

Summary of Consolidated Financial Results for Nine Months of Fiscal Year Ending March 31, 2024

(These figures are rounded down to the nearest million yen.)

1. Consolidated Financial Results for Nine Months of FY2023 (April 1 to December 31, 2023)

(1) Consolidated financial results

(The percentages denote year-on-year change.)

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
9 Months FY2023	273,779	16.9	31,513	23.7	34,642	19.1
9 Months FY2022	234,210	12.4	25,473	11.5	29,079	18.4

Note: Comprehensive income: 38,383 million yen in 9 Months FY2023 (9.5%), 35,061 million yen in 9 Months FY2022 (55.6%)

	Profit attributable to owners of parent		Basic earning per share	Diluted earning per share
	Million yen	%	Yen	Yen
9 Months FY2023	23,408	26.3	234.82	—
9 Months FY2022	18,530	11.9	184.87	—

Note: Diluted profit attributable to owners of parent per share of 9 Months FY2023 and 9 Months FY2022 are not shown in the above table, as there are no potential common shares with dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third Qtr. FY2023	380,017	255,433	66.4	2,540.23
FY2022	359,150	226,127	62.2	2,237.06

Reference: Equity capital: 252,369 million yen in Third Qtr. FY2023, 223,551 million yen in FY2022

2. Dividends

	Dividend per share				
	At end of first quarter	At end of second quarter	At end of third quarter	At end of FY	FY
	Yen	Yen	Yen	Yen	Yen
FY2022	—	31.00	—	33.00	64.00
FY2023	—	32.00	—		
FY2023 (forecast)				32.00	64.00

Note: Revision of the latest forecasts: None

3. Forecasts for FY2023 (April 1, 2023 to March 31, 2024)

(The percentages denote year-on-year change.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earning per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2023	343,000	6.6	38,000	10.3	38,300	1.1	23,500	11.0	235.59

Note: Revision of the latest forecasts: None

4. Others

- (1) Changes in principal subsidiaries during the fiscal year (changes in specific subsidiaries, which involve changes in the scope of consolidation): Yes

New consolidation: – company (company name): – Exclusion: 1 company (company name): Nifco (Chongqing) Limited Liability Company

The Company's specific subsidiary Nifco (Chongqing) Limited Liability Company was omitted from specific subsidiaries due to the completion of liquidation proceedings in September 2023.

- (2) Adoption of specific accounting policies for quarterly consolidated financial statement: Yes
- (3) Changes in the principles and procedures of accounting concerning the preparation of consolidated financial statements and in the methods of presentation, etc. (stated in "Changes in Significant Accounting Policies for Preparing Consolidated Financial Statements")
- 1) Changes following the revision of accounting standards, etc.: None
 - 2) Changes other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None

- (4) Number of shares outstanding (common stocks)

- 1) Number of shares outstanding at end of the period (including treasury stocks)

3Q of FY2023	100,257,053	FY2022	107,508,954
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- 2) Number of treasury stocks at end of the period

3Q of FY2023	907,613	FY2022	7,577,913
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- 3) Average number of shares outstanding during the period

3Q of FY2023	99,686,497	3Q of FY2022	100,236,192
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*Quarterly financial results reports are exempt from quarterly review conducted by certificated public accountants or an audit corporation.

* Proper use of forecasts and other special instructions

Forward-looking statements or projections included in this document, including earnings projections, are based on currently available information and certain premises that are judged to be rational at the time of this writing. Actual results may differ greatly from the forecast figures depending on various factors.

Contents of Attachment

I. Quarterly Consolidated Financial Statements and Main Notes	- 4 -
(i) Explanation of operating results	- 4 -
(ii) Explanation of financial position	- 4 -
(iii) Information regarding consolidated earnings forecasts and other forward-looking statements	- 5 -
II. Quarterly Consolidated Financial Statements and Main Notes	- 6 -
(i) Consolidated Balance Sheet	- 6 -
(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income (cumulative)	- 8 -
(iii) Notes in Relation to the Consolidated Financial Statements	- 9 -
- Notes regarding the going concern assumption	- 9 -
- Notes on significant changes in the amount of shareholders' equity	- 9 -
- Adoption of specific accounting policies for quarterly consolidated financial statement	- 9 -
- Consolidated statements of balance sheet	- 9 -
- Consolidated statements of income and comprehensive income	- 9 -
- Segment Information, etc.	- 10 -

I. Quarterly Consolidated Financial Statements and Main Notes

(i) Explanation of operating results

For the first nine months ended December 31, 2023, business confidence improved, as in Japan's manufacturing sector, the automotive sector with strong sales led the overall sector, likewise in the non-manufacturing sector, accommodation and food services saw demand recovering and sustained strong sales in addition to seeing ongoing price pass-through. Looking overseas, in the Chinese economy, although business conditions made a rapid recovery going into 2023 on the lifting of the zero-COVID-19 policy, they have slowed since spring because of sluggish global demand for goods due to factors such as the end of stay-at-home demand. In the European economy, in terms of domestic demand, the upward trend in the inflation rate has decelerated due to easing energy and goods prices, and the post-COVID-19 pandemic recovery in employment mainly in the services sector has supported household purchasing power. However, in terms of external demand, real exports outside the eurozone have trended lower than pre-COVID-19 levels. In the U.S. economy, economic activity in the non-manufacturing sector has remained resilient due to an expansion in business activity and increases in new orders. On the other hand, in the manufacturing sector, although supply constraints have eased due to improvement in lead times for components and materials, demand for goods has been sluggish due to factors such as the end of stay-at-home demand and the tightening of monetary policy. Thus, for the global economy, the outlook remains uncertain as business confidence in the manufacturing sector has remained weak due to sluggish production of digital goods and capital goods and the pace of improvement in the service sector, which has underpinned the economy so far, is slowing and depressing overall, despite production related to transportation equipment increasing due to the ending of semiconductor supply constraints.

With regard to automobile manufacturers, which are the main customers of Nifco Inc. (the "Company") and its consolidated subsidiaries (collectively, the "Group"), in the Japanese market, both production volume and sales volume increased year on year in the first nine months ended December 31, 2023. In overseas markets as well, due to the easing of semiconductor supply constraints, etc., both production and sales volumes in China, Europe, the U.S., and other markets increased year on year in the first nine months ended December 31, 2023.

As a result, the Group's net sales for the first nine months ended December 31, 2023 amounted to 273,779 million yen, up 16.9% year on year.

In terms of profits, operating profit increased 23.7% year on year to 31,513 million yen, due to controlling increases in fixed costs such as depreciation and personnel expenses, despite the soaring prices of raw materials and electricity. Ordinary profit increased 19.1% year on year to 34,642 million yen due to foreign exchange gains resulting from the depreciation yen, and profit attributable to owners of parent increased 26.3% year on year to 23,408 million yen.

The operating results of each segment are as follows.

Net sales in each segment are to external customers.

(1) Industrial plastic parts & components

In the industrial plastic parts & components business, net sales in Japan increased due to a recovery in automobile production activities. Overall net sales overseas also increased due to an increase in sales resulting from a recovery in automobile production activities in Europe, the U.S., and South Korea, among others, as well as from the easing semiconductors supply constraints, and the depreciation yen. Profits increased as a result of controlling increases in fixed costs such as depreciation, personnel expenses, among others, despite the soaring prices of raw materials and electricity.

As a result, net sales in the industrial plastic parts & components business for the first nine months ended December 31, 2023 increased 17.6% year on year to 247,622 million yen, and segment profit increased 23.4% year on year to 31,046 million yen.

(2) Bedding & furniture

In the bedding & furniture business, both net sales and profits increased due to higher demand from hotels in Japan and overseas in addition to steady growth in sales to retailers and exports in Japan as well as growth in wholesale and retail sales overseas, mainly in China, and the foreign exchange effects of a depreciation yen.

As a result, net sales in the bedding & furniture business for the first nine months ended December 31, 2023 increased 10.4% year on year to 26,157 million yen. Segment profit increased 7.2% year on year to 4,399 million yen.

(ii) Explanation of financial position

(1) Assets, liabilities and net assets

Assets as of December 31, 2023 stood at 380,017 million yen, an increase of 20,866 million yen from the end of the previous

fiscal year. The main factors for the increase were an 8,166 million yen increase in accounts receivable–trade and a 2,891 million yen increase in property, plant and equipment. In addition, cash and deposits increased by 5,434 million yen.

Liabilities as of December 31, 2023 stood at 124,583 million yen, a decrease of 8,439 million yen from the end of the previous fiscal year. The main factors for the decrease were decreases of 7,149 million yen in the current portion of long-term borrowings and 2,902 million yen in short-term borrowings, respectively, despite an increase of 3,819 million yen in notes and accounts payable–trade.

Net assets as of December 31, 2023 stood at 255,433 million yen, an increase of 29,306 million yen from the end of the previous fiscal year. The main factors for the increase were increases of 11,998 million yen in retained earnings and 13,647 million yen in foreign currency translation adjustment due to yen depreciation. As a result, equity ratio was 66.4% and net assets per share was 2,540.23 yen.

(iii) Information regarding consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated financial forecasts announced on July 31, 2023.

As for the possible sale of our subsidiaries which conduct German OEM business, which was released on January 4th, 2024, we have been proceeding discussion to aim to sign the definitive agreement since then. We will make announcement immediately when we decide any material issues to be disclosed.

II. Quarterly Consolidated Financial Statements and Main Notes

(i) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	129,793	135,227
Notes receivable - trade	1,668	1,565
Electronically recorded monetary claims - operating	7,771	9,158
Accounts receivable - trade	52,262	60,428
Contract assets	786	778
Securities	691	888
Merchandise and finished goods	27,966	28,358
Work in process	3,226	3,263
Raw materials and supplies	10,020	11,724
Other	9,742	9,843
Allowance for doubtful accounts	△261	△346
Total current assets	243,668	260,890
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	48,118	48,924
Machinery, equipment and vehicles, net	19,780	20,658
Tools, furniture and fixtures, net	4,426	4,307
Molds, net	4,458	4,759
Land	18,502	19,090
Leased assets, net	44	50
Construction in progress	2,913	3,711
Other	6,676	6,310
Total property, plant and equipment	104,921	107,812
Intangible assets		
Goodwill	467	245
Other	1,419	1,463
Total intangible assets	1,887	1,709
Investments and other assets		
Investment securities	3,317	3,690
Deferred tax assets	963	1,202
Retirement benefit asset	1,664	1,852
Other	2,728	2,859
Allowance for doubtful accounts	△0	△0
Total investments and other assets	8,673	9,604
Total non-current assets	115,482	119,126
Total assets	359,150	380,017

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	25,076	28,896
Short-term borrowings	8,903	6,000
Current portion of long-term borrowings	10,209	3,060
Accounts payable - other	5,190	6,557
Income taxes payable	5,329	3,234
Contract liabilities	4,240	4,405
Provision for bonuses	2,517	1,699
Other	10,277	12,008
Total current liabilities	71,744	65,862
Non-current liabilities		
Bonds payable	35,000	35,000
Long-term borrowings	10,345	7,300
Deferred tax liabilities	7,175	8,292
Retirement benefit liability	1,818	1,819
Other	6,938	6,308
Total non-current liabilities	61,278	58,720
Total liabilities	133,023	124,583
Net assets		
Shareholders' equity		
Share capital	7,290	7,290
Capital surplus	13,908	—
Retained earnings	208,459	220,458
Treasury shares	△19,691	△3,129
Total shareholders' equity	209,966	224,618
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	737	1,212
Deferred gains or losses on hedges	△63	△14
Revaluation reserve for land	6	6
Foreign currency translation adjustment	13,002	26,649
Remeasurements of defined benefit plans	△96	△102
Total accumulated other comprehensive income	13,585	27,751
Non-controlling interests	2,576	3,064
Total net assets	226,127	255,433
Total liabilities and net assets	359,150	380,017

(ii) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	234,210	273,779
Cost of sales	171,652	199,729
Gross profit	62,558	74,050
Selling, general and administrative expenses	37,084	42,537
Operating profit	25,473	31,513
Non-operating income		
Interest income	305	803
Gain on valuation of investment securities	367	55
Foreign exchange gains	2,699	2,318
Other	966	675
Total non-operating income	4,338	3,854
Non-operating expenses		
Interest expenses	360	491
Other	372	233
Total non-operating expenses	732	724
Ordinary profit	29,079	34,642
Extraordinary income		
Gain on sale of non-current assets	14	115
Insurance claim income	※ 1 113	—
Total extraordinary income	128	115
Extraordinary losses		
Impairment losses	※ 2 298	—
Loss on sale and retirement of non-current assets	97	97
Business restructuring expenses	※ 3 324	—
Loss on COVID19	※ 4 28	—
Total extraordinary losses	749	97
Profit before income taxes	28,457	34,660
Income taxes	9,224	10,552
Profit	19,232	24,108
Profit attributable to		
Profit attributable to owners of parent	18,530	23,408
Profit attributable to non-controlling interests	702	699
Other comprehensive income		
Valuation difference on available-for-sale securities	△278	475
Deferred gains or losses on hedges	△42	49
Foreign currency translation adjustment	16,044	13,756
Remeasurements of defined benefit plans, net of tax	105	△6
Total other comprehensive income	15,829	14,275
Comprehensive income	35,061	38,383
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	34,272	37,574
Comprehensive income attributable to non-controlling interests	788	808

(iii) Notes in Relation to the Consolidated Financial Statements

- Notes regarding the going concern assumption

Not applicable.

- Notes on significant changes in the amount of shareholders' equity

The Company cancelled treasury shares on September 29, 2023 in accordance with the resolution of the Board of Directors meeting held on September 4, 2023. As a result, capital surplus and treasury shares decreased by 18,864 million yen and 18,864 million yen, respectively.

Accordingly, a negative value of 4,889 million yen accrued in capital surplus was transferred from retained earnings at the end of the first nine months ended December 31, 2023. Since this is a transfer between accounts in shareholders' equity, there is no change in the amount of the Group's total shareholders' equity.

- Adoption of specific accounting policies for quarterly consolidated financial statement

Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to profit before income taxes for the current fiscal year, including the first nine months ended December 31, 2023, and multiplying profit before income taxes by the estimated effective tax rate.

- Consolidated statements of balance sheet

Contingent liability

On-site investigation by Korea Fair Trade Commission

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

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

- Consolidated statements of income and comprehensive income

※ 1 Insurance claim income

It is proceeds from insurance income for the fire accident that occurred in February 2020 at Nifco Germany GmbH, an overseas consolidated subsidiary.

※ 2 Impairment losses

Since the business assets of Nifco (Chongqing) Limited Liability Company, an overseas consolidated subsidiary, were scheduled to be sold due to the restructuring of the production system in the plastic business for Korean automobiles in China, their book values were reduced to recoverable amounts, and the reduction was recorded as an impairment loss (292 million yen) in extraordinary losses. It consists of buildings and structures of 250 million yen, and other in investments and other assets, etc. of 42 million yen.

The recoverable amount is measured at net realizable value and is calculated based on the estimated sales amount under the contract.

※ 3 Business restructuring expenses

Expenses related to the implementation of business restructuring measures at some of the sites of the overseas consolidated subsidiaries in the plastic business in China for Korean automobiles are recorded as extraordinary losses.

※ 4 Loss on shutdowns due to COVID-19

At the Group's overseas consolidated subsidiaries, personnel expenses, depreciation and others for a period in which operations were suspended at some production bases in response to requests from local governments to prevent the spread of COVID-19 were recorded as extraordinary losses.

- Segment Information, etc.

[Business segment information]

- For the Nine Months of FY2022 (April 1 to December 31, 2022)

(Unit: Millions of yen)

	Reportable segments			Adjustment	Amount reported in consolidated financial statements
	Industrial plastic parts & components	Bedding & furniture	Total		
Net sales and segment profit (loss)					
Net sales					
(1) Net sales to external customers	210,518	23,692	234,210	-	234,210
(2) Intersegment sales or transfers	-	0	0	-0	-
Total	210,518	23,692	234,210	-0	234,210
Segment profit (loss)	25,169	4,103	29,272	-3,799	25,473

(Notes) 1. Adjustment of segment profit (loss) of (-3,799) million yen represents corporate expenses. Corporate expenses are mainly general and administrative expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted for operating profit in the consolidated statement of income and statement of comprehensive income.

- For the Nine Months of FY2023 (April 1 to December 31, 2023)

(Unit: Millions of yen)

	Reportable segments			Adjustment	Amount reported in consolidated financial statements
	Industrial plastic parts & components	Bedding & furniture	Total		
Net sales and segment profit (loss)					
Net sales					
(1) Net sales to external customers	247,622	26,157	273,779	-	273,779
(2) Intersegment sales or transfers	-	-	-	-	-
Total	247,622	26,157	273,779	-	273,779
Segment profit (loss)	31,046	4,399	35,445	- 3,932	31,513

(Notes) 1. Adjustment of segment profit (loss) of (-3,932) million yen represents corporate expenses. Corporate expenses are general and administrative expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted for operating profit in the consolidated statement of income and statement of comprehensive income.