



October 28, 2022

To Whom It May Concern

Company name	Nifco Inc.
Name of representative	Masaharu Shibao, President & Representative Director & COO
Securities code	7988 (TSE Prime Market)
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## Notice Concerning Continuation of Stock Grant ESOP Trust and Disposal of Treasury Shares by Third-Party Allotment

Nifco Inc. (the “Company”) resolved, at the Board of Directors meeting held on October 28, 2022, the continuation of the Stock Grant ESOP Trust, an incentive plan for the Company’s employees (the “Plan”), and disposal of its treasury shares by third-party allotment (the “Disposal of Treasury Shares”).

### 1. Continuation of the Plan

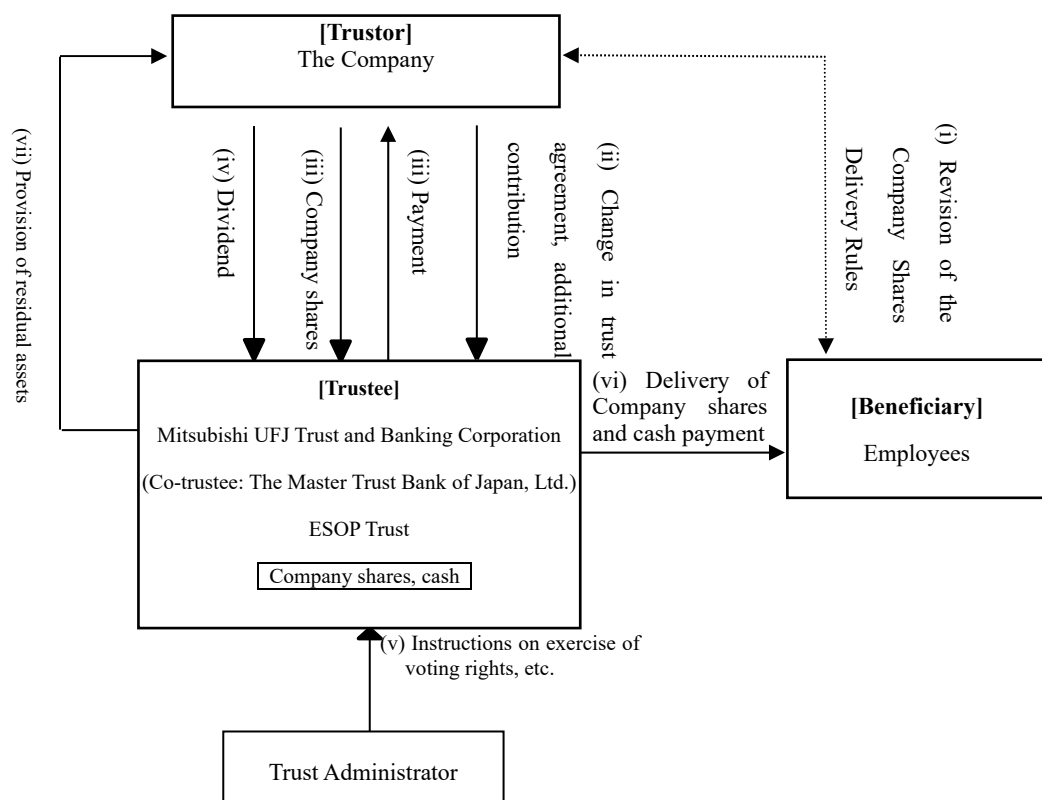
- (1) The Company resolved to continue the Plan, which was introduced in FY2018, in order to increase the motivation and morale of employees to improve the Company’s long-term performance and stock price by fostering employee engagement, a sense of belonging and a sense of participation in management, as well as to enhance the Company’s medium- to long-term corporate value.
- (2) The Plan adopts a scheme called a Stock Grant ESOP (Employee Stock Ownership Plan) Trust (the “ESOP Trust”). The ESOP Trust is an employee incentive plan designed based on the ESOP plan in the U.S. The Company shares acquired by the ESOP Trust are granted, pursuant to the predefined Company Shares Delivery Rules, to senior/executive-level employees who meet certain requirements and employees who make a significant contribution to the Company. There are no costs to be imposed on employees since the funds for the acquisition of the Company shares by the trust are totally contributed by the Company.
- (3) The Company expects that the Plan will facilitate business operations with employees having an awareness of the stock price and increase their morale because they can receive economic benefits from an increased stock price of the Company shares. In addition, the Plan is effective to enhance corporate value and encourage employees’ participation in management, because the exercise of voting rights pertaining to the

Company shares belonging to the trust assets of the ESOP Trust reflects the intention of employees who are potential beneficiaries.

[Outline of trust agreement]

- |                                     |   |
|-------------------------------------|---|
| (i) Type of trust                   | Money trust, an individually operated designated trust of money other than money trust (third party benefit trust)  |
| (ii) Purpose of trust               | Provision of incentives to employees of the Company   |
| (iii) Trustor                       | The Company   |
| (iv) Trustee                        | Mitsubishi UFJ Trust and Banking Corporation<br>(Co-trustee: The Master Trust Bank of Japan, Ltd.)  |
| (v) Beneficiary                     | Employees who meet beneficiary requirements   |
| (vi) Trust Administrator            | A third party who is an expert practitioner with no interest in the Company   |
| (vii) Date of trust agreement       | August 27, 2018   |
| (viii) Trust period after extension | August 27, 2018 to December 31, 2025 (planned)<br>(Planned to be extended until December 31, 2025 by a change in the trust agreement in November 2022)  |
| (ix) Exercise of voting rights      | The Trustee exercises voting rights in the Company shares in accordance with the instructions of the trust administrator which reflects the status of the exercise of voting rights by potential beneficiaries. |
| (x) Holder of vested rights         | The Company   |
| (xi) Residual assets                | The residual assets to be received by the Company as the holder of vested rights shall be limited to the extent of the trust expense reserve after deducting share acquisition costs from the trust money.      |

(Reference) Scheme of ESOP Trust



- (i) The Company revises the Company Shares Delivery Rules upon the continuation of the Plan.
- (ii) Based on the agreement to change the trust agreement, the Company extends the trust period of the ESOP Trust and makes additional monetary contributions.
- (iii) The ESOP Trust, pursuant to the instructions of the trust administrator, acquires the Company shares expected to be granted to beneficiaries during the trust period from the Company using cash contributed in (ii) above.
- (iv) The ESOP Trust receives the dividends distributed as a shareholder of the Company.
- (v) For the Company shares held within the ESOP Trust, throughout the trust period, the trust administrator gives instructions on the exercise of shareholders' rights including the exercise of voting rights, pursuant to which the ESOP Trust exercises the shareholders' rights.
- (vi) In accordance with the Company Shares Delivery Rules, the Company shares are delivered to employees who meet certain requirements (or in some cases, the Company shares held within the trust are converted into cash and paid out to the beneficiaries).
- (vii) The residual assets after the delivery to the beneficiaries upon the liquidation of the ESOP Trust belong to the Company as the holder of vested rights to a certain extent.

\* If there are no Company shares within the trust due to the delivery of the Company shares to employees who meet the beneficiary requirements, the trust terminates before the trust period ends. The Company may entrust additional cash to the ESOP Trust as the funds for the acquisition of the Company shares.

## 2. Disposal of Treasury Shares

### (1) Outline of disposal

(i) Date of disposal	November 17, 2022
(ii) Class and number of shares to be disposed of	27,800 shares of common stock
(iii) Disposal price	3,120 yen per share
(iv) Total value of disposal	86,736,000 yen
(v) Scheduled allottee	The Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account)
(vi) Other	The Written Notice of Securities pursuant to the Financial Instruments and Exchange Act has been submitted for the Disposal of Treasury Shares.

### (2) Purpose of and reason for disposal

At the Board of Directors meeting held on October 28, 2022, the Company resolved to extend the trust period of the Plan and to make additional monetary contributions to the Plan, in order to increase the motivation and morale of employees to improve the Company's long-term performance and stock price by fostering employee engagement, a sense of belonging and a sense of participation in management, as well as to enhance the Company's medium- to long-term corporate value. The Disposal of Treasury Shares is, due to the extension of the trust period of the Plan, to dispose of treasury shares by third-party allotment to The

Master Trust Bank of Japan, Ltd. (Stock Grant ESOP Trust Account), a co-trustee of the Share Grant ESOP Trust agreement that the Company entered into with Mitsubishi UFJ Trust and Banking Corporation.

The number of shares to be disposed of is a portion of the number of shares expected to be granted to employees during the trust period pursuant to the Company Shares Delivery Rules. The scale of dilution will be 0.03% of the total number of issued shares of 107,508,954 as of September 30, 2022 (rounded off to two decimal places; 0.03% of the total number of voting rights of 1,006,922 as of September 30, 2022).

The Company shares allotted by the Disposal of Treasury Shares are to be granted to employees pursuant to the Company Shares Delivery Rules, and it is not expected that shares will be simultaneously distributed to the stock market as a result of the Disposal of Treasury Shares. Accordingly, the Company determines that the impact on the stock market will be minimal and that the number of shares to be disposed of and the scale of dilution will be reasonable.

### (3) Basis of calculation and specific details of the disposal price

The disposal price is set at 3,120 yen, which is the closing price of the Company shares on the business day preceding the date of the resolution of the Board of Directors concerning the Disposal of Treasury Shares, in order to eliminate arbitrariness in light of recent stock price trends. The Company decided to use the closing price of the Company shares on the business day preceding the date of the resolution of the Board of Directors because this price is the market value immediately before the resolution of the Board of Directors and it was determined that this price was highly objective and reasonable as the basis of calculation.

The Company's Audit and Supervisory Committee has expressed its opinion that the basis for calculating the disposal price is reasonable and that the said disposal price does not fall under a particularly advantageous disposal price.

### (4) Procedures under the Code of Corporate Conduct

Since the Disposal of Treasury Shares has a dilution rate of less than 25% and does not involve a change of the controlling shareholder, it is not necessary to obtain an opinion from an independent third party and to confirm the intention of shareholders as stipulated in Article 432 of the Securities Listing Regulations prescribed by the Tokyo Stock Exchange.