

To our shareholders

5-3 Hikarinooka
Yokosuka-shi, Kanagawa

Nifco Inc.

Toshiyuki Yamamoto, President

NOTICE OF THE 66th ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to announce that the 66th Annual General Meeting of Shareholders will be held as stated below and you are cordially invited to attend the meeting.

If you are unable to attend this meeting in person, you can exercise your voting rights using either of the following methods. Please review the attached Reference Documents and exercise your voting rights.

[Exercising Voting Rights by Mail]

Please indicate your vote for or against the resolutions on the enclosed proxy form which should be returned to the company to reach us no later than 5:30 p.m. on 21st June, 2018.

[Exercising Voting Rights via the Internet]

Please access the Company's designated voting website at <https://soukai.mizuho-tb.co.jp/>, use the "Voting Rights Exercise Code" and "Password," displayed on the enclosed proxy form, and input your vote for or against the resolutions by following the on-screen guidance. Please be sure to vote no later than 5:30 p.m. on 21st June, 2018.

If you exercise your voting rights via the Internet, please confirm "Instructions for voting via the Internet" on page 3.

The proxy will be voted as directed by the shareholders but, if there is no indication of approval or disapproval for particular resolutions, the shareholder will be construed as having approved the resolution in question.

Details of the Meeting

- 1. Date and Time:** 10 a.m., 22nd June, 2018 (Friday)
- 2. Location:** 4-5-4 Shibaura, Minato-ku, Tokyo, Third Floor Hall, Tokyo Headquarters, Nifco Inc.

Please refer to the map at the end of this document as the location of this Annual General Meeting of Shareholders differs from that of last year.

- 3. Agenda:**
 - Reports:**
 1. The business report (1st April, 2017 ~ 31st March, 2018), and the consolidated accounts together with the report of the Statutory Auditors and the Public Accountants thereon.
 2. The accounts (1st April, 2017 ~ 31st March, 2018)

Resolutions:

- Resolution 1** Appropriation of retained earnings
- Resolution 2** Partial amendments to the Articles of Incorporation
- Resolution 3** Election of five candidates as Director
- Resolution 4** Election of one candidate as Statutory Auditor
- Resolution 5** Election of one candidate as Statutory Auditor to fill vacancy

If you attend the AGM, please present the enclosed voting form to the receptionist at the meeting. Also, should there be any amendments to the Reference Documents, the business report, the accounts, or the consolidated accounts, they will be published on the Company's web site. (<https://www.nifco.com/>)

We will no longer offer gifts to or hold a gathering afterwards for shareholders participating in the Annual General Meeting of Shareholders. We appreciate your understanding.

Instructions for voting via the Internet

1. Exercising voting rights via the Internet

- (1) In lieu of exercising voting rights in writing, you may exercise your voting rights through the Company's designated "Voting Website" (URL below). If you wish, you may use the "Voting Rights Exercise Code" and "Password" displayed on the right part of the enclosed proxy form to log into the site and input your vote for or against the resolutions by following the on-screen guidance. For security purposes, you are required to change your password when logging in for the first time.

<https://soukai.mizuho-tb.co.jp/>

- (2) Please vote for or against the resolutions no later than 5:30 p.m. on 21st June, 2018. Please exercise your rights early.
- (3) If you vote both in writing on the proxy form and via the Internet, only your vote placed via the Internet will be valid. In addition, if you submit your vote multiple times via the Internet, only the last vote will be valid.
- (4) The password (including your changed password) will be used only for this general meeting. A new password will be issued for the next General Meeting of Shareholders.
- (5) Costs incurred when accessing the voting website such as Internet connection charges are borne by shareholders.

(Notes)

- The password is an important means required for confirming that a person who is to vote is a shareholder. The Company would never ask you for your password.
- If you input the wrong password more than a certain number of times, your password will be locked out. If your password is locked out, please follow the on-screen guidance to issue a new password.
- Voting Website is verified using general Internet connection devices, but you may not be able to use it depending on the device you use.

2. Contact

If you have any questions, please contact the Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. (below), the Transfer Agent and Registrar.

- (1) Dedicated contact on how to operate Voting Website
Toll-free number: 0120-768-524 (Operating hours: 9:00 a.m. to 9:00 p.m. weekday)
- (2) Contact for matters related to stock transfers other than the above
Toll-free number: 0120-288-324 (Operating hours: 9:00 a.m. to 5:00 p.m. weekday)

Reference Documents for the General Meeting of Shareholders

Resolution 1 Appropriation of retained earnings

With respect to the year-end dividend for the 66th fiscal year, the Company hereby proposes the following in consideration of the operating results for the year under review and future business development.

Matters concerning year-end dividend

1) Form of dividend

Cash

2) Matters concerning allocation of dividend and total amount thereof

We propose to pay 64 yen per share as the year-end ordinary dividend (an ordinary dividend of 64 yen).

Total dividend will be 3,337,525,696 yen.

This will bring the annual dividend to 124 yen per share, including the interim dividend.

3) Effective date of dividends

25th June, 2018

Resolution 2 Partial amendments to the Articles of Incorporation

1. Reasons for the proposal

In a bid to clarify management responsibilities of Directors and establish the management system that enables swift responses to changes in the business environment, the Company proposes to shorten the term of office of Directors from two (2) years to one (1) year and accordingly, proposes to make necessary amendments to the current provision of Article 20 (Term of office of Directors) of its Articles of Incorporation. The Company also proposes to establish a supplementary provision in order to clarify that the existing provision will be applied to the terms of office of Directors who were elected at the 65th Annual General Meeting of Shareholders held on June 23, 2017.

2. Details of amendments

The details of amendments are as follows.

(Underlined sections indicate changes.)

Current Articles of Incorporation	Proposed changes
<p>Chapter 4 Directors and Board of Directors (Term of office of Directors)</p> <p>Article 20 The term of office of Directors shall expire at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year within <u>two (2)</u> fiscal years following their election for office.</p> <p>Articles 21 to 42 (Letters omitted)</p> <p>(New)</p>	<p>Chapter 4 Directors and Board of Directors (Term of office of Directors)</p> <p>Article 20 The term of office of Directors shall expire at the conclusion of the Annual General Meeting of Shareholders for the last business year within <u>one (1)</u> fiscal year following their election for office.</p> <p>Articles 21 to 42 (No change)</p> <p><u>Supplementary provision</u> <u>Notwithstanding the provision of Article 20, the terms of office of Directors who were elected at the 65th Annual General Meeting of Shareholders held on June 23, 2017 shall expire at the conclusion of the Annual General Meeting of Shareholders to be held in 2019. This supplementary provision shall cease to exist after the arrival of the said expiration date.</u></p>

Resolution 3 Election of five candidates as Director

The terms of office of the current four Directors will expire at the close of this General Meeting of Shareholders. We propose the re-election of Toshiyuki Yamamoto, Fukuo Iwasaki, Masaharu Shibao and Toyoo Gyoten, and the election of Toshiki Yauchi.

Accordingly, we propose the election of five candidates as Director.

The candidates as Director are as follows.

No.	Name (Date of birth)	Career summary, position and assignment at the Company (Significant concurrent positions)	Number of shares of the Company held	Special interests with the Company
1	Toshiyuki Yamamoto (11 th October, 1949)	<p>April 1973 Joined the Company</p> <p>January 1995 General Manager of Sagamihara Plant of the Company</p> <p>June 2002 Executive Officer of the Company</p> <p>April 2008 Executive Officer of the Company, President of Nifco America Corp.</p> <p>June 2012 President of the Company</p> <p>June 2016 Chairman, President, CEO & COO of the Company</p> <p>June 2017 President, CEO & COO of the Company (to present)</p>	4,900 shares	None
	Reasons for proposing the candidate as Director	Mr. Yamamoto is proposed as a candidate as Director due to his ability to execute business strategies with strong leadership in a timely and appropriate manner, as well as his broad experience of global management gained as the President of the Company from 2012, after obtaining experience as the General Manager of major domestic plants and the President of the Company's overseas subsidiary.		
2	Fukuo Iwasaki (26 th October, 1957)	<p>April 1980 Joined the Company</p> <p>April 2010 Executive Officer, General Manager of Nagoya Plant of the Company</p> <p>April 2013 Executive Officer, Deputy Head of Global Sales & Manufacturing Division of the Company</p> <p>June 2014 Executive Managing Officer, Head of Manufacturing of the Company</p> <p>June 2016 Director and Executive Managing Officer, Head of Manufacturing of the Company (to present)</p>	7,300 shares	None
	Reasons for proposing the candidate as Director	Mr. Iwasaki is proposed as a candidate as Director due to his global and diverse experience, insights and expertise cultivated through his long career mainly in manufacturing functions such as in the position of the General Manager of major domestic plants and the Deputy Head of the Global Sales & Manufacturing Division, under which he is responsible for the production structure across the Group, including overseas bases.		

No.	Name (Date of birth)	Career summary, position and assignment at the Company (Significant concurrent positions)	Number of shares of the Company held	Special interests with the Company
3	Masaharu Shibao (14 th December, 1961)	<p>April 1985 Joined the Company</p> <p>April 2010 President of Nifco Deutschland GMBH</p> <p>June 2015 Executive Officer of the Company, President of Nifco America Corp.</p> <p>June 2016 Director and Executive Managing Officer, CMO, Head of Sales Division of the Company</p> <p>April 2017 Director and Executive Managing Officer, CMO, Head of Sales Division, Head of FCS Business Control Division of the Company</p> <p>January 2018 Director and Executive Managing Officer, CMO, Head of Sales Division, Director in charge of Business Platform Division of the Company (to present)</p>	2,000 shares	None
	Reasons for proposing the candidate as Director	Mr. Shibao is proposed as a candidate as Director due to his global and diverse experience, insights and expertise cultivated through his long career in technology and as the President of the Company's subsidiaries in Europe and the U.S.		
4	Toshiki Yauchi (16 th July, 1961)	<p>April 1985 Joined the Company</p> <p>July 2007 Head of Corporate Strategy Division of the Company</p> <p>June 2015 Executive Officer, Head of Corporate Strategy Division of the Company (to present)</p>	500 shares	None
	Reasons for proposing the candidate as Director	Mr. Yauchi is proposed as a candidate as Director due to his diverse experience, insights and expertise cultivated through his long career mainly in corporate strategy, and developing management strategies as the Head of the Corporate Strategy Division and being in charge of overall IR activities of the Company.		
5	Toyoo Gyoten (2 nd January, 1931)	<p>April 1955 Joined the Ministry of Finance ("MOF")</p> <p>June 1984 Director-General, International Finance Bureau of MOF</p> <p>June 1986 Vice-Minister of Finance for International Affairs of MOF</p> <p>June 1992 Director, Chairman of the Bank of Tokyo, Ltd.</p> <p>December 1995 President of Institute for International Monetary Affairs (to present)</p> <p>January 2006 Senior Advisor of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.) (to present)</p> <p>June 2010 External Director of the Company (to present)</p> <p>(Significant concurrent positions)</p> <ul style="list-style-type: none"> • President of Institute for International Monetary Affairs • Senior Advisor of MUFG Bank, Ltd. 	- shares	Refer to (Note) 2
	Reasons for proposing the candidate as External Director	Mr. Gyoten is proposed as a candidate as External Director because the Company expects him to reflect his broad experience and insights pertaining to domestic and overseas economic issues and financial affairs cultivated through his varied career in government and financial institutions in the Company's management as External Director.		

(Notes)

1. Toshiki Yauchi is a candidate as new Director.
2. Toyoo Gyoten, a candidate as Director, concurrently serves as Senior Advisor of MUFG Bank, Ltd. with which the Company has banking transactions.
3. Toyoo Gyoten is a candidate as External Director.
4. The Company designated and filed Toyoo Gyoten as an independent officer pursuant to the regulations of Tokyo Stock Exchange, Inc. If this Resolution is passed and his re-election is approved, he will continue to be an independent officer.
5. Toyoo Gyoten will have served as External Director for eight years at the close of this General Meeting of Shareholders.
6. The Company has concluded an agreement with Toyoo Gyoten to limit his liabilities for damages referred to in Article 423 (1) of the Companies Act pursuant to the provision of the Articles of Incorporation. The limit of liabilities for damages under this agreement is the greater of either 20 million yen or the minimum total liability stipulated by laws and regulations. The Company plans to extend the aforementioned limited liability agreement if he is reappointed.

Resolution 4 Election of one candidate as Statutory Auditor

The term of the current Statutory Auditor Kenji Matsukawa will resign at the close of this General Meeting of Shareholders. Accordingly, we propose the election of one candidate as Statutory Auditor.

The Board of Statutory Auditors' consent has been obtained for this Resolution.

The candidate as Statutory Auditor is as follows.

Name (Date of birth)	Career summary, position at the Company (Significant concurrent positions)	Number of shares of the Company held	Special interests with the Company
Akinobu Suzuki (10 th September, 1956)	April 1981 Joined the Company June 2006 Executive Officer of the Company, Vice President of Nifco Korea Inc. April 2011 Executive Officer, Head of Administration Division of the Company February 2013 Executive Officer of the Company, Vice President of Nifco Korea Inc. June 2015 Executive Managing Officer, Head of Administration Division, Head of General Affairs Division of the Company June 2017 Executive Officer, Head of the Auditing Division of the Company (to present)	5,500 shares	None
Reasons for proposing the candidate as Statutory Auditor	Mr. Akinobu Suzuki is proposed as a candidate as Statutory Auditor because he has global experience in corporate management as the Vice President of the Company's subsidiary in Korea as well as broad experience and insights in corporate governance as the Head of the Administration Division and the Head of the Auditing Division of the Company.		

(Note) Akinobu Suzuki is a new candidate as Statutory Auditor.

Resolution 5 Election of one candidate as Statutory Auditor to fill vacancy

To prepare for a contingency in which the Company does not have the number of Statutory Auditors required by laws and regulations, the Company proposes to elect one candidate as Statutory Auditor to fill vacancy.

The Board of Statutory Auditors' consent has been obtained for this Resolution.

The candidate as Statutory Auditor to fill vacancy is as follows and is proposed to fill vacancy for any one of the Statutory Auditors. The term of office of a Statutory Auditor assumed by Statutory Auditor to fill vacancy shall be the remaining term of office of the retiring Statutory Auditor.

Name (Date of birth)	Career summary (Significant concurrent positions)	Number of shares of the Company held	Special interests with the Company
Masakazu Wakabayashi (30 th January, 1963)	October, 1988 Joined Century Audit Corporation December 1997 Partner of Century Audit Corporation April 2007 Joined Yasumori Audit Corporation May 2008 Representative Partner of Yasumori Audit Corporation (to present)	- shares	None
Reasons for proposing the candidate as External Statutory Auditor to fill vacancy	Mr. Masakazu Wakabayashi is proposed as External Statutory Auditor to fill a vacancy because he has the extensive insights required to audit the corporate management as a Certified Public Accountant, and the Company expects him to use his broad knowledge and experience for the Company's audit structure if he is appointed, even though he has never been directly involved in corporate management.		

(Notes)

1. Masakazu Wakabayashi is a candidate as External Statutory Auditor to fill vacancy.
2. The Company has concluded an agreement with External Statutory Auditors to limit their respective liabilities for damages referred to in Article 423 (1) of the Companies Act pursuant to the provision of the Articles of Incorporation. The limit of liabilities for damages based on this agreement is the greater of either 10 million yen or the minimum total liability stipulated by laws and regulations.
The Company also plans to conclude a limited liability agreement with Masakazu Wakabayashi as an External Statutory Auditor if he is elected as a Statutory Auditor.