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To whom it may concern

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Notice Concerning Continuation and Partial Revision of Performance-Linked Stock Compensation System for Officers

At the meeting of the Board of Directors held on May 17, 2024, we resolved to continue and partially revise the performance-linked stock compensation system (the "System") introduced in fiscal 2016 for directors and executive officers (excluding directors who are Audit and Supervisory Committee Members, outside directors, and residents living overseas, and hereinafter referred to as "Directors, etc."). We hereby announce that we will submit a proposal on the partial revision of the System to the 72 Annual General Meeting of Shareholders (the "General Meeting of Shareholders") scheduled to be held on June 20, 2024, as follows.

1. Continuation of the System

- (1) At the Board of Directors meeting held today, the Company decided to continue the System for Directors, etc., with a partial revision as described in 2 below, with the aim of further clarifying the linkage between the compensation of Directors, etc., and the value of the Company shares, increasing the motivation of Directors, etc., to contribute to the improvement of medium- to long-term business performance and corporate value, and promoting further value sharing with shareholders.
- (2) The partial revision to the System is subject to approval at the General Meeting of Shareholders.
- (3) The System adopts a mechanism called Board Incentive Plan (BIP) Trust ("BIP Trust") for officers compensation, and when the System is continued in and after fiscal 2024, the term of the BIP Trust will be extended with a partial revision of the System.
- (4) The System provides Directors, etc., with the Company shares and money equivalent to the Company shares converted into cash ("Company Shares, etc.") ("Delivery, etc.") in accordance with their positions and achievement of performance targets. (However, the Company shares to be delivered under the revised System as described in 3. below shall be subject to transfer restrictions until the retirement of Directors, etc.)

Note) In order to ensure transparency and objectivity in the compensation determination process for Directors, etc., the Company has established the Nomination, Compensation and Governance Committee, which is chaired by an Independent Outside Director and consists of a majority of members that are Independent Outside Directors. The continuation and partial revision of the System have been deliberated on by the Nomination, Compensation and Governance Committee.

2. Partial revision of the System

In order to continue the System, we will extend the trust period of the BIP Trust (the "Trust"), which has already been established, and revise the following points of the previous System, subject to approval at the General Meeting of Shareholders.

Item	Before revision	After revision
Method of calculating the number of shares of the Company to be delivered, etc., through the System	<ul style="list-style-type: none"> Each year, "fixed points" based on the position and "basic performance points" based on the performance set for each position are granted. 	<ul style="list-style-type: none"> Same as left
	<ul style="list-style-type: none"> Basic performance points vary from 0% to 200%, depending on the degree of achievement of the performance targets set forth in the medium-term management plan at the time the points are granted. 	<ul style="list-style-type: none"> Same as left
	<ul style="list-style-type: none"> Operating cash flow, ROIC, and TSR are used as performance indicators. 	<ul style="list-style-type: none"> Operating profit, ROIC, and TSR are used as performance indicators.
Method and timing of delivery of the Company shares, etc., to Directors, etc.	<ul style="list-style-type: none"> At the time of retirement of Directors, etc. Receive a number of shares of the Company equivalent to 70% of the accumulated points at the time of retirement (shares of less than one unit are rounded down), together with a payment equivalent to the remaining shares of the Company converted into cash. 	<ul style="list-style-type: none"> After the fixed points are granted, the equivalent number of Company shares will be promptly delivered. After the basic performance points are converted into performance-linked points ^(Note) based on the business results after the end of the medium-term management plan period, the equivalent number of Company shares will be promptly delivered. However, both fixed points and performance-linked points are subject to transfer restrictions after the delivery of the Company shares until the time of retirement.

(Note) When "basic performance points" are granted and a medium-term management plan effective then is over, performance-linked points are calculated by multiplying basic performance points by the performance-linked coefficient. The "performance-linked coefficient" is determined corresponding to the achievement of the performance targets set forth in the medium-term management plan. (See 3. (5) for details.)

There is a measure to transition from the previous System to the revised System for the points already granted under the previous System; that is, the points deliverable in the form of the equivalent number of Company shares, etc., after the retirement of Directors, etc. On the basis of approval at the General Meeting of Shareholders, for the fixed points and the performance-linked points, the equivalent number of Company shares shall be promptly delivered at a certain time after the end of the General Meeting of Shareholders. For the basic performance points, after conversion to the performance-linked points, the equivalent number of Company shares shall be promptly delivered. For both cases, there will be transfer restrictions until the time of retirement.

Fiscal year of performance for compensation
 Fiscal year of performance evaluation for basic

		FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
For FY2024	Fixed points		Delivery of shares	Restriction on transfer until retirement (hereinafter the same)			
	Basic performance						
For FY2025	Fixed points		Delivery of shares				
	Basic performance						
For FY2026	Fixed points			Delivery of shares			
	Basic performance						

(Reference) Image of the issuance of shares under the revised System

3. Details of the revised System

(1) Overview of the System

The System provides Directors, etc., with shares of the Company as officers compensation, in accordance with the achievement of the performance targets set forth in the medium-term management plan and their positions. The initial target period after the revision of the System will be three fiscal years from the fiscal year ending March 2025 to the fiscal year ending March 2027.

If the Trust is continued as set forth in (4) ② below, the System's period will be revised to be the same as that of the medium-term management plan effective then, extending the term of the Trust accordingly.

(2) Resolution of the General Meeting of Shareholders on partial revision of the System

The maximum amount of trust money to be contributed to the Trust, the maximum number of shares to be delivered to Directors, etc., and other necessary matters shall be resolved at the General Meeting of Shareholders.

(3) Eligible persons (requirements for beneficiaries)

In principle, Directors, etc., will receive the number of shares of the Company from the Trust in accordance with the points granted by the time the procedures for determining beneficiaries are completed, through the prescribed procedures for determining beneficiaries, provided that they satisfy the following requirements for beneficiaries.

The requirements for beneficiaries are as follows.

Being Directors, etc., of the Company during the applicable period (including a person who newly became a Director, etc., during the applicable period.)

- ① The number of points has been determined.
- ② A person who has not committed a serious violation of rules of conduct or internal rules or a certain illegal act such as voluntary resignation against the will of the Company during their term of office
- ③ Conclusion of a transfer restriction agreement with the Company as set forth in (7) ③ below
- ④ Other requirements deemed necessary to achieve the purpose of the share-based compensation system

(4) Trust period

① Trust period after the revision of the System

It will be approximately three years from August 2024 (scheduled) to August 2027 (scheduled).

② Continuation of the Trust

At the expiration of the trust period after the revision of the System, the Trust may be continued further by changing the trust agreement and making additional trusts. In that case, the trust term of the Trust will be extended for a certain number of years that match the period of the medium-term management plan effective then. For each extended trust period, the Company will make additional contributions within the maximum amount of trust funds approved by the shareholders meeting, and will continue to grant points to Directors, etc., during the extended trust period.

However, in the case of making such additional contributions, if there are Company shares (excluding Company shares equivalent to points granted to Directors, etc., which have not yet been delivered) and money ("Remaining Shares, etc.") remaining in the trust assets on the last day of the trust period prior to the extension, the total amount of the Remaining Shares, etc., and the trust money to be additionally contributed shall be within the maximum amount of the trust money approved by the shareholders meeting.

In addition, if the trust contract is not changed or additional trust is not executed at the expiration of the trust period, points will not be granted thereafter. However, if Directors, etc., who have not yet received the Company shares at that time are in office, the trust period of the Trust may be extended for a maximum period of approximately two years until the delivery of the Company shares is completed.

This extension of the trust period is not limited to one time only, and may be followed by another extension of the trust period.

(5) Method of calculating the number of shares of the Company to be delivered through the System

The number of shares of the Company to be granted to Directors, etc., through the System is determined in accordance

with the number of points granted annually to eligible persons.

As a general rule, in June of each year during the trust period, those eligible for the System are granted "fixed points" based on their positions and "basic performance points" that vary according to their performance.

As a general rule, when "basic performance points" are granted and a medium-term management plan effective then is over, performance-linked points are calculated in June by multiplying basic performance points by the performance-linked coefficient. The "performance-linked coefficient" is determined corresponding to the achievement of the performance targets set forth in the medium-term management plan. The performance-linked coefficient is determined according to the achievement of the performance indicators (operating profit, ROIC, TSR, etc.) set forth in the medium-term management plan, and it varies from 0% to 200%.

One point shall be one share of the Company. However, if an event occurs during the trust period that it is deemed fair to adjust the points of the Company shares such as a stock split or share consolidation, the number of the Company shares per point will be adjusted in accordance with the split ratio, consolidation ratio, etc.

(6) Maximum amount of trust money to be contributed to the Trust and maximum number of points to be granted to Directors, etc.

The maximum amount of trust money to be contributed by the Company to the Trust shall be 400 million yen per fiscal year.^(Note1) As the initial target period after the revision of the System covers three fiscal years, the maximum amount of trust money to be contributed to the Trust will be 1.2 billion yen, which is the maximum amount per fiscal year multiplied by 3 (the number of years of the initial target period). Meanwhile, the maximum amount of trust money for the continuation of the Trust under (4) ② above will be the maximum amount of trust money per fiscal year multiplied by the number of years of the additional trust period.

The maximum number of points granted to Directors, etc., per fiscal year shall be 160,000 points.^(Note2) As the initial target period after the revision of the System covers three fiscal years, the number of shares of the Company to be acquired by the Trust ("Number of Shares Acquired") shall be limited to 480,000 shares, which is the number per fiscal year multiplied by 3 (the number of years of the initial target period). Meanwhile, the maximum Number of Shares Acquired for the continuation of the Trust under (4) ② above will be that equivalent to the maximum number of points per fiscal year multiplied by the number of years of the additional trust period.^(Note3)

(Note 1) The maximum amount of trust money is calculated by adding trust fees and trust expenses to the fund for acquiring shares, taking into account the current level of compensation for Directors, etc.

(Note 2) The upper limit of the total number of points granted to Directors, etc., per fiscal year is set based on the above maximum amount of trust money and historical stock prices, etc.

(Note 3) If the adjustments in paragraph 4 of (5) above are made, the maximum Number of Shares Acquired will be adjusted accordingly.

(7) Method and timing of delivery of the Company shares to Directors, etc.

① Fixed points

Directors, etc., who satisfy the requirements for beneficiaries set forth in (3) above shall, in principle, receive the shares of the Company corresponding to the fixed points at a certain time after the fixed points are granted by conducting the prescribed procedures for determining the beneficiary.

② Basic performance points

Directors, etc., who meet the requirements for beneficiaries set forth in (3) above shall receive the shares of the Company corresponding to the performance-linked points by conducting the prescribed procedures for determining the beneficiary. In principle, the timing of the delivery of the shares shall be at a certain time after the completion of the medium-term management plan when the basic performance points are granted and the performance-linked points are calculated.

③ Conclusion of a transfer restriction agreement

In principle, the Company shall enter into a transfer restriction agreement including the content below with Directors, etc., on the delivery of the Company shares as described in ① and ② above.

(a) Directors, etc., shall not transfer, create a security interest, or otherwise dispose of the Company shares during the

period from the day on which they receive the delivery of the Company shares until the day on which they retire.

(b) Lifting of transfer restrictions at the time of retirement as Directors, etc.

(c) In the event of a serious violation of rules of conduct or internal rules or commitment of a certain illegal act such as voluntary resignation against the will of the Company during the transfer restriction period, the transfer restriction shall not be lifted and the Company shall acquire the Company shares delivered to such Directors, etc., without compensation. During the transfer restriction period, the Company shares subject to the transfer restriction will be managed in a dedicated account opened at a securities company by Directors, etc., so that they cannot transfer, create a security interest, or otherwise dispose of the Company shares during the transfer restriction period.

(8) Method of acquisition of the Company shares by the Trust

The Trust plans to acquire the Company shares from the stock market or the Company's treasury stock disposal within the upper limit of the trust money and the upper limit of the Number of Shares Acquired as described in (6) above. Details of the acquisition method will be determined by the Company and disclosed after the resolution of this General Meeting of Shareholders.

During the trust period, if there is a possibility that the number of shares in the Trust will fall short of the number of shares corresponding to the points specified for each Director, etc., additional money may be entrusted to the Trust and additional shares of the Company may be acquired, within the upper limit of the amount of trust money and upper limit of the total number of points to be granted to Directors, etc., which are approved by the General Meeting of Shareholders as described in (6) above.

(9) Exercise of voting rights regarding the Company shares in the Trust

For the Company shares held in the Trust, voting rights shall not be exercised during the trust period in order to ensure the Trust's neutrality in the management of the investee companies.

(10) Handling of dividends of surplus of the Company shares in the Trust

The dividends of surplus on the Company shares in the Trust will be received by the Trust and used for the trust fees and trust expenses of the Trust. The remainder of the Trust at the stage of its termination, after allocation to the trust fees and trust expenses, will be paid to Directors, etc., who, upon termination of the trust, satisfy the prescribed requirements for beneficiaries and become beneficiaries of the Trust under the trust agreement.

(11) Handling of the Trust's termination

In the event that residual shares are in the Trust upon its termination due to target shortfall or other reasons, the Trust will transfer such residual shares to the Company free of charge, and as a shareholder return measure, the Company plans to cancel them by resolution of the Board of Directors.

(Reference)

[Details of the Trust Agreement]

① Type of the trust	Trust of money other than individually managed specified money trust (third party beneficiary trust)
② Purpose of the trust	Incentives for Directors, etc.
③ Trustor	Nifco Inc.
④ Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
⑤ Beneficiary	Directors, etc., who satisfy the requirements for beneficiaries
⑥ Trust administrator	A third party who has no interest in the Company (certified public accountant)
⑦ Trust agreement date	August 22, 2016 (to be changed to August 2024)
⑧ Trust period	August 22, 2016 - August 31, 2024 (To be extended to August 31, 2027, due to the change of the trust agreement in August 2024)
⑨ Start date of the system	August 22, 2016
⑩ Exercise of voting rights	Voting rights shall not be exercised.
⑪ Type of shares to be acquired	Common stock of the Company
⑫ Maximum amount of trust money	1.2 billion yen (including trust fees, trust expenses, and subsidiary grants) (to be finalized)
⑬ Method of acquiring shares	Acquisition from the stock market or the Company (treasury stock disposal)
⑭ Holder of vested right	Nifco Inc.
⑮ Residual assets	Residual assets to be received by the Company—the holder of vested right—shall be within the amount of the trust expense reserve after deducting the fund for acquiring shares from the trust money.

(Note) The schedule set forth above is subject to change appropriately in light of applicable laws and regulations.