	-	951	34	985
Derivatives				
Those related to currencies	-	219	-	219
Those related to interest rate	-	-	-	-
Total assets	2,251	1,171	34	3,456
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	-	52,256	-	52,256
Securities and investment securities				
Held-to-maturity debentures				
Government and local government bonds	-	657	-	657
Total assets	-	52,913	-	52,913
Bonds payable	-	34,012	-	34,012
Long-term borrowings (including current portion)	-	20,502	-	20,502
Total liabilities	-	54,515	-	54,515

(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	288,734	33,037	321,771
Other revenue	-	-	-
Net sales to external customers	288,734	33,037	321,771

(2) Basics for Understanding Revenue

1. 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

1. Balance of Contract Assets and Contract Liabilities

(Million yen)

	Current period
Claims arising from contracts with customers (beginning balance)	57,608
Claims arising from contracts with customers (ending balance)	61,702
Contract assets (beginning balance)	626
Contract assets (ending balance)	786
Contract liabilities (beginning balance)	4,530
Contract liabilities (ending balance)	4,240

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 3,954 million yen.

The main reason for the increase in contract assets of 160 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 decrease in contract liabilities of 289 million yen in the current period is the increase in advances received was less than the decrease by revenue recognition.

2. Transaction Price Allocated to the Remaining Performance Obligation

The outstanding performance obligations amounted to 18,782 million yen as of March 31, 2023. Such performance obligations relate to the manufacture and sale of products in the industrial plastic parts & components, and approximately 68% of their revenue is expected to be recognized within one year after the end of the period and almost all of their revenue within three years.

10. Notes on Per Share Information

(1) Net assets per share 2,237.06 yen

(2) Profit per share 211.28 yen

(Notes) 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: 454,460

Number of such treasury shares at the end the period, excluded in the calculation of net assets per share: 462,960

11. Notes to Significant Subsequent Events

Not applicable.

12. Other Notes

(Stock-based remuneration system for officers)

On August 22, 2016, the Company introduced a stock-based remuneration 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 remuneration amount under the System for directors and executive officers at the time, to newly establish a remuneration 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 Executive Remuneration (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 1,250 million yen and 413,221 shares for the current period.

(Stock-based remuneration system for employees)

On August 27, 2018, the Company introduced a stock-based remuneration 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, 2023)

(Million yen)

Item	Current period	(Reference) Previous period	Difference	Item	Current period	(Reference) Previous period	Difference
Assets				Liabilities			
Current assets	108,770	95,702	13,067	Current liabilities	28,822	18,502	10,320
Cash and deposits	70,980	60,117	10,862	Accounts payable–trade	9,463	10,282	(819)
Notes receivable–trade	285	315	(29)	Electronically recorded obligations–operating	1,582	-	1,582
Accounts receivable–trade	19,206	18,605	600	Accounts payable–other	1,853	2,546	(692)
Electronically recorded monetary claims–operating	4,584	4,177	407	Accrued expenses	409	398	10
Merchandise and finished goods	6,629	5,919	709	Income taxes payable	2,186	536	1,649
Work in process	515	875	(359)	Deposits received	78	73	5
Raw materials and supplies	435	442	(7)	Provision for Bonuses	1,518	1,262	256
Short-term loans receivable from subsidiaries and associates	2,023	2,030	(6)	Electronically recorded equipment obligations	134	-	134
Accounts receivable–other	2,889	2,846	43	Accounts payable–facilities	334	339	(4)
Other	1,219	371	847	Current portion of long-term borrowings	10,000	3,000	7,000
Non-current assets	93,713	95,450	(1,737)	Refund liabilities	1,229	-	1,229
Property, plant and equipment	30,896	31,303	(406)	Other	31	62	(31)
Buildings	15,780	16,546	(766)	Non-current liabilities	46,734	57,075	(10,341)
Structures	544	602	(58)	Bonds payable	35,000	35,000	-
Machinery and equipment	3,299	3,073	226	Long-term borrowings	10,000	20,000	(10,000)
Vehicles	3	3	0	Long-term borrowings from subsidiaries and associates	667	611	55
Tools, furniture and fixtures	883	988	(104)	Deferred tax liabilities	-	581	(581)
Mold	559	563	(3)	Accrued retirement benefits for directors (and other officers)	6	6	-
Land	8,737	8,498	238	Asset retirement obligations	75	75	-
Construction in progress	1,063	1,016	46	Other	985	801	184
Other	23	9	14	Total liabilities	75,557	75,577	(20)
Intangible assets	224	297	(72)	Net assets			
Software	199	272	(73)	Shareholders' equity	126,205	114,687	11,517
Other	25	25	0	Share capital	7,290	7,290	-
Investments and other assets	62,591	63,849	(1,257)	Capital surplus	14,204	14,163	40
Investment securities	2,318	2,541	(223)	Legal capital surplus	151	11,651	(11,500)
Shares of subsidiaries and associates	52,987	52,983	3	Other capital surplus	14,052	2,511	11,540
Long-term loans receivable from subsidiaries and associates	9,162	7,809	1,353	Retained earnings	124,402	111,970	12,432
Long-term accounts receivable–other	114	153	(38)	Legal retained earnings	1,793	1,793	-
Deferred tax assets	184	-	184	Other retained earnings	122,609	110,177	12,432
Other	1,196	643	553	Reserve for special account for tax purpose reduction entry of non-current assets	2,095	2,166	(70)
Allowance for Doubtful Accounts	(3,372)	(282)	(3,090)	General reserve	44,700	44,700	-
				Retained earnings brought forward	75,814	63,311	12,503
				Treasury shares	(19,691)	(18,736)	(955)
				Valuation and translation adjustments	720	887	(167)
				Valuation difference on available-for-sale securities	720	887	(167)
Total assets	202,483	191,152	11,330	Total net assets	126,926	115,575	11,350
				Total liabilities and net assets	202,483	191,152	11,330

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

Statement of Income (April 1, 2022, to March 31, 2023)

(Million yen)

Item	Current period	Previous period (for reference)	Difference
Net sales	86,391	83,365	3,026
Cost of sales	62,549	60,691	1,858
Gross profit	23,842	22,673	1,168
Selling, general and administrative expenses	16,869	15,956	912
Operating profit	6,972	6,717	255
Non-operating income	19,186	12,875	6,311
Interest and dividend income	16,388	10,095	6,293
Foreign exchange gains	2,317	2,321	(4)
Other	481	458	22
Non-operating expenses	3,770	975	2,794
Interest expenses	161	151	10
Rental costs on real estate	458	469	(10)
Provision of allowance for doubtful accounts	3,090	282	2,808
Other	60	72	(12)
Ordinary profit	22,389	18,617	3,771
Extraordinary income	-	96	(96)
Gain on sale of investment securities	-	50	(50)
Gain on sale of shares of subsidiaries	-	46	(46)
Extraordinary losses	65	26	38
Loss on sale and retirement of non-current assets	65	26	38
Profit before income taxes	22,323	18,686	3,637
Income taxes—current	4,341	2,209	2,131
Income taxes—deferred	(691)	(152)	(539)
Profit	18,674	16,629	2,044

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

Statement of Changes in Equity (April 1, 2022, to March 31, 2023)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for special account for tax purpose reduction entry of non-current assets	Other retained earnings		Total retained earnings
							General reserve	Retained earnings brought forward	
Balance at beginning of period	7,290	11,651	2,511	14,163	1,793	2,166	44,700	63,311	111,970
Changes during period									
Dividends of surplus								(6,241)	(6,241)
Profit								18,674	18,674
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			40	40					
Transfer from legal capital surplus to other capital surplus		(11,500)	11,500	-					
Net changes in items other than shareholders' equity									
Total changes during period	-	(11,500)	11,540	40	-	(70)	-	12,503	12,432
Balance at end of period	7,290	151	14,052	14,204	1,793	2,095	44,700	75,814	124,402

	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	(18,736)	114,687	887	887	115,575
Changes during period					
Dividends of surplus		(6,241)			(6,241)
Profit		18,674			18,674
Reversal of reserve for special account for tax purpose reduction entry of non-current assets					
Purchase of treasury shares	(1,328)	(1,328)			(1,328)
Disposal of treasury shares	372	413			413
Transfer from legal capital surplus to other capital surplus					
Net changes in items other than shareholders' equity			(167)	(167)	(167)
Total changes during period	(955)	11,517	(167)	(167)	11,350
Balance at end of period	(19,691)	126,205	720	720	126,926

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, The market value method is used (all valuation differences are reported directly to net etc. with no market value 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, The cost method based on the gross average method is used. (For values in the balance work in process, raw sheet, devaluation based on a decline in profitability is used.) materials and supplies
(Excluding inventories related to molds)
- 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 period.

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 period. 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.

(4) Basis for Recognition of Revenues and Expenses

The Company mainly manufactures and sells industrial plastics 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 period.

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

(Statement of income)

Subsidy income (50 million yen for the current period), which had been separately presented until the previous fiscal year, is included in other under non-operating income beginning with the current period due to its decreased monetary significance.

3. Notes on Accounting Estimates

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

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

Short-term loans receivable from subsidiaries and associates	801 million yen
Long-term loans receivable from subsidiaries and associates	4,606 million yen
Allowance for Doubtful Accounts	2,760 million yen

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

With respect to loans receivable from subsidiaries and associates, the Group determines the collectability of such loans on the basis of its financial position and operating results, and sets aside the amount deemed uncollectible as allowance for doubtful accounts.

Depending on changes in the financial position or operating results of subsidiaries and associates in the following fiscal year, additional provisions or reversals may be made against the provision of allowance for doubtful accounts.

4. Notes to Balance Sheet

(1) Accumulated Depreciation of Property, Plant and Equipment 88,090 million yen

(2) Guaranteed Obligations

Guarantee of obligation is provided mainly for borrowings from financial institutions of affiliated companies.

3,884 million yen

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

<a> Short-term receivables	2,564 million yen
 Short-term obligations	4,855 million yen

5. Notes to Statement of Income

Trading volume with affiliates

<a> Volume of business transactions	27,165 million yen
 Volume of non-business transactions	16,533 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 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	7,335 thousand shares	383 thousand shares	141 thousand shares	7,577 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 Remuneration BIP Trust account and 41 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 383 thousand shares consists of an increase of 355 thousand shares through a market purchase of treasury shares in accordance with a resolution of the Board of Directors, transfer of 27 thousand shares of the Company to the Stock Grant ESOP Trust account, 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 141 thousand shares consists of the disposal of 94 thousand shares to the Nifco Employee Stock Ownership Plan, the transfer of 27 thousand shares to the Stock Grant ESOP Trust account, and the decrease of 19 thousand shares due to the distribution of shares from the Stock Grant ESOP Trust account.
 4. The number of shares at the end of the current period includes 413 thousand shares of the Company held by the Executive Remuneration 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	139 million yen
Loss on valuation of molds	12 million yen
Provision for Bonuses	464 million yen
Loss on valuation of shares of subsidiaries and associates	1,306 million yen
Allowance for Doubtful Accounts	1,031 million yen
Other	931 million yen
<hr/>	
Subtotal of deferred tax assets	3,886 million yen
Total deductible temporary differences	
Valuation allowance	(2,206) million yen
<hr/>	
Total of deferred tax assets	1,679 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	(923) million yen
Valuation difference on available-for-sale securities	(317) million yen
Other	(22) million yen
<hr/>	
Total of deferred tax liabilities	(1,495) million yen
<hr/>	
Net value of deferred tax assets	184 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	(21.1)%
Taxable amount of specified foreign subsidiaries, etc.	(0.8)%
Per capita resident tax	0.1%
Special deduction for experimentation and research expenses	(1.4)%
Foreign subsidiary dividend withholding tax	3.0%
Valuation allowance	3.9%
Other	0.4%
Income tax burden after application of tax effect accounting	<u>16.3%</u>

- (3) The Group had previously applied a consolidated tax payment system, but due to the submission of a notification saying that “the Group will not adopt the Japanese group relief system” in the previous fiscal year, the Group decided to shift to a non-consolidated tax payment system from the current period. The effect of this change on the financial statements is immaterial. Accordingly, in the tax effect accounting in the financial statements at the end of the current period, the non-consolidated tax payment system is assumed to be applied from the next fiscal year in accordance with the treatment in Section 33 of “Handling of Accounting and Disclosure When Applying the Group Relief System” (Practical Solutions No. 42, August 12, 2021).

8. Notes on Transactions with Related Parties

Attributes	Name of company, etc.	Business content or occupation	Ownership (%) of voting rights, etc. (or percentage of them being owned)	Relationship		Transactions	Amount of transaction (million yen)	Item	Balance at end of period (million yen)
				Concurrent positions held by officers	Business relationship				
Subsidiaries	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	220	Short-term loans receivable from subsidiaries and associates	801
						Loan of funds (Note) 1	2,111	Long-term loans receivable from subsidiaries and associates	4,606
						Interest received (Note) 1	104	Accrued interest	0
						Guarantee of obligation (Note) 2	1,937	-	-
	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	23	Long-term loans receivable from subsidiaries and associates	2,450

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. The Company provides the guarantee of obligation for Nifco KTW America's bank loans, etc.

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 1,270.14 yen

(2) Profit per share 186.37 yen

11. Notes to Significant Subsequent Events

(Significant subsequent events)

Not applicable.

12. Other Notes

(Stock-based remuneration system for officers)

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

(Stock-based remuneration system for employees)

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

Audit Report

Accounting Audit Report on Consolidated Financial Statements

Audit Report from Independent Auditor

May 17, 2023

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

Hiroshi Takasaki

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, 2022, to March 31, 2023, 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 is responsible for creating and disclosing other statements. 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 safeguards, if any, in place to remove or reduce impediments to independence.

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 17, 2023

Nifco Inc.
Dear Board of Directors,

KPMG AZSA LLC	
Tokyo Office	
Designated limited liability partner	Certified public accountant
Executive member	Hiroshi Takasaki
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 71st period from April 1, 2022, to March 31, 2023, 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 is responsible for creating and disclosing other statements. 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 safeguards, if any, in place to remove or reduce impediments to independence.

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 71st fiscal year from April 1, 2022, to March 31, 2023. 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, October 28, 2005) 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 period.

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 17, 2023

Audit and Supervisory Committee, Nifco, Inc.

Full-time Audit and
Supervisory
Committee Member
Member of Audit and
Supervisory
Committee (External
Director)

Junji Honda (Seal)

Toshiyuki Arai (Seal)

Member of Audit and
Supervisory
Committee (External
Director)

Mitsuhiro Matsumoto (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 71st 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	The Company proposes to pay 33 yen (ordinary dividend: 33 yen) per share of common stock. In this case, the total dividends will be 3,313,002,033 yen . Including the interim dividend, the annual dividend for the current period will be 64 yen per share.
Effective date of dividends of surplus	We would like to make it June 23, 2023.

Proposal 2

Election of Six 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 six 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:

Candidate Number	1	Toshiyuki Yamamoto (Born on October 11, 1949)	Male	Number of the Company shares owned 66,466 (of which, shares to be delivered under the stock-based remuneration system) (53,766) Years in office 11 years Attendance at Board of Directors meetings ... 14/14
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Reappointment

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

April 1973	Joined Nifco Inc.	June 2016	Chairman, President & Representative Director, Chief Executive Officer and Chief Operating Officer, Nifco Inc.
January 1995	Head of Sagamihara Plant, Nifco Inc.		
June 2002	Executive Officer, Nifco Inc.		
April 2008	Executive Officer of Nifco Inc. and President of Nifco America Corp.	June 2017	President & Representative Director, Chief Executive Officer and Chief Operating Officer, Nifco Inc.
June 2012	President & Representative Director and Chief Operating Officer, Nifco Inc.	June 2020	President & Representative Director, Chief Executive Officer (CEO), Nifco Inc.
		April 2021	Chairman & Representative Director, CEO, Nifco Inc. (current position)

[Significant Concurrent Positions] None

Reasons for Nomination as a Candidate for Director

He served as President and Representative Director of the Company from 2012 to 2021, and his broad knowledge has led us to nominate him as a candidate for Director.

Candidate Number	2	Masaharu Shibao (Born on December 14, 1961)	Male	Number of the Company shares owned 39,530 (of which, shares to be delivered under the stock-based remuneration system) (32,730) Years in office 7 years Attendance at Board of Directors meetings ... 14/14
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Reappointment

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

April 1985	Joined Nifco Inc.	June 2019	Director and Senior Executive Managing Officer, CMO, Head of Sales, In charge of Technology & Platform Business Division, Nifco Inc.
April 2010	President of Nifco Deutschland GmbH		
June 2015	Executive Officer of Nifco Inc. and President of Nifco America Corp.		
June 2016	Director and Executive Managing Officer, CMO, Head of Sales, Nifco Inc.	June 2020	Vice President & Representative Director, Head of Sales, Chief Operating Officer (COO), Nifco Inc.
		April 2021	President & Representative Director, Chief Operating Officer (COO), 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 re-election as a director because of his diverse and global experience, knowledge and expertise.

Reappointment Candidate for reappointment as director	External Candidate for external director	Independent Independent officer as required by a stock exchange
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Candidate Number

3

Toshiki Yauchi

Male

(Born on July 16, 1961)

Number of the Company shares owned	24,172
(of which, shares to be delivered under the stock-based remuneration system)	(22,072)
Years in office	5 years
Attendance at Board of Directors meetings	14/14

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.

Candidate Number

4

Yoshiko Nonogaki

Female

(Born on July 31, 1957)

Number of the Company shares owned	-
(of which, shares to be delivered under the stock-based remuneration system)	(-)
Years in office	4 years
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 of Sony Corporation (current Sony Group Corporation)	June 2020	Outside Director of GS Yuasa Corporation (current position)
April 2013	Director of Global Diversity, Personnel HQ of the company	June 2021	External Director, Sato Holdings Corporation (current position)

[Significant Concurrent Positions]

Outside Director, GS Yuasa Corporation
 Outside 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

5

Brian K. Heywood (Born on January 9, 1967)

Male

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

Reappointment

External

Independent

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

August 1999	Vice President, Citibank N.A.	March 2020	Outside Director, Roland DG Corporation (current position)
January 2001	Taiyo Pacific Partners L.P. CEO (current position)	June 2020	External Director, Nifco Inc. (current position)
November 2014	Outside Director, Roland Corporation	March 2022	Outside Director of Maxell Holdings, Inc. (current Maxell, Ltd.)
			Outside Director, Roland Corporation (current position)

[Significant Concurrent Positions]

Taiyo Pacific Partners L.P. CEO
 Outside Director of Roland D.G. Corporation, Outside Director of Roland Corporation

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

He has been selected as a candidate for external director because he has a wealth of experience and insight as a specialist in corporate management and investment. The Company expects him to use his experience and insight as well as the perspective of shareholders and investors in the management of the Company.
 His expected role is to contribute to the improvement of corporate value by incorporating the perspectives of shareholders and investors into corporate management.

Candidate Number

6

Masayuki Abe (Born on October 5, 1956)

Male

Number of the Company shares owned	200
(of which, shares to be delivered under the stock-based remuneration system)	(-)
Years in office	2 years
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)	March 2015	Executive Officer, Kao Corporation
March 2003	General Manager, Information Technology Group, Kao Corporation	April 2018	Senior Advisor of General Digital Business Division (current Information Systems Headquarters) of Toppan Forms Co., Ltd. (current TOPPAN Edge Inc.) (to present)
May 2010	General manager of Strategic Planning Department, Kao Corporation		
December 2013	Head of Information Systems Division, Kao Corporation	June 2021	External Director, Nifco Inc. (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 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.

- (Notes)
1. Mr. Masaharu Shibao, Ms. Yoshiko Nonogaki and Mr. Brian K. Heywood are members of the Nomination, Compensation and Governance Committee. The Nomination, Compensation and Governance Committee is chaired by Yoshiko Nonogaki.
 2. There are no special interests between the Company and Mr. Toshiyuki Yamamoto, Mr. Masaharu Shibao, Mr. Toshiaki Yauchi, Ms. Yoshiko Nonogaki and Mr. Masayuki Abe. Taiyo Pacific Partners L.P., where Mr. Brian K. Heywood serves as the CEO, 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. The volume of transactions account for less than 1% of the net sales of the Company and Taiyo Pacific Partners L.P., and advisory services are provided by different members of Taiyo Pacific Partners L.P.
 3. Ms. Yoshiko Nonogaki, Mr. Brian K. Heywood, and Mr. Masayuki Abe are candidates for external directors.
 4. The Company has designated directors Yoshiko Nonogaki, Brian K. Heywood, 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. If this proposal is passed and their reappointment is approved, they will continue to be independent officers.
 5. The Company has entered into agreements with Ms. Yoshiko Nonogaki, Mr. Brian K. Heywood, 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.
 6. The Company has entered into liability insurance (Directors and Officers, or D&O) contracts with insurance companies 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 agenda is reappointed 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 remuneration system as of June 1, 2023.
[Explanation of Shares to Be Delivered under the Stock-Based Remuneration System]
In fiscal 2016, the Company introduced a stock-based remuneration 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, 2023, and the points granted for (b) the performance-linked portion on June 1, 2021, 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 62 for a skill matrix of the candidates.

Proposal 3

Election of Three Directors Who Are Audit and Supervisory Committee Members

The terms of office of all three Directors who are members of the Audit and Supervisory Committee will expire at the conclusion of this General Meeting of Shareholders.

Accordingly, the election of three Directors who are Audit and Supervisory Committee Members is proposed.

This proposal has been approved by the Audit and Supervisory Committee.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

Candidate Number	1	Junji Honda (Born on November 10, 1952)	Male	Number of the Company shares owned 25,889 (of which, shares to be delivered under the stock-based remuneration system) (11,289) Years in office 2 years Attendance at Board of Directors meetings ... 14/14
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Reappointment

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

April 1988	Joined Nifco Inc.	June 2015	Executive Managing Officer & CFO, Deputy Head of Administration, General Manager of Accounting Department, Nifco Inc.
June 2002	Divisional General Manager, Accounting Department, Nifco Inc.	April 2017	Executive Managing Officer, Chief Financial Officer, and Head of Finance, Nifco Inc.
June 2004	Executive Officer, Divisional General Manager, Accounting Department, Nifco Inc.	April 2021	Executive Managing Officer, Head of Management Control, Chief Financial Officer, Nifco Inc.
April 2013	Executive Officer, Head of Global Management Control	June 2021	Director (Full-time Audit and Supervisory Committee Member), Nifco Inc.
June 2014	Executive Managing Officer, Deputy Head of Administration Division, Nifco Inc. General Manager, Accounting Department		

[Significant Concurrent Positions] None

Reasons for Nomination as a Candidate for Director

The reason for selecting him as a candidate for Director is that he has served in the accounting and business administration departments and has considerable knowledge of finance and accounting, including overseeing the finance and accounting departments as Chief Financial Officer. He is expected to use his knowledge and experience to play an appropriate role in strengthening corporate governance in the Company, so the Company has selected him as a candidate for Director who is an Audit and Supervisory Committee Member.

Candidate Number	2	Mitsuhiro Matsumoto (Born on May 7, 1969)	Male	Number of the Company shares owned 1,300 (of which, shares to be delivered under the stock-based remuneration system) (-) Years in office 2 years Attendance at Board of Directors meetings ... 14/14
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Reappointment

External

Independent

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

October 1992	Joined Aoyama Audit Corporation	September 2008	Externa Statutory Auditor (current Outside Director, Audit & Supervisory Committee Member) of Suzuki Co., Ltd. (current position)
April 1996	Registered as Certified Public Accountant	August 2014	Externa Statutory Auditor (current Outside Director, Audit & Supervisory Committee Member) of Hoden Seimitsu Kako Kenkyusho Co., Ltd.
October 1999	Certified Public Accountant, Director of Matsumoto Accounting Office (Currently head of Finport Accounting Group) (Current position)	June 2019	External Statutory Auditor, Nifco Inc. (currently Director (Audit and Supervisory Committee Member)) (current position)

[Significant Concurrent Positions] Certified Public Accountant and Tax Accountant, Finport Financial Group CEO Outside Director, Suzuki Co., Ltd. (Member of Audit and Supervisory Committee)

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

The Company selected him as a candidate for external director because it believes that he will be able to conduct an appropriate audit of the Company's management based on his wealth of knowledge and experience in auditing corporate management as a certified public accountant. His expected role will also be to improve the quality of corporate governance in the Company by conducting audits with a particular focus on accounting. He is expected to use his knowledge and experience to play an appropriate role in strengthening corporate governance in the Company, so the Company has selected him as a candidate for Director who is an Audit and Supervisory Committee Member.

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
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Candidate Number

3

Izumi Hayashi (Born on August 20, 1958)

Female

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

New appointment

External

Independent

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

April 1986	Public Prosecutor, Nagoya District Public Prosecutors' Office	October 2019	Tokyo District Court mediator (IP mediation) (Current position)
March 1987	Registered as an attorney (affiliated with the Tokyo Bar Association)	April 2020	External Board Member, Hitotsubashi University (current position)
January 2015	Established Sakurazaka Law Offices as Partner (current position)	June 2020	Outside Corporate Auditor, NOF Corporation (currently Outside Director) (current position)
August 2019	Outside Corporate Auditor, Weathernews Inc. (current position)		

[Significant Concurrent Positions]

Lawyer, Partner of Sakurazaka Law Offices
 Outside Corporate Auditor, Weathernews Inc.
 External Board Member, Hitotsubashi University
 Outside Director, NOF 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 thorough knowledge of both domestic and foreign laws as a lawyer, and we believe that she will utilize her experience as an External Director to conduct audits with a particular emphasis on compliance.

Her role will also be to conduct audits with a particular focus on compliance and to improve the quality of corporate governance in the Company from a global perspective. She is expected to use her expertise and experience to play an appropriate role in strengthening corporate governance in the Company, so the Company has selected her as a candidate for Director who is an Audit and Supervisory Committee Member.

- (Notes)
1. The name on the family register of candidate Izumi Hayashi is Izumi Sakamoto.
 2. There is no special interest between each candidate and the Company.
 3. Mr. Mitsuhiro Matsumoto and Ms. Izumi Hayashi are candidates for External Director.
 4. The Company has entered into agreements with Mr. Junji Honda and Mr. Mitsuhiro Matsumoto 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 Ms. Izumi Hayashi is elected, the Company will enter into agreements with her to limit her liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of the Articles of Incorporation.
 5. Mr. Mitsuhiro Matsumoto and Ms. Izumi Hayashi meet the requirements for independent officers as stipulated by the Tokyo Stock Exchange and will be notified to the Exchange as independent officers.
 6. The Company has entered into liability insurance (Directors and Officers, or D&O) contracts with insurance companies 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 agenda is reappointed or selected 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. See page 62 for a skill matrix of the candidates.

Proposal 4

Election of One Substitute Director Who Is an Audit and Supervisory Committee Member

We propose the election of one (1) substitute Director who is an Audit and Supervisory Committee Member in case the number of Directors who are Audit and Supervisory Committee Members falls short of the number required by laws and regulations.

This proposal has been approved by the Audit and Supervisory Committee.

The candidate for substitute Director who is an Audit and Supervisory Committee Member is as follows:

Masakazu Wakabayashi

Male

(Born on January 30, 1963) Number of the Company shares owned ······ -

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

October 1988	Joined Century Audit Corporation	May 2008	Representative Partner of Yasumori Accounting Firm (current Yasumori Audit Corporation) (scheduled to retire)
December 1997	Partner of Century Audit Corporation		
April 2007	Joined Yasumori Accounting Firm (current Yasumori Audit Corporation)		

[Significant Concurrent Positions]

None

Reasons for the nomination as a candidate for substitute external director and summary of the reason

The Company selected him as a candidate for external director because the Company determined that he has sufficient insight to audit corporate management as a certified public accountant.













His expected role is to apply his knowledge and experience to the Company's auditing system.

He is expected to use his expertise and experience to play an appropriate role in strengthening corporate governance in the Company, so the Company has selected him as a candidate for substitute Director who is an Audit and Supervisory Committee Member.








- (Notes)
1. There is no special interest between Mr. Masakazu Wakabayashi and the Company.
 2. Masakazu Wakabayashi is a candidate for substitute External Director. If he is appointed as an external director, the Company plans to designate him as an independent officer under the provisions of the Tokyo Stock Exchange, Inc., and notify the Stock Exchange of his appointment.
 3. In accordance with the Articles of Incorporation, the Company has entered into agreements with the external directors 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.
If Masakazu Wakabayashi is appointed as an external director, the Company plans to enter into a limited liability agreement with him as an external director.
 4. The Company has entered into liability insurance (Directors and Officers, or D&O) contracts with insurance companies 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 Masakazu Wakabayashi becomes an external director, he will be included as an insured under the insurance policy. In addition, the policy is scheduled to be renewed with the same contents at the next renewal.





Reference

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

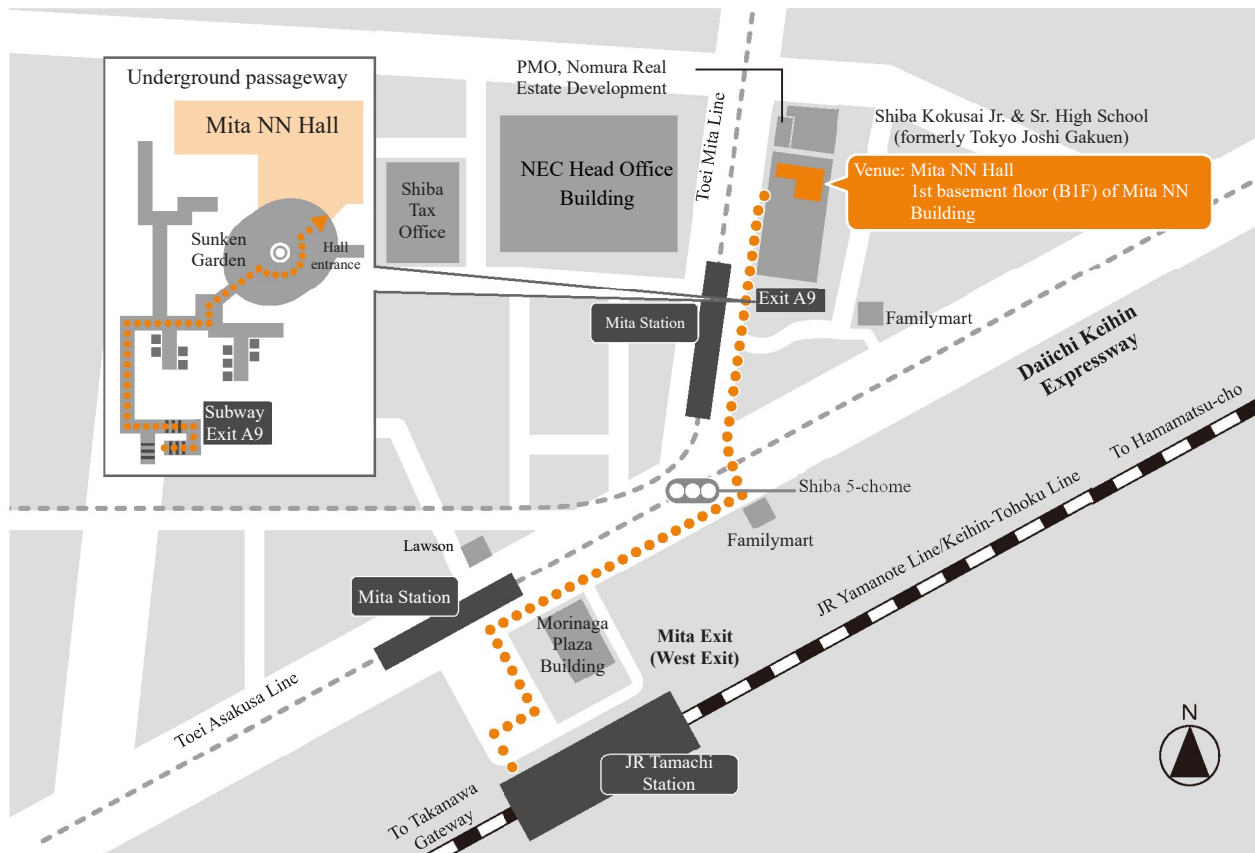
Candidate Number	Name	What the Company expects from directors					
		Management strategy	Financial and capital policy	Overseas operations	Legal affairs, risk management	IT DX	ESG, sustainability
1	Toshiyuki Yamamoto 	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>
2	Masaharu Shibao 	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>
3	Toshiki Yauchi 	<input type="radio"/>	<input type="radio"/>		<input type="radio"/>		<input type="radio"/>
4	Yoshiko Nonogaki   	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>
5	Brian K. Heywood   	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>
6	Masayuki Abe   					<input type="radio"/>	<input type="radio"/>

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

Candidate Number	Name	What the Company expects from directors					
		Management strategy	Financial and capital policy	Overseas operations	Legal affairs, risk management	IT DX	ESG, sustainability
1	Junji Honda 		<input type="radio"/>				
2	Mitsuhiro Matsumoto   		<input type="radio"/>				
3	Izumi Hayashi   				<input type="radio"/>	<input type="radio"/>	

 Candidate for new director
  Candidate for reappointment as director
  Candidate for external director
  Independent officer as required by a stock exchange

Access to Venue of General Meeting of Shareholders



- * JR Yamanote Line/Keihin-Tohoku Line
- * Asakusa Line and Mita Line of Toei Subway

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