

Corporate Name: Nifco Inc. (URL: <https://www.nifco.com/en/>)

July 31, 2024

Stock Exchange: Prime Market; Code Number: 7988

President & CEO: Masaharu Shibao

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Dividend disbursement to be started on: —

Preparation of supplementary reference materials for financial results: Yes

Holding financial results briefing: None

Summary of Consolidated Financial Results for First Quarter of Fiscal Year Ending March 31, 2025

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

1. Consolidated Financial Results for Three Months of FY2024 (April 1 to June 30, 2024)

(1) Consolidated financial results

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

	Net sales		Operating profit		Ordinary profit	
	Million yen	%	Million yen	%	Million yen	%
First Qtr. FY2024	86,139	(2.1)	11,889	17.2	14,145	5.5
First Qtr. FY2023	87,977	21.1	10,146	28.0	13,408	19.3

Note: Comprehensive income: 15,975 million yen in First Qtr. FY2024 [42.1%], 11,240 million yen in First Qtr. FY2023[(25.3)%]

	Profit attributable to owners of parent		Basic earning per share	Diluted earning per share
	Million yen	%	Yen	Yen
First Qtr. FY2024	8,842	(9.1)	89.97	88.87
First Qtr. FY2023	9,728	21.1	97.50	—

Note: Diluted profit attributable to owners of parent per share of First Qtr. FY2023 is not shown in the above table, as there is no potential common share with dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Net assets ratio	Net assets per share
	Million yen	Million yen	%	Yen
First Qtr. FY2024	365,314	252,807	68.4	2,559.68
FY2023	380,405	247,052	64.1	2,455.97

Reference: Equity capital: 249,716 million yen in First Qtr. FY2024, 243,695 million yen in FY2023

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
FY2023	—	32.00	—	32.00	64.00
FY2024	—				
FY2024 (forecast)		35.00	—	35.00	70.00

Note: Revision of the latest forecast of cash dividends: None

3. Forecasts for FY2024 (April 1, 2024 to March 31, 2025)

(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
FY2024	340,000	(8.5)	45,000	2.4	44,200	(11.0)	26,100	43.0	262.05

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: 2 companies (company name): Nifco Germany GmbH, Nifco KTW America Corporation
The company's specific subsidiaries Nifco Germany GmbH and Nifco KTW America Corporation were omitted from specific subsidiaries due to the completion of business transfers in April 2024.
- (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)

1Q of FY2024	100,257,053	FY2023	100,257,053
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- 2) Number of treasury stocks at end of the period

1Q of FY2024	2,699,366	FY2023	1,031,017
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- 3) Average number of shares outstanding during the period

1Q of FY2024	98,284,209	1Q of FY2023	99,780,742
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*Quarterly review conducted by certificated public accountants or an audit corporation of the attached quarterly consolidated financial statements: None

* Proper use of earnings forecasts and other special matters

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. For assumptions used for earnings forecasts and notes on the use of earnings forecasts, etc., please refer to "I. Quarterly Consolidated Financial Statements and Main Notes, (iii) Information regarding consolidated earnings forecasts and other forward-looking statements" on page 5 of the Attached Materials.

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I. Quarterly Consolidated Financial Statements and Main Notes

(i) Explanation of operating results

For the first three months ended June 30, 2024, business sentiment in Japan's economy improved, with the manufacturing sector experiencing lessening impact from suspension of production and shipments in association with the scandal that some automobile manufacturers were embroiled in, and the progression of price pass-through mainly in the materials industry sector. Meanwhile, in the non-manufacturing sector, business sentiment related to logistics improved amid the progression of price pass-through and an increase in online trade, despite weak areas in the market, mainly in retailing, due to lackluster personal consumption in reaction to the high price of goods. Looking overseas, in the Chinese economy, a recovery in lunar new year demand stimulated economic activity mainly in domestic tourism and food services, and retail sales also increased. China also increased its exports of automobiles, consisting mainly of EVs, and household electrical appliances, putting an end to the downward trend. In the European economy, overall business activities continued to be weak, due to a continuing decline of intermediate goods amid lackluster global demand for such goods, and a decline in the production of consumer durables in reaction to monetary tightening, among other factors. In the U.S. economy, overall business sentiment in the non-manufacturing sector received a boost from an expansion in business activities and increases in new orders, despite a fall in employment. Meanwhile, corporate business sentiment in the manufacturing sector improved due to an overall lift provided by manufacturing activities in industrial production, such as those related to electricity and gas and other utilities, as well as automobiles, etc., despite a decline in mining operations. As a result, the global economy was correcting toward improvement in corporate business sentiment. Breaking this down by country and region, business sentiment in the U.S. and Asia was favorable, with significant improvement observed in China. However, due to the development of strengthening demand in the U.S. at a faster rate than expected, there is a possibility that the U.S. and Europe will strengthen defensive measures against surplus production in China, which continues to make the outlook uncertain.

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 decreased year on year in the first three months ended June 30, 2024. In overseas markets, production volume and sales volume decreased in the U.S., while in Europe, sales volume increased but production volume decreased, both year on year in the first three months ended June 30, 2024. In China and India, both production and sales volumes significantly increased year on year.

As a result, the Group's net sales for the first three months ended June 30, 2024 amounted to 86,139 million yen, down 2.1% year on year.

In terms of profits, operating profit increased 17.2% year on year to 11,889 million yen, due to the transfer of the businesses of Nifco Germany GmbH and Nifco KTW America Corporation, which experienced increasing hardship in the German OEM business, and reductions in selling, general and administrative expenses through initiatives to reduce controllable expenses. Ordinary profit increased 5.5% year on year to 14,145 million yen due mainly to foreign exchange gains resulting from the weaker yen. As a result of recording income taxes of 5,057 million yen, profit attributable to owners of parent decreased 9.1% year on year to 8,842 million yen.

Results by 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 decreased due to a lull in automobile production activities. Overall net sales overseas decreased partly due to the transfer of the businesses of Nifco Germany GmbH and Nifco KTW America Corporation, which had conducted businesses for German customers, despite a recovery in automobile production activities in the U.S., China and India, among others, and foreign exchange effects of a weaker yen. As a result, net sales for industrial plastic parts & components decreased. In terms of profits, the transfer of the businesses of Nifco Germany GmbH and Nifco KTW America Corporation, which had conducted businesses for German customers, and reductions in selling, general and administrative expenses through initiatives to reduce controllable expenses led to increased profits.

As a result, net sales in the industrial plastic parts & components business for the first three months ended June 30, 2024 decreased 3.5% year on year to 77,072 million yen. Segment profit increased 19.2% year on year to 12,028 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, growth in sales to retailers in Japan, firm performance in wholesale and retail sales overseas, mainly in China, and

the foreign exchange effects of a weaker yen.

As a result, net sales in the bedding & furniture business for the first three months ended June 30, 2024 increased 11.2% year on year to 9,067 million yen. Segment profit increased 6.1% year on year to 1,455 million yen.

(ii) Explanation of financial position

Assets as of June 30, 2024 stood at 365,314 million yen, a decrease of 15,091 million yen from the end of the previous fiscal year. The main factors for the decrease were a 3,929 million yen decrease in merchandise and finished goods and a 2,943 million yen decrease in accounts receivable - trade. In addition, cash and deposits decreased by 6,357 million yen.

Liabilities as of June 30, 2024 stood at 112,507 million yen, a decrease of 20,846 million yen from the end of the previous fiscal year. The main factors for the decrease were decreases of 8,755 million yen in allowance for losses on business transfer and 5,256 million yen in short-term borrowings.

Net assets as of June 30, 2024 stood at 252,807 million yen, an increase of 5,755 million yen from the end of the previous fiscal year. The main factors for the increase were increases of 5,654 million yen in retained earnings and 7,090 million yen in foreign currency translation adjustment due to yen depreciation, despite an increase of 6,426 million yen in treasury shares.

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

No revisions have been made to the consolidated financial forecasts announced on May 13, 2024.

II . Quarterly Consolidated Financial Statements and Main Notes

(i) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	149,784	143,427
Notes receivable - trade	1,750	1,805
Electronically recorded monetary claims - operating	8,114	8,290
Accounts receivable - trade	57,410	54,467
Contract assets	1,171	505
Securities	1,144	16
Merchandise and finished goods	27,414	23,484
Work in process	3,173	2,550
Raw materials and supplies	10,289	9,126
Other	9,844	8,503
Allowance for doubtful accounts	(292)	(282)
Total current assets	269,806	251,895
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	45,618	46,401
Machinery, equipment and vehicles, net	17,675	17,925
Tools, furniture and fixtures, net	3,966	4,036
Molds, net	4,614	4,596
Land	18,973	20,576
Leased assets, net	46	49
Construction in progress	2,851	3,337
Other	3,207	3,065
Total property, plant and equipment	96,953	99,987
Intangible assets	1,407	1,537
Investments and other assets		
Investment securities	4,764	4,362
Deferred tax assets	1,847	1,903
Retirement benefit asset	2,829	2,846
Other	2,797	2,781
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	12,238	11,894
Total non-current assets	110,599	113,419
Total assets	380,405	365,314

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	26,601	26,270
Current portion of bonds payable	—	10,000
Short-term borrowings	5,529	272
Current portion of long-term borrowings	10,075	10,060
Accounts payable - other	6,543	6,507
Income taxes payable	5,523	4,863
Contract liabilities	4,899	4,567
Provision for bonuses	2,924	1,169
Allowance for losses on business transfer	10,068	1,313
Other	11,924	10,765
Total current liabilities	84,091	75,790
Non-current liabilities		
Bonds payable	35,000	25,000
Long-term borrowings	285	270
Deferred tax liabilities	6,344	6,215
Retirement benefit liability	1,886	1,852
Other	5,746	3,378
Total non-current liabilities	49,262	36,716
Total liabilities	133,353	112,507
Net assets		
Shareholders' equity		
Share capital	7,290	7,290
Capital surplus	—	—
Retained earnings	215,302	220,956
Treasury shares	(3,608)	(10,035)
Total shareholders' equity	218,983	218,210
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,028	1,689
Deferred gains or losses on hedges	(21)	(16)
Revaluation reserve for land	6	6
Foreign currency translation adjustment	23,019	30,110
Remeasurements of defined benefit plans	(320)	(284)
Total accumulated other comprehensive income	24,712	31,505
Non-controlling interests	3,356	3,091
Total net assets	247,052	252,807
Total liabilities and net assets	380,405	365,314

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

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	87,977	86,139
Cost of sales	64,142	60,272
Gross profit	23,834	25,867
Selling, general and administrative expenses	13,687	13,978
Operating profit	10,146	11,889
Non-operating income		
Interest income	139	326
Gain on valuation of investment securities	34	33
Foreign exchange gains	3,119	1,701
Other	230	309
Total non-operating income	3,524	2,371
Non-operating expenses		
Interest expenses	172	67
Other	89	47
Total non-operating expenses	262	114
Ordinary profit	13,408	14,145
Extraordinary income		
Gain on sale of non-current assets	100	3
Total extraordinary income	100	3
Extraordinary losses		
Loss on sale and retirement of non-current assets	44	13
Total extraordinary losses	44	13
Profit before income taxes	13,464	14,136
Income taxes	3,543	5,057
Profit	9,921	9,078
Profit attributable to		
Profit attributable to owners of parent	9,728	8,842
Profit attributable to non-controlling interests	192	235
Other comprehensive income		
Valuation difference on available-for-sale securities	344	(338)
Deferred gains or losses on hedges	16	5
Foreign currency translation adjustment	995	7,194
Remeasurements of defined benefit plans, net of tax	(37)	35
Total other comprehensive income	1,319	6,896
Comprehensive income	11,240	15,975
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,000	15,636
Comprehensive income attributable to non-controlling interests	239	338

(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

Not applicable.

- 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 three months ended June 30, 2024, and multiplying profit before income taxes by the estimated effective tax rate.

- Additional information

Disposal of treasury stock by third-party allotment

At the meeting of the Board of Directors held on May 17, 2024, the Company passed a resolution to introduce an incentive plan that grants common shares issued by the Company as a special incentive contribution to the members of the Nifco Employees Stock Ownership Association with the intention of improving motivation of employees to enhance the Company's medium- and long-term shareholder value. The Company conducted a disposal of treasury shares through third-party allotment in which the Nifco Employees Stock Ownership Association was the disposal recipient on July 25, 2024.

Overview of disposal of treasury shares

(1)Date of disposal	July 25, 2024
(2)Class of shares to be disposed of	The Company's common stock
(3)Number of shares to be disposed of	77,320 shares
(4)Disposal value	3,862 yen per share
(5)Total value of disposal	298,609,840 yen
(6)Method of disposal	Third-party allotment
(7)Allottee	Nifco Employee Stock Ownership Association

- 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

Not applicable.

- Notes in relation to the quarterly consolidated statement of cash flows

The Company has not prepared the quarterly consolidated statement of cash flows for the first three months ended June 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first three months ended June 30, 2024 are as follows.

(Unit: Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	3,424	3,226
Amortization of goodwill	82	—

- Segment Information, etc.

[Business segment information]

- For the First Quarter of FY2023 (April 1 to June 30, 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	79,826	8,150	87,977	-	87,977
(2) Intersegment sales or transfers	-	-	-	-	-
Total	79,826	8,150	87,977	-	87,977
Segment profit (loss)	10,092	1,371	11,463	(1,317)	10,146

(Notes) 1. Adjustment of segment profit (loss) of (1,317) 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.

- For the First Quarter of FY2024 (April 1 to June 30, 2024)

(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	77,072	9,067	86,139	-	86,139
(2) Intersegment sales or transfers	-	-	-	-	-
Total	77,072	9,067	86,139		86,139
Segment profit (loss)	12,028	1,455	13,484	(1,595)	11,889

(Notes) 1. Adjustment of segment profit (loss) of (1,595) 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.

- Notes Significant Events After Reporting Period Consolidated Financial Statements

Not applicable.