



January 30, 2020

Company Name	Nifco Inc.
Head Office	5-3 Hikarinooka, Yokosuka-shi, Kanagawa
Company Code	7988 (1st Board TSE)
Rep. Director	Toshiyuki Yamamoto, President & Representative Director
Contact Person	Junji Honda, Executive Managing Officer & CFO (TEL:03-5476-4850)

Announcement Regarding the Acquisition and Cancellation of Zero Coupon Convertible Bonds Due 2020

Nifco Inc. (the “Company”), at the meeting of its Extraordinary Board of Directors held on January 30, 2020, has resolved the matters concerning Zero Coupon Convertible Bonds due 2020 (the “Bonds with Stock Acquisition Rights”) issued by the Company on April 13, 2015. The Company has decided to exercise its acquisition option (cash settlement of the principal amount) to acquire all of the remaining Bonds with Stock Acquisition Rights and cancel the acquired Bonds with Stock Acquisition Rights in exchange for cash equal to the principal amount and delivery of a certain number of the Company’s ordinary shares calculated as follows.

1. Reason for exercising the acquisition option (cash settlement of the principal amount)

In fiscal 2015, the Company launched its medium- to long-term management plan, named NIP (Nifco Innovation Plan) 2020. In this plan, the Company has set the goal of sales of 330 billion yen and operating profit of 38 billion yen by fiscal 2020 (fiscal year ending March 2021), the last year of the plan. The Company embarked on the second stage of the plan in fiscal 2018 and has striven to increase share/corporate value with the objective of pursuing sustainable growth by aligning its business with the direction of the industry and responding to the needs of its customers.

Believing that establishment of a solid management base is essential to responding quickly to rapid corporate growth and swiftly expanding markets, the Company has striven to enhance the stability of its management base. It has done this by implementing group business management based on management indicators, including the use of Nifco ROIC.

Against this backdrop, the Company’s recent stock price has exceeded the conversion price of the Bonds with Stock Acquisition Rights and if the stock price remains at this level, they will be convertible to shares on or after January 30, 2020 after the end of the conversion restriction period. If further conversion of the Bonds with Stock Acquisition Rights to shares is carried out, further share dilution will occur. Since this is expected to have certain effects on ROE and other per share indicators, the Company has decided to exercise its acquisition option (cash settlement of the principal amount) attached to the Bonds with Stock Acquisition Rights. The Company is taking care to prevent an increase in the total number of shares issued by preferentially providing its treasury stock for its ordinary shares to be delivered in line with the exercise of its acquisition option (cash settlement of the principal amount).

2. Details of the acquisition

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|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Bonds to be acquired | Nifco Inc.
Zero Coupon Convertible Bonds due 2020 (the “Bonds with Stock Acquisition Rights”) |
| 2) Scope of acquisition | All of the remaining Bonds with Stock Acquisition Rights
* The remaining amount as of January 29, 2020 is 10.5 billion yen
(principal amount) |

- 3) Date of notice to holders of the Bonds with Stock Acquisition Rights January 30, 2020
- 4) Date of acquisition and cancellation March 30, 2020
- 5) Assets to be delivered
 - [1] A cash amount equal to the principal amount of the Bonds with Stock Acquisition Rights, and
 - [2] The Company's ordinary shares, whose number is calculated as follows (provided that fractions of a share will be rounded down and no cash adjustment will be made): (The Conversion Price of the Bonds with Stock Acquisition Rights (as defined below) – The amount equal to the principal amount of the Bonds with Stock Acquisition Rights (positive value only)) / Average VWAP per Share (as defined below)
 - Average VWAP per Share: The average of the volume weighted average price of the Company's ordinary shares reported by the Tokyo Stock Exchange on each trading day included in the 20 consecutive trading days starting on the 5th trading day from the day after the date on which the Company gives the notice of acquisition (February 6, 2020 to March 6, 2020; the "Relevant VWAP Period")
 - Trading Day: Refers to a day when the Tokyo Stock Exchange is open, excluding a day when a closing price of the Company's ordinary shares is not announced.
 - Conversion Price: (Principal amount of the Bonds with Stock Acquisition Rights / Last Day Conversion Price) × Average VWAP per Share
 - Last Day Conversion Price: The conversion price on the last day of the Relevant VWAP Period (March 6, 2020)

(Note) The Company plans to provide its treasury stock for its ordinary shares to be delivered.

[Reference] Zero Coupon Convertible Bonds due 2020 (the "Bonds with Stock Acquisition Rights")

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|---------------------------------|--------------------|
| 1) Date of issue | April 13, 2015 |
| 2) Maturity | April 30, 2020 |
| 3) Total amount of the issuance | JPY 20,000,000,000 |
| 4) Conversion price | JPY 2,745.0 |

3. Impact on the Company's business performance

The acquisition and cancellation of the Bonds with Stock Acquisition Rights will have no impact on the Company's business performance.