

July 29th 2016

Company Name Nifco Inc.
Head Office 5-3 Hikarinooka Yokosuka-shi, Kanagawa
Company Code 7988 (1st Board TSE)
Rep. Director President & Representative Director
Toshiyuki Yamamoto
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Notice Concerning Disposal of Treasury Shares through Third-Party Allotment

Nifco Inc., (hereafter the “Company”) hereby announces that, at its Board of Directors meeting held on July 29th, 2016, that along with the introduction of an incentive plan (Executive Compensation BIP Trust) (hereafter “BIP Trust”) for its directors and executive officers (not including external directors and overseas appointees), (hereafter “directors”), a resolution was made to dispose of its treasury shares through third-party allotment (the “Disposal of Treasury Shares”) as follows:

1) Outline of Disposal

(1) Date of Disposal	August 23, 2016
(2) Number of shares to be disposed of	63,600 common shares
(3) Disposal price	¥5,500 per share
(4) Amount of funds to be procured	¥349, 800,000
(5) Disposal method	Third-party allotment
(6) Allottees	The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account)
(7) Other	The Disposal of Treasury Shares is conditional upon the coming into force of the notification under the Financial Instruments and Exchange Act.

2. Purpose and reason of Disposal

The Board of Directors of the Company previously approved resolutions to introduce a Board Incentive Plan at a shareholders meeting held on June 24th 2016 as a performance-based stock compensation plan for directors of the Company with a view to enhance the incentives for directors to improve the Company's business performance and increase its corporate value over the medium to long term. This resolution was formally approved at a Board of Director's meeting convened on July 29th 2016.

For details of the BIP Trust, please refer to the announcement "Notice concerning the Introduction of a Performance Based Stock Compensation Plan for Directors" made on May 23rd 2016.

The Company will dispose of its treasury shares by way of third-party allotment to "The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account)", the co-trustee under the agreement for BIP trust entered into between the Company and Mitsubishi UFJ Trust and Banking Corporation, and to "The Master Trust Bank of Japan, Ltd., the co-trustee under the agreement for BIP trust entered into between the same parties.

3. Amount, use and scheduled timing of spending of funds to be procured

(1) Amount of funds to be procured

Total value of shares to be disposed (Yen)	Estimated expenses (Yen)	Estimated net amount after expenses (Yen)
349,800,000	—	349,800,000

(2) Specific use of funds to be procured

The funds to be procured through the Disposal of Treasury Shares of ¥349,800,000 above will be fully allocated to operating funds, including payments of trade accounts payable, after August 23rd, 2016. The funds will be managed in the Company's bank accounts until the time of spending.

4. View on reasonableness of the use of funds

The Company believes that the planned use of the funds to be procured by the Disposal of Treasury Shares is reasonable because it will contribute to the Company's business operations and healthier position of the financial structure.

5. Reasonableness of terms and conditions for disposal

(1) Basis of calculation for disposal price and details thereof

For the disposal price, the average closing price of the Company shares in the period between June 29th 2016 and July 28th 2016 on the Tokyo Stock Exchange ("TSE"), was ¥5,500 (rounded down). The average closing price of the Company shares in the last one month was used because the Company considers that it is more objective and reasonable as a calculation base to use the leveled value of average share price over a certain period, rather than using the price at a specific point, since special factors such as temporary fluctuations in

the share price are eliminated.

In addition, the deviation rate from the closing price of the Company shares (¥5,680) on the day preceding the day of the resolution of the Board of Directors (July 28th 2016) was -3.17%. The deviation rate from the average closing price (¥5,478) (rounded down) in the three months preceding the day of the resolution of the Board of Directors (from May 2nd 2016 to July 28th 2016) was +0.40%) and the deviation rate from the closing average (¥5,358) (rounded down) in the six months preceding the day of the resolution by the Board of Directors (from Jan 29th 2016 to July 28th 2016) was +2.65%. All four corporate auditors (including 2 external corporate auditors) expressed their opinion that the disposal price was not particularly favorable.

(2) Basis for judging the quantity to be disposed of and extent of share dilution are reasonable

The number of shares to be disposed of through the allotment to “The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account)” is determined taking into consideration the number of shares that are expected to be delivered to directors during the trust period in accordance with the Company Shares Distribution Rules. The extent of share dilution due to the disposals of these shares is small at 0.12% of total number of shares issued 53,754,477 (as of March 31st 2016) (the ratio to total voting rights of 508,609 units as of the end of March 2016 is 0.13%).

In addition, the Company believes that the impact of these disposals on the trading market will be insignificant because shares of the Company to be allotted through these disposals will be delivered to directors in accordance with the Company Shares Distribution Rules.

Based on the above, the Company believes that the impact caused by the Disposal of Treasury Shares will be very insignificant and reasonable.

6. Reason for the choice of the allottees, etc.

Outline of the allottees

(1) Name	The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account)
(2) Trust contract contents	
Type of trust	Money trust, an individually operated designated trust of money other than money trust (third party benefit trust)
Purpose of trust	Provision of incentives to directors of the Company
Settlor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee, The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Directors or retired directors that meet beneficiary requirements
Trust caretaker	A third party having no interest in the Company (Certified public accountant)
Trust contract date	August 22, 2016 (scheduled)

Trust period	August 22, 2016 – August 31, 2019 (scheduled)
Start of the plan	August 22, 2016 (scheduled)
Exercise of voting rights	No voting rights to be exercised

(Reference) Outline of the allottee

(1) Name	The Master Trust Bank of Japan, Ltd. (Board Incentive Plan Trust Account)	
(2) Location	2-11-3 Hamamatsucho, Minato-ku, Tokyo	
(3) Title and name of representative	Kaoru Wachi, Representative Director, President	
(4) Principle business	Administrative services for securities and others, and administrative and settlement services pertaining to asset management	
(5) Paid-in capital	¥10,000 million	
(6) Date of establishment	May 9 th , 2000	
(7) Number of shares issued	120,000 common shares	
(8) Fiscal year-end	March 31	
(9) Number of employees	739 (As of March 31, 2016)	
(10) Major customers	Business entities, financial institutions	
(11) Major banks	-	
(12) Major shareholders and shareholding ratio	Mitsubishi UFJ Trust and Banking Corporation	46.5%
	Nippon Life Insurance Company	33.5%
	Meiji Yasuda Life Insurance Company	10.0%
	The Norinchukin Trust and Banking Co., Ltd.	10.0%
(13) Relationships with the Company	Personal relationships	N/A
	Capital relationships	N/A
	Business relationships	There is no applicable relationship between the Company and the allottee. However, the Company has trust banking transactions with Mitsubishi UFJ Trust and Banking Corporation, the principal equity holder of the allottee.
	Status of related parties	N/A

(14) Business results and financial conditions for the last three fiscal years			(Millions of yen)
Fiscal year ended	March 31, 2014	March 31, 2015	March 31, 2016
Consolidated net assets	20,829	21,233	21,812
Consolidated total assets	602,241	1,450,058	6,217,917
Net assets per share (Yen)	173,581.48	176,948.03	181,771.23
Consolidated ordinary income	23,258	21,913	22,338
Consolidated ordinary profit	1,044	863	1,096
Consolidated net income	626	522	717
Net income per share (Yen)	5,221.55	4,355.17	5,975.76
Dividends per share (Yen) (Common shares)	1,305.00	1,088.00	1,493.00

* The Master Trust Bank of Japan, Ltd. is a subsidiary of Mitsubishi UFJ Trust and Banking Corporation.

The Company has confirmed through research of open information provided in the allottee's website and publications that the allottee and its officers or major shareholders (major equity holders) have no relationships with antisocial forces, and submitted the written confirmation to that effect to TSE.

(2) Reason for the choice of the allottees

The Company had been considering introducing a stock-based compensation plan for directors that is closely linked to the Company's business performance and has high transparency and objectivity for the purpose of enhancing the incentives for Directors to improve the Company's business performance and increase its corporate value over the medium to long term.

Under the situation, the Company received a proposal of the BIP Trust from Mitsubishi UFJ Trust and Banking Corporation, which had trust banking transactions such as stock transfer agency services with the Company. As a result of comprehensive consideration of administrative costs and other factors involved in the BIP Trust, the Company chose Mitsubishi UFJ Trust and Banking Corporation as the trustee. Since The Master Trust Bank of Japan, Ltd., as the co-trustee, conducts clerical works for the BIP Trust and also performs custody and settlement of the trust assets, The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account) acts as the allottee for the BIP Trust.

(3) Allottees's policy on holding shares

The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account), the allottee, is to deliver, in accordance with the Company Shares Distribution Rules for BIP trust, the number of Company shares and cash conversion equivalent thereof (collectively the "Company Shares") corresponding to the points awarded based on each directors' position and the degree of achievement of the Company's business performance goals; such delivery to be made to the directors who have satisfied certain specific requirements at a certain

time while in the post and upon retirement.

With respect to the number of the Company shares that belong to the trust assets, conditions of the trust assets, etc., the Company will receive for its perusal a report from Mitsubishi UFJ Trust and Banking Corporation, the trustee, every month during the trust period.

Further, in the event that The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account) has transferred all or part of the shares disposed of within two years from the date of disposal, the Company will receive the assurance statement from it to affirm that (1) the allottee shall immediately report to the Company in writing the name and address of the transferee, number of shares transferred, transfer date, transfer price, reason for transfer, transfer method and other information, (2) the Company will report this information received to the TSE, and (3) the information received will be made available for public inspection.

(4) Confirmation on the existence of allottee's funds required for payment

The Company confirmed through the BIP Trust agreement that The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account), the allottee, will hold the initial trust money, which is contributed by the Company to the BIP Trust, within the trust assets on the disposal date, as the money equivalent to the funds required for payment.

7. Major shareholders and shareholding ratio after disposal

Before disposal (as of March 31, 2016)		After disposal	
Ogasawara Holdings Co. Ltd.	11.05%	Ogasawara Holdings Co. Ltd.	11.05%
(Standing proxy: Bank of Tokyo-Mitsubishi UFJ Ltd.)		(Standing proxy: Bank of Tokyo-Mitsubishi UFJ Ltd.)	
The Master Trust Bank of Japan	7.63%	The Master Trust Bank of Japan	7.63%
(Trust account)		(Trust account)	
Japan Trustee Services Bank Ltd.	6.35%	Japan Trustee Services Bank Ltd.	6.35%
(Trust account)		(Trust account)	
Japan Trustee Services Bank Ltd.	5.45%	Japan Trustee Services Bank Ltd.	5.45%
(Trust account 9)		(Trust account 9)	
The Ogasawara Foundation for the Promotion of Science & Technology	4.09%	The Ogasawara Foundation for the Promotion of Science & Technology	4.09%
Nippon Life Insurance Company	2.71%	Nippon Life Insurance Company	2.71%
Northern Trust Co. (AVFC) Re Mondrian International Small Cap Equity Fund, L.P.	2.55%	Northern Trust Co. (AVFC) Re Mondrian International Small Cap Equity Fund, L.P.	2.55%
(Standing proxy: HSBC Ltd., Custody Business Unit)		(Standing proxy: HSBC Ltd., Custody Business Unit)	
The Dai-ichi Life Insurance Company Ltd.	1.92%	The Dai-ichi Life Insurance Company Ltd.	1.92%
Mellon Bank, N.A. As Agent for its client Mellon Omnibus US Pension	1.69%	Mellon Bank, N.A. As Agent for its client Mellon Omnibus US Pension	1.69%
(Standing proxy: Mizuho Bank Sales Settlement Department)		(Standing proxy: Mizuho Bank Sales Settlement Department)	
Taiyo Fund, L.P.	1.55%	Taiyo Fund, L.P.	1.55%
(Standing proxy: Citibank Ltd.)		(Standing proxy: Citibank Ltd.)	

(Notes)

1. This information is based on the shareholder register as of March 31, 2016.
2. The shareholding ratio is rounded down to two decimal places.
3. Other than those listed above, there are 2,870,932 treasury shares (5.34%) held by the Company, which will be reduced to 2,807,332 shares (5.22%) after the disposal. These figures do not take into account any purchase or sale of the Company shares conducted on and after April 1, 2016 relating to shareholder requests concerning shares of less than one unit.

8. Matters regarding transactions with controlling shareholder

This transaction does not constitute a transaction with the controlling shareholder.

9. Future prospects

The impact of this transaction on the financial forecasts for the fiscal year ending March 31, 2017 is considered to be insignificant.

10. Procedures under the Code of Corporate Conduct of TSE

In carrying out the Deposal of Treasury Shares, it is not required to obtain an opinion from an independent third party or to take any procedures to confirm the intent of shareholders, as set forth under Article 432 of the Securities Listing Regulations of TSE, because (a) the dilution ratio resulting from this Disposal of Treasury Share is less than 25% and (b) it does not involve a change in a controlling shareholder.

11. Business results and status of equity finance for the last three fiscal years

(1) Business results for the last three fiscal years (Consolidated) (Millions of yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales	185,167	225,415	265,683
Operating income	15,718	20,975	27,574
Ordinary income	17,022	20,626	26,374
Net income	9,771	12,901	17,742
Net income per share (Yen)	185.07	244.04	346.49
Dividends per share (Yen)	60	80	105
Net assets per share (Yen)	1,993.72	2,367.40	2,391.26

(2) Number of shares issued and number of potential shares (As of March 31, 2016)

	Number of shares	Ratio to the number of shares issued
Number of shares issued	53,754,477 shares	100.0%
Number of potential shares at current conversion price (exercise price)	3,623,188 shares	6.74%
Number of potential shares at lower limit of conversion price (exercise price)	— shares	— %
Number of potential shares at upper limit of conversion price (exercise price)	— shares	— %

(3) Recent share prices

i) Share prices over the last three fiscal years (Yen)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Opening	2,225	2,936	4,115
High	3,025	4,485	5,950
Low	1,964	2,731	3,980
Closing	2,916	4,145	5,410

ii) Share prices over the last six months (Yen)

	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Opening	5,530	5,880	5,050	5,410	5,100	5,670
High	5,790	5,950	5,520	5,500	5,740	5,780
Low	4,870	4,745	5,000	4,845	5,020	5,000
Closing	5,780	5,100	5,410	5,300	5,710	5,340

iii) Share prices on the business day immediately before the date of resolution of the disposal (Yen)

	July 28, 2016
Opening	5,630
High	5,690
Low	5,610
Closing	5,680

(4) Status of equity finance for the last three fiscal years

N/A

12. Gist of disposal

(1) Number of shares disposed of	63,600 common shares
(2) Disposal value	¥5,500 per share
(3) Procured funds	¥349,800,000
(4) Allottees	The Master Trust Bank of Japan, Ltd. (Board Incentive Plan trust account)
(5) Payment date	August 23, 2016
(6) Number of treasury shares after disposal	2,807,332 shares

Note. The number of treasury shares in (6) above does not include any purchase or sale of own shares related to shareholder requests concerning shares less than one unit conducted on and after April 1, 2015.

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