

May 11<sup>th</sup> 2018

Company Name	Nifco Inc.
Head Office	5-3 Hikarinooka, Yokosuka-shi, Kanagawa
Company Code	7988 (1 <sup>st</sup> Board TSE)
Rep. Director	President & Representative Director Toshiyuki Yamamoto
Contact Person	Executive Managing Officer, Chief Financial Officer, Junji Honda (TEL 03-5476-4853)

### Notice Concerning the Introduction of ESOP Trust for Granting Stock

Nifco Inc. (hereinafter referred to as the “Company”) announces that a resolution to introduce a new incentive plan for the employees of the Company, the Employee Stock Ownership Plan (ESOP) Trust for granting stock (hereinafter referred to as the “Plan”), was passed at the Board of Directors meeting held on May 11<sup>th</sup>, 2018, as below. Further details about the Plan will be announced separately once decided.

#### 1. Introduction of the Plan

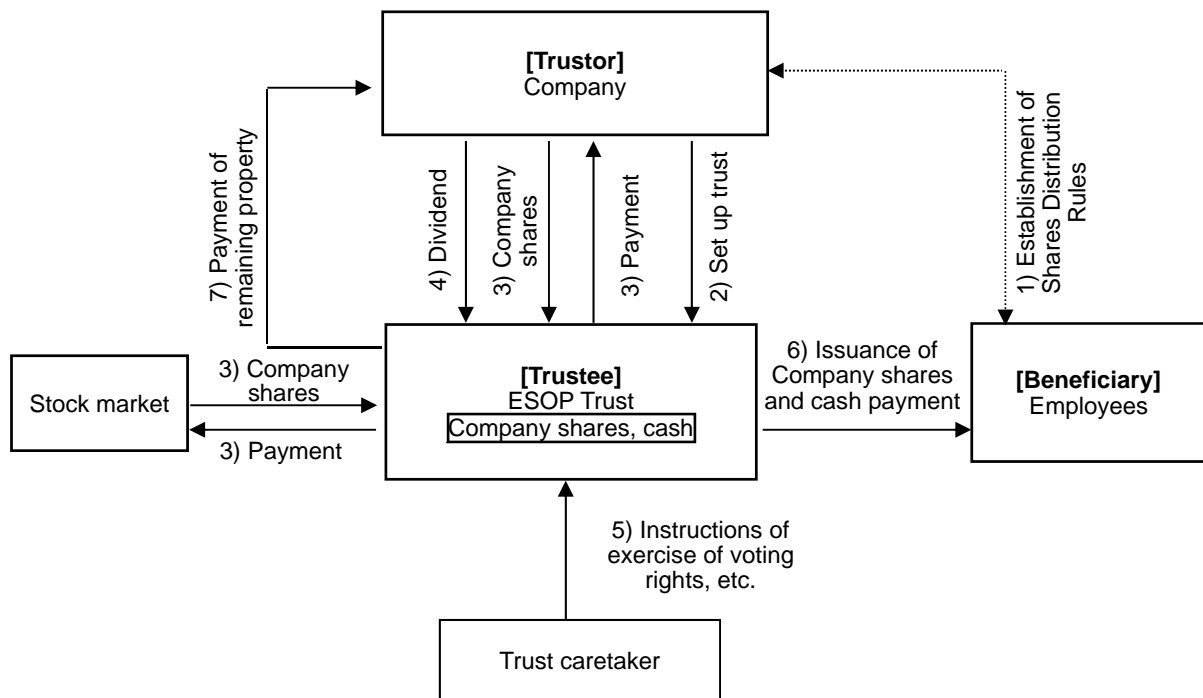
- (1) The Company will introduce the Plan in an effort to give and foster the sense of belonging and taking part in management of the Company among its employees, and encourage them or raise their morale to improve performance and increase the price of the Company shares in the long term, as well as for the purpose of achieving medium- to long-term improvement in its corporate value.

- (2) The Plan will adopt a scheme called the ESOP (Employee Stock Ownership Plan) Trust for granting stock (hereinafter referred to as the “ESOP Trust”). The ESOP Trust is an incentive plan for employees based on the ESOP in the United States, in which the shares of the Company acquired through the ESOP Trust are issued in accordance with predefined the Shares Distribution Rules.

Persons eligible for the Plan are to be 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 as the funds for the shares of the Company acquired through the Trust will be all contributed by the Company.

- (3) The introduction of the ESOP Trust is expected to motivate share-price-conscious employees to work harder and keep their morale high through economic benefits that they can receive as a result of the rising price of the Company shares. The intentions of employees, as beneficiary candidates, can be reflected through the exercise of voting rights associated with the Company shares that belong to trust assets under the ESOP Trust. Thus, it is effective as a plan to enhance corporate value that encourages employees to participate in management.

## 2. Scheme of ESOP Trust



- 1) To introduce the Plan, the Company establishes the Company Shares Distribution Rules.
- 2) The Company sets up an ESOP Trust account with cash, and the beneficiary is employees who meet beneficiary requirements.
- 3) The ESOP Trust acquires the Company shares in the number that is expected to be issued for a beneficiary within the trust period either from the Company or in the stock market, in accordance with the trust caretaker's orders, with cash contributed to the Trust as in 2) above as a source of funds.
- 4) The ESOP Trust receives the distributed dividends as a shareholder of the Company.
- 5) In relation to the Company shares under the ESOP Trust, the trust caretaker gives orders to exercise rights as a shareholder such as voting rights throughout the trust period, and the ESOP Trust exercises rights as a shareholder accordingly.
- 6) In accordance with the Company Shares Distribution Rules, the Company shares are issued to employees who meet certain requirements. (Or the Company shares under the Trust are translated into cash and paid out to beneficiaries in some cases.)
- 7) The remaining property after the distribution to the beneficiary when the ESOP Trust is settled/cleared belongs to the Company as a holder of vested rights to a certain extent.

\* In the event that there are no Company shares outstanding in the Trust as a result of the delivery of the Company shares to employees who meet beneficiary requirements, the Trust terminates before the trust period ends. The Company may entrust additional cash to the ESOP Trust as funds to purchase the Company shares.

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