

Notice of the decision to “make a subsidiary into a joint venture company”  
by accepting a capital investment

SHIMA SEIKI MFG., LTD. (“SHIMA SEIKI”) announces that we recently decided to make our wholly-owned subsidiary, INNOVATION FACTORY CO., LTD. (“INNOVATION FACTORY”), into a joint venture company by accepting a capital investment from FAST RETAILING CO., LTD., to establish a next-generation production model primarily based on WHOLEGARMENT®.

Notes

1. Purpose of the Joint Venture:

SHIMA SEIKI established and has been operating our production subsidiary company of WHOLEGARMENT products, INNOVATION FACTORY, as part of penetration measures for WHOLEGARMENT flat knitting machines.

Recently, we have decided to have INNOVATION FACTORY accept a capital investment from FAST RETAILING CO., LTD., and make it into a joint venture to produce high-quality and high-value-added knitted products for the UNIQLO Group, which primarily consists of UNIQLO CO., LTD.

Through addressing such a challenge, on top of SHIMA SEIKI’s cutting-edge knitting technology, by making the most use of the marketing power and selling power of FAST RETAILING CO., LTD., we are aiming to establish a business model for the manufacture of knitted products primarily based on WHOLEGARMENT, and play the role as a mother factory to achieve the manufacturing of epoch-making knitted products.

2. Overview of the Joint Venture Company:

Corporate name	: INNOVATION FACTORY CO., LTD.
Location	: Wakayama City, Wakayama Prefecture
Representative	: Michitaka Nakamura
Description of business	: Manufacture of seamfree knitted products (WHOLEGARMENT products)
Total amount of capital	: 400 million yen (after the capital increase)
Investment ratio	: SHIMA SEIKI MFG., LTD. : 51%
	: FAST RETAILING CO., LTD. : 49%
Effective date of the joint venture	: October 27, 2016 (Month/year of establishment: December 2015)

3. Future Outlook:

Although the impact of such a joint venture on the business performance of SHIMA SEIKI is considered minor at this point, we believe that our efforts to address such a challenge will help improve awareness of WHOLEGARMENT products, and we intend to continuously aim to continue to expand the WHOLEGARMENT flat knitting machine business.

4. Remarks:

a. FAST RETAILING CO., LTD.

A major global SPA (specialty store retailer of private label apparel) with UNIQLO, etc., under its umbrella.

Sales Revenue: 1,786,400 million yen (Fiscal Year ended August 2016)

b. WHOLEGARMENT®

Seamfree knitted products developed by SHIMA SEIKI, which are not only comfortable to wear and excellent in drape characteristics thanks to seamfree knitting technology, but also have high value-added and various design features unlike traditional products.