

To our shareholders

5-3 Hikarinooka  
Yokosuka-shi, Kanagawa  
**Nifco Inc.**

Toshiyuki Yamamoto, President & Representative Director

## NOTICE OF THE 67<sup>th</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS

We would like to announce that the 67<sup>th</sup> 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 20<sup>th</sup> June, 2019.**

### [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 20<sup>th</sup> June, 2019.**

**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., 21<sup>st</sup> June, 2019 (Friday)
- 2. Location:** 4-1-23 Shiba, Minato-ku, Tokyo,  
Mita NN Hall, B1F, Mita NN Building

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:**
    - The business report (1<sup>st</sup> April, 2018 ~ 31<sup>st</sup> March, 2019), and the consolidated accounts together with the report of the Statutory Auditors and the Public Accountants thereon.
    - The accounts (1<sup>st</sup> April, 2018 ~ 31<sup>st</sup> March, 2019)
  - Resolutions:**
    - Resolution 1** Appropriation of retained earnings
    - Resolution 2** Election of six candidates as Director
    - Resolution 3** Election of two candidates as Statutory Auditor
    - Resolution 4** Election of one candidate as Statutory Auditor to fill vacancy
    - Resolution 5** Determining Amount and Details of Performance-Linked Share-Based Compensation, etc. to Directors, etc.

If you attend the Annual General Meeting of Shareholders, 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 social gathering for shareholders at the Annual General Meeting of Shareholders. We appreciate your understanding.

## Instructions for voting via the Internet

### 1. How to exercise voting rights

- (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. Please note that, you are required to change your password when logging in for the first time.

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

- (2) The deadline for exercising voting rights is 5:30 p.m. on 20<sup>th</sup> June, 2019. Only the vote that arrives at the Company (Transfer Agent and Registrar) by the close of the voting period will be valid. Please exercise your rights early.
- (3) If you exercise your voting rights 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 exercise your voting rights multiple times via the Internet, only the last vote will be valid.
- (4) A new voting rights exercise code and a password (including your changed password) will be issued for each General Meeting of Shareholders.
- (5) Costs incurred when accessing and using the voting website such as Internet connection charges are borne by shareholders.

(Notes)

- Please keep your password safe, because it is an important means required for confirming that a person who is to vote is a shareholder. The Company (Transfer Agent and Registrar) would never ask you for your password.
- If you input the wrong password more than a certain number of times, your password will be rendered unusable. If your password has become unusable, please follow the on-screen guidance to issue a new password.
- The Voting Website is verified using general Internet connection devices, but you may not be able to use it depending on the device you use or its conditions.

### 2. Contact

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

[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)

## Reference Documents for the General Meeting of Shareholders

### **Resolution 1** Appropriation of retained earnings

With respect to the year-end dividend for the 67<sup>th</sup> 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 31 yen per share as the year-end ordinary dividend (an ordinary dividend of 31 yen).

Total dividend will be 3,203,494,616 yen.

This will bring the annual dividend to 62 yen per share, including the interim dividend.

3) Effective date of dividends

24<sup>th</sup> June, 2019

## Resolution 2 Election of six candidates as Director

The terms of office of the current six Directors will expire at the close of this General Meeting of Shareholders. We propose the re-election of Toshiyuki Yamamoto, Fukuo Iwasaki, Masaharu Shibao, Toshiki Yauchi and Keiji Tachikawa, and the election of Yoshiko Nonogaki.

Accordingly, we propose the election of six 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 (Number of the Company's shares to be granted based on the share-based compensation plan)	Special interests with the Company	
1	Toshiyuki Yamamoto (11 <sup>th</sup> October, 1949)	April 1973	Joined the Company	21,606 shares (11,106 shares)	None
		January 1995	Head of Sagamihara Plant of the Company		
		June 2002	Executive Officer of the Company		
		April 2008	Executive Officer of the Company, President of Nifco America Corp.		
		June 2012	President & Representative Director, COO of the Company		
		June 2016	Chairman, President & Representative Director, CEO & COO of the Company		
		June 2017	President & Representative Director, CEO & COO of the Company (to present)		
	Reasons for proposing the candidate as Director	Mr. Yamamoto is once again proposed as a candidate for 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 & Representative Director of the Company from 2012, after obtaining experience as the Head of major domestic plants and the President of the Company's overseas subsidiary.			
2	Fukuo Iwasaki (26 <sup>th</sup> October, 1957)	April 1980	Joined the Company	22,024 shares (7,124 shares)	None
		April 2010	Executive Officer, Head of Nagoya Plant of the Company		
		April 2013	Executive Officer, Deputy Head of Global Sales & Manufacturing Division of the Company		
		June 2014	Executive Managing Officer, Head of Manufacturing of the Company		
		June 2016	Director and Executive Managing Officer, Head of Manufacturing of the Company		
		June 2018	Director and Senior Executive Managing Officer, Head of Manufacturing, In charge of Quality Assurance & Purchasing of the Company (to present)		
	Reasons for proposing the candidate as Director	Mr. Iwasaki is once again proposed as a candidate for 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 Head 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 (Number of the Company's shares to be granted based on the share-based compensation plan)	Special interests with the Company
3	Masaharu Shibao (14 <sup>th</sup> 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 of the Company</p> <p>April 2017      Director and Executive Managing Officer, CMO, Head of Sales, Divisional General Manager of FCS Business Control Division of the Company</p> <p>January 2018    Director and Executive Managing Officer, CMO, Head of Sales, In charge of Platform Business Division of the Company</p> <p>June 2018      Director and Executive Managing Officer, CMO, Head of Sales, In charge of Technology &amp; Platform Business Division (Sales) of the Company (to present)</p>	11,336 shares (7,036 shares)	None
	Reasons for proposing the candidate as Director	Mr. Shibao is once again proposed as a candidate for Director due to his global and diverse experience, insights and expertise cultivated through his long career in sales and as the President of the Company's subsidiaries in Europe and the U.S.		
4	Toshiki Yauchi (16 <sup>th</sup> July, 1961)	<p>April 1985      Joined the Company</p> <p>July 2007      Divisional General Manager of Corporate Strategy Division of the Company</p> <p>June 2015      Executive Officer, Divisional General Manager of Corporate Strategy Division of the Company</p> <p>June 2018      Director and Executive Managing Officer, Divisional General Manager of Corporate Strategy Division, In charge of Administration &amp; Finance (to present)</p>	5,886 shares (4,486 shares)	None
	Reasons for proposing the candidate as Director	Mr. Yauchi is once again proposed as a candidate for Director due to his diverse experience, insights and expertise cultivated through his long career mainly in corporate strategy, and developing management strategies as the Divisional General Manager of the Corporate Strategy Division and being in charge of overall IR activities of the Company.		

No.	Name (Date of birth)	Career summary, position and assignment at the Company (Significant concurrent positions)	Number of shares of the Company held (Number of the Company's shares to be granted based on the share-based compensation plan)	Special interests with the Company
5	Keiji Tachikawa (27 <sup>th</sup> May, 1939)	<p>April 1962      Joined Nippon Telegraph and Telephone Public Corporation</p> <p>June 1998      President &amp; CEO of NTT Mobile Communications Network, Inc. (current NTT DOCOMO, Inc.)</p> <p>June 2004      Corporate Advisor of NTT DOCOMO, Inc.</p> <p>November 2004      President of Japan Aerospace Exploration Agency (JAXA)</p> <p>March 2013      Retired from President of Japan Aerospace Exploration Agency (JAXA)</p> <p>June 2015      External Director of the Company (to present)</p>	- shares	None
	Reasons for proposing the candidate as External Director	Mr. Tachikawa is once again proposed as a candidate for External Director because he contributes to the enhancement of the Company's corporate governance as External Director based on the experience and insight in corporate management he gained serving as the top management of large corporations.		
6	Yoshiko Nonogaki (31 <sup>st</sup> July, 1957)	<p>April 1980      Joined Sony Corporation</p> <p>September 1992      President &amp; Representative Director of Sony Poland</p> <p>April 2009      Manager of Planning &amp; Marketing Department, Business &amp; Professional Enterprise HQ of Sony Corporation</p> <p>April 2013      Director of Global Diversity, Personnel HQ of Sony Corporation</p> <p>June 2015      External Director of Jolly-Pasta Co., Ltd. (to present)</p>	- shares	None
	Reasons for proposing the candidate as External Director	Ms. Nonogaki is proposed as a candidate for External Director because the Company expects her to reflect her broad experience and insight in the marketing field cultivated through her career in a large corporation in the Company's management as External Director.		

(Notes)

1. Yoshiko Nonogaki is a candidate as new Director.
2. There are no special interests between each candidate and the Company.
3. Keiji Tachikawa and Yoshiko Nonogaki are candidates as External Director.
4. The Company designated and filed Keiji Tachikawa 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. Yoshiko Nonogaki satisfies the requirements for an independent officer pursuant to the regulations of Tokyo Stock Exchange, Inc. The Company plans to designate and file her as an independent officer with the said Stock Exchange.
5. Keiji Tachikawa will have served as External Director for four years at the close of this General Meeting of Shareholders.
6. The Company has concluded an agreement with Keiji Tachikawa 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. In addition, if Yoshiko Nonogaki is appointed, The Company plans to conclude an agreement with her to limit her 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.

7. The number of shares of the Company held by each candidate includes the number of the Company's shares to be granted based on the share-based compensation plan (as of June 1, 2019).

[Particulars of the Company's shares to be granted based on the share-based compensation plan]

The Company introduced a performance-linked share-based compensation plan (hereinafter, referred to as the "Plan"), which grants the Company's shares to Company Directors (excluding External Directors and those who live abroad; hereinafter, the same shall apply) from FY 2016. The Company's shares to be granted to each candidate based on the Plan shall consist of shares granted based on the portion of (a) "base points" linked to business performance achieved in each fiscal year and the portion of (b) "ROIC achievement points" linked to business performance achieved over a certain time period. The number of shares to be granted to each candidate based on the Plan provided in this document only refers to the number of points granted based on the business performance which has become finalized at the moment. Specifically, the number of the Company's shares to be granted shows the aggregate of the accumulated number of (a) "base points" granted by June 1, 2019 and the number of "ROIC achievement points" granted on June 1, 2018. The voting rights pertaining to the Company's shares to be granted based on the Plan shall not be exercised until the granting of the Company's shares to each candidate in the future. The Company's shares corresponding to 30% of the said shares to be granted will be sold on the market and proceeds from the sale of such shares will be granted to each candidate to secure funds for tax payment purposes.

### Resolution 3 Election of two candidates as Statutory Auditor

The term of the current two Statutory Auditors will resign at the close of this General Meeting of Shareholders. Accordingly, we propose the election of two candidates as Statutory Auditor.

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

The candidates as Statutory Auditor are as follows.

No.	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
1	Tomoyasu Kato (10 <sup>th</sup> September 1953)	<p>April 1977      Joined the Company</p> <p>June 2006      Executive Officer, General Manager of Global Purchasing Department of the Company</p> <p>June 2010      Executive Officer, Head of Sagamihara Plant of the Company</p> <p>April 2013      Executive Officer, General Manager of Purchasing &amp; Logistics Department, General Manager of Purchasing Department of the Company</p> <p>June 2014      Senior Advisor of Auditing Office (current Auditing Division) of the Company (to present)</p>	1,000 shares	None
	Reasons for proposing the candidate as Statutory Auditor	Mr. Kato is proposed as a candidate for Statutory Auditor because he has knowledge about the Company's business execution based on his business experience mainly in purchasing, experience of business execution as Executive Officer, and broad experience, including getting deeply involved in audit operations of the whole group companies at the auditing section of the Company.		
2	Mitsuhiro Matsumoto (7 <sup>th</sup> May, 1969)	<p>October 1992    Joined Aoyama Audit Corporation</p> <p>April 1996      Registered as Certified Public Accountant</p> <p>October 1999    President, CPA, Matsumoto Accounting Office (current CPA, Tax Accountant, Matsumoto Accounting Office) (to present)</p> <p>September 2008    Audit &amp; Supervisory Board Member, Suzuki Co., Ltd. (current Outside Director, Audit &amp; Supervisory Committee Member) (to present)</p> <p>August 2014    Outside Audit &amp; Supervisory Board Member, Hoden Seimitsu Kako Kenkyusho Co., Ltd. (to present)</p>	- shares	None
	Reasons for proposing the candidate as External Statutory Auditor	Mr. Matsumoto is proposed as candidate for External Statutory Auditor because he has broad knowledge and experience in auditing the corporate management as a Certified Public Accountant, and the Company expects him to perform the Company's audit properly.		

(Notes)

1. Tomoyasu Kato and Mitsuhiro Matsumoto are new candidates as Statutory Auditor.
2. Mitsuhiro Matsumoto is a candidate as External Statutory Auditor.
3. If Mitsuhiro Matsumoto is appointed, the Company plans to conclude an agreement with him 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 10 million yen or the minimum total liability stipulated by laws and regulations.
4. Mitsuhiro Matsumoto satisfies the requirements for an independent officer pursuant to the regulations of Tokyo Stock Exchange, Inc. The Company plans to designate and file him as an independent officer with the said Stock Exchange.

**Resolution 4** 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 <sup>th</sup> 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. 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.

**Resolution 5** Determining Amount and Details of Performance-Linked Share-Based Compensation, etc. to Directors, etc.

1. Reasons for this Resolution and reasons for determining this remuneration to be appropriate

The introduction of the performance-linked share-based compensation plan for the Company Directors and Executive Officers (excluding External Directors and those who live abroad; hereinafter, referred to as “Directors, etc.”) was approved based on the resolution for “Determining Amount and Details of Performance-Linked Stock-Based Compensation, etc. to Directors, etc.” at the 64<sup>th</sup> Annual General Meeting of Shareholders held on 24<sup>th</sup> June, 2016. The Company requests approval for continuing the Plan after making revisions to the targeted period of the Plan, upper limit of cash to be contributed by the Company, and method of calculating the number of the Company’s shares to be acquired by Directors, etc. and upper limit thereof as follows.

The Plan aims at defining the relationship between the remuneration of Directors, etc. and the Company’s share value, and providing an incentive for increasing mid- and long-term business performance and corporate value, and we believe the Plan is suitable for achieving these objectives.

If Resolution 2 “Election of six candidates as Director” is approved in its original form, Directors, etc. eligible under the Plan will be four Directors and nine Executive Officers.

2. Amount of remuneration and details of the Plan

(1) Overview of the Plan

The Plan is a share-based compensation plan, under which a trust purchases the Company’s shares using remuneration of Directors, etc. to be contributed by the Company as resources so as to grant and provide (hereinafter, referred to as “Grant, etc.”) the Company’s shares and cash corresponding to realization value of the Company’s shares (hereinafter, referred to as “Company’s Shares, etc.”) to the Directors, etc.

The Company introduced the Plan using a trust that is entrusted with cash contributed by the Company (hereinafter, referred to as the “Trust”) with a three-year trust period that covers three fiscal years from the fiscal year ended March 2017 to the fiscal year ended March 2019 (the period covered by the Plan shall hereinafter be referred to as the “Targeted Period”). However, the Company will change the Targeted Period to fiscal years covered by the Medium-to-Long Term Management Plan established by the Company. In order to adjust the Targeted Period to correspond to the current Medium-to-Long Term Management Plan, the Targeted Period that starts from the fiscal year under review shall be two fiscal years from the fiscal year ending March 2020 to the fiscal year ending March 2021.

1) Persons eligible for Grant, etc. of Company’s Shares, etc. subject to this Resolution	• Directors and Executive Officers of the Company (excluding External Directors and those who live abroad)
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2) Potential impact of the Company's shares subject to this Resolution on the total number of outstanding shares of the Company	
Upper limit of cash to be contributed by the Company (as stated in (2) below)	<ul style="list-style-type: none"> <li>• The amount obtained by multiplying 400 million yen by the number of years of the Targeted Period</li> <li>• The upper limit for the two fiscal years that are the Targeted Period that starts from the fiscal year under review shall be 800 million yen in total.</li> </ul>
Upper limit of the total number of the Company's Shares, etc. to be acquired by Directors, etc. and method of acquiring the Company's shares (as stated in (3) below)	<ul style="list-style-type: none"> <li>• The upper limit of points to be granted to Directors, etc. for each fiscal year shall be 160,000 points.</li> <li>• The number of shares obtained by converting at 1 point = 1 share is approximately 0.16% of the total shares outstanding (as of 31<sup>st</sup> March, 2019, net of treasury share).</li> <li>• The Company's shares will be purchased on the market or from the Company (sale of treasury shares). (There will be no dilution of the Company's shares because the Company's shares to be acquired through the additional trust for the Targeted Period that starts from the fiscal year under review will be purchased from the share market.)</li> </ul>
3) Details of criteria for achieving performance (as stated in (3) below)	<ul style="list-style-type: none"> <li>• It shall be changed within 0% to 200%, according to the achievement of Medium-to-Long Term Management Plan targets (EPS and ROIC, etc.) in the last fiscal year of the Medium-to-Long Term Management Plan.</li> </ul>
4) Timing of Grant, etc. of the Company's Shares, etc. to Directors, etc. (as stated in (4) below)	<ul style="list-style-type: none"> <li>• Upon retirement.</li> <li>* If a Director, etc. is deceased, cash equivalent of realization value of Company's shares shall be paid to his/her heir.</li> </ul>

(2) Upper limit of cash to be contributed by the Company

For each Targeted Period, the Company shall contribute cash up to an amount obtained by multiplying 400 million yen by the number of years of the said Targeted Period as remuneration for Directors, etc. and set up the Trust (including the extension period of the trust stated in the third paragraph of this (2) below; hereinafter, the same shall apply) of which beneficiaries are Directors, etc. who meet beneficiary criteria. The upper limit of trust funds to be contributed to the Trust for the two fiscal years from the fiscal year ending March 2020 to March 2021 shall be 800 million yen. The said upper limit of trust funds to be contributed to the Trust shall be the total of the funds to purchase the Company shares through the Trust and trust fee and expenses. The Trust shall, according to the custodian's instructions, purchase Company's shares on the share market or from the Company (sale of treasury share) using trust funds as resources.

During the trust period, the Company shall grant points to Directors, etc. (as stated in (3) below) and the Trust shall provide the Grant, etc. of the Company's Shares, etc.

Upon the close of the trust period of the Trust, instead of setting up a new Trust, the Trust may be continued by changing the trust agreement and implementing an additional trust (the said method will be applied for the Targeted Period that starts from the fiscal year under review). In such case, the trust period of the Trust shall be extended for the revised Targeted Period that corresponds to the Medium-to-Long Term Management Plan that is in place at the time of extension of the trust period. For each extended trust period, the Company shall provide an additional contribution up to a total of the amount obtained by multiplying 400 million yen by the number of years of the said Targeted Period, and during the extended trust period, it shall continue to issue points to Directors, etc. and the Trust shall continue to provide the Grant, etc. of Company's Shares, etc. If there are Company's shares (excluding Company's shares equivalent to points granted to Directors, etc. and for which the Grant, etc. has not been completed) and cash as of the last day of the former trust period (hereinafter, referred to as "Remaining Shares, etc.") in case of an additional contribution, such Remaining Shares, etc. shall be succeeded to the Trust that is extended. The total of Remaining Shares, etc. and trust funds to be additionally contributed shall be up to the amount obtained by multiplying 400 million yen by the number of years of said Targeted Period.

- (3) Method of calculating the number of Company's shares to be acquired by Directors, etc. and upper limit

The number of the Company's shares subject to the Grant, etc. to Directors, etc. shall be determined according to the number of points granted to Directors, etc. each year.

In June of each year during the trust period, "fixed points" shall be granted to Directors, etc. according to their positions with regard to the "fixed portion" and "performance base points" shall be granted to Directors, etc. with regard to the "performance-linked portion."

In June immediately after the end of the Targeted Period, "performance-linked points" are calculated by multiplying the number of "base performance points" accumulated during the said Targeted Period, in principle, by the performance-linked coefficient according to the degree of achievement of performance targets in the Medium Term Management Plan during the said Targeted Period. The performance-linked coefficient shall be determined according to the degree of achievement of Medium Term Management Plan targets (EPS and ROIC, etc.) in the last business year of the Medium Term Management Plan, and vary within 0% to 200%.

At the retirement of each Director, etc., the Grant, etc. of the Company's Shares, etc. shall be executed according to the accumulated number of "fixed points" and "performance-linked base points" (performance base points if before calculating performance-linked points).

One point shall equal one Company share. In the event that Company's shares increase or decrease due to a share split or a consolidation of share and an adjustment of points is determined to be fair, the Company shall adjust the number of Company's shares per point according to the ratio of the share split or the consolidation of share.

The upper limit of points to be granted to Directors, etc. for each fiscal year shall be 160,000 points.

- (4) Method and Timing of Grant, etc. of Company's Shares, etc. to Directors, etc.
- Directors, etc. who meet beneficiary criteria shall be eligible for the Grant, etc. of the number of Company's Shares, etc. calculated based on (3) above based on specified procedures to determine the beneficiary upon retirement. At this time, the Director, etc. shall be eligible for the Grant, etc. of Company's shares equivalent to 70% of Accumulated Points (fractional shares are rounded down), and remaining points shall be realized in the Trust to pay the Director, etc. in the form of cash equivalent to realization value.
- If a Director, etc. dies during his/her service, all Company shares corresponding to Accumulated Points granted as of that date shall be realized in the Trust and paid to the heir of the said Director, etc. in the form of cash equivalent to realization value.
- (5) Voting rights of Company's shares held in the Trust
- The Company's shares held in the Trust shall not include the right to exercise voting rights during the trust period, in order to ensure the neutrality of the management.
- (6) Treatment of dividend of retained earnings of the Company's shares held in the Trust
- Dividend of retained earnings of Company's shares held in the Trust shall be received by the Trust to be appropriated for its trust fee and expenses. If there is any dividend remaining at the close of the Trust after using dividends for trust fee and expenses, such dividend shall be paid to Directors, etc. who meet given beneficiary criteria and become beneficiaries of the Trust based on the trust agreement at the close of the Trust.
- (7) Other details of the Plan
- Other details of the Plan shall be determined by the Board of Directors each time the Trust is set up, a trust agreement is changed, and an additional contribution is made to the Trust.

## [Reference]

### Directors' Remuneration Policy

#### 1. Fundamental policy of corporate governance

The Company desires to always be of service to all stakeholders including our employees, customers, shareholders, investors, users, business partners and local communities.

We marked the 51<sup>st</sup> anniversary of its foundation in 2018, and formulated the following new corporate philosophy with a commitment to a new stage of growth.

[Mission] ~ Social mission/Reason for existing ~

Nifco generates ideas and cultivates technology to turn your expectations into excitement.

[Vision] ~ The way we should be to embody our Mission ~

Driving change with growing inventiveness

[Values] ~ Words embodying the uniqueness of Nifco ~

-This is Nifco-

Be proactive and break through

Communicate and collaborate

Challenge and innovate

Under the new corporate philosophy, we will keep on pursuing innovative business development, upholding the corporate message, "WOWING THE WORLD," toward becoming a company that meets the expectations of stakeholders and continues to be trusted widely by society.

We consider it necessary as a corporation to respond to the drastically changing social and economic environment flexibly and appropriately by strictly enforcing compliance and implementing appropriate risk management. At the same time, we believe it important to thoroughly disseminate and practice such principles.

Based on this fundamental policy mentioned above, we endeavor to implement corporate governance to the fullest extent as a priority issue, and to promote reinforcement of Group management.

#### 2. Basic policy for Directors' remuneration

The Company shall set the following basic policy for remuneration for Directors, Statutory Auditors, and Executive Officers (hereinafter, referred to as "Directors' remuneration") based on the basic policy for corporate governance.

- (1) Directors' remuneration shall be designed to contribute to our Mission: "Nifco generates ideas and cultivates technology to turn your expectations into excitement."
- (2) Directors' remuneration shall be designed as an independent, objective, and transparent remuneration plan that is held accountable to our stakeholders, including employees, customers, and shareholders.
- (3) Directors' remuneration shall be designed to be attractive to our employees.

#### 3. Remuneration level

The Company determines the level of Directors' remuneration based on the above-mentioned basic policy for Directors' remuneration, taking into account the Company's management environment and after examining and analyzing the remuneration levels of industry peers and major companies of the same size as the Company as the peer group each year, using an external database, etc.

#### 4. Structure of remuneration

##### (1) Directors (excluding External Directors) and Executive Officers

Company's Remuneration to the Directors (excluding External Directors) consists of "basic remuneration" according to their positions and "performance-linked remuneration" whereby the amount of compensation varies according to company business performance and other factors, in order to raise their motivation to achieve the management targets from a short-, medium- and long-term viewpoint, as well as sustainable enhancement of corporate value.

The "performance-linked remuneration" consists of "bonus" and "share-based compensation."

For "share-based compensation," the Company introduced a compensation plan that uses a trust scheme to grant the Company's Shares, etc. to each eligible person in FY 2016. Specifically, eligible persons are granted points each year and receive a grant of the Company's shares equivalent to the number of accumulated points from the trust upon their retirement. Management of the Company's shares is entrusted to Mitsubishi UFJ Trust and Banking Corporation.

##### 1) Overview of the remuneration items

###### [Basic remuneration]

Basic remuneration is paid as a monthly fixed remuneration with the amount determined based on positions according to the job responsibility involved as responsibility-based remuneration to secure excellent human resources.

###### [Bonus]

Bonus is paid to provide an incentive to contribute to improving company performance for a single fiscal year with the aim of providing an incentive to increase the Group's consolidated business performance.

Consolidated sales and consolidated operating income are used as management indicators for bonus assessment to strengthen the earnings capabilities of the Company's core businesses. For a bonus for certain positions, qualitative assessment is incorporated in the assessment. The amount of bonus shall vary within at most 40% to 180% of the base amount.

###### [Share-based compensation]

The Company's shares will be granted to Directors and Executive Officers upon their retirement with the aim of further enhancing their motivation to contribute to improving the Company's business performance and corporate value from a medium- to long-term viewpoint and increase value-sharing with shareholders. In the event that the Board of Directors determines that a Director or an Executive Officer has committed serious inappropriate acts during their terms of office, the Board of Directors may restrict the payment or claim the return of share-based compensation after going through deliberation by the Nominating and Remuneration Committee.

The share-based compensation consists of performance-linked compensation (50%) and non-performance-linked compensation (50%).

###### • Performance-linked compensation

The amount of performance-linked compensation shall be determined, in principle, according to factors including the degree of achievement of Medium Term Management Plan targets (EPS and ROIC, etc.) and vary within 0% to 200%.

The Company plans to review the above-mentioned performance targets, etc. after the close of the Medium Term Management Plan based on a new Medium Term Management Plan.

###### • Non-Performance-linked compensation

Non-performance-linked compensation shall be paid as share-based compensation to grant a fixed number of shares in order to further enhance the link with shareholder value.

2) Remuneration composition ratio

The composition ratio of base amount of basic remuneration, bonus (annual incentive), and share-based compensation (medium-to-long term incentive) for the President & Representative Director is set at 50%:20%:30%.

With an eye to achieving medium-to-long term and sustainable growth, the Company plans to review the remuneration composition ratio to increase the composition ratio of incentive remuneration centering on share-based compensation.

(2) External Directors

Remuneration for External Directors, who fulfill the management supervisory function from an independent standpoint, consists only of basic remuneration, which is fixed remuneration, and does not include a bonus, which varies according to business performance, and share-related remuneration such as share-based compensation.

(3) Statutory Auditors

Remuneration, etc. for Statutory Auditors consists only of basic remuneration, which is fixed remuneration. The amount of basic remuneration of each Statutory Auditor shall be determined by deliberation of Statutory Auditors taking comprehensively into account factors such as the content, volume, level of difficulty, and degree of responsibility of duties of each Statutory Auditor. In light of duties, etc. of Statutory Auditors, remuneration for Statutory Auditors does not include a bonus and share-related remuneration such as share-based compensation.

5. Guidelines for holding own shares

The Company will promote holding of its own shares by Directors and Executive Officers in order to further raise their motivation to improve the Company's business performance and increase its share price from the viewpoint of shareholders.

6. Decision-making process

In order to enhance the independence, objectivity, and transparency of the details of the Directors' remuneration plan, the Company established the Nomination and Remuneration Committee, which is chaired by and whose majority members are independent external directors, as an advisory body of the Board of Directors on 10<sup>th</sup> December, 2018. The Nomination and Remuneration Committee, in principle, convenes four times a year, and deliberates on the basic policy and the details of the Directors' remuneration plan and provides advice and recommendations to the Board of Directors.

In order to adopt an objective viewpoint and specialized knowledge from outside the Company regarding the Directors' remuneration plan, the Company shall examine the remuneration level and the remuneration plan, etc. taking into consideration factors such as external data, economic environment, industry trends, and management conditions, based on advice from an external remuneration consultant appointed by the Nomination and Remuneration Committee.

7. Engagement Policy

The Company shall promptly disclose the details of the Directors' remuneration plan to its shareholders through the Annual Securities Report, Business Report, Corporate Governance Report, and the corporate website, etc. that will be prepared and disclosed in accordance with various laws and regulations. In addition, the Company will actively promote engagement with institutional investors.

When disclosing information, the Company shall pay due consideration to fair disclosure.