

SHIMA SEIKI MFG., LTD.

Representative: Mitsuhiro Shima, President

Code number: 6222

Stock listings: Tokyo Stock Exchange (1st section)

Notice of the provision of share remuneration-type stock options (equity warrants)

SHIMA SEIKI MFG., LTD. decided as follows to submit a proposal on providing directors (excluding outside directors) with share remuneration-type stock options (equity warrants) to the 57th ordinary general meeting of shareholders scheduled for June 27, 2018, (hereinafter called the “ordinary general meeting of shareholders”) for approval by the board of directors at today’s meeting:

Notes

1. Reasons for providing equity warrants as share remuneration-type stock option

This is designed to further enhance the share value for shareholders from the mid- and long-term viewpoint and functions as a soundness incentive for directors (excluding outside directors) to maintain and enhance the sustainable enterprise value.

2. Details of the proposal

As for the remuneration of directors, the equity warrants allocated to directors of 100 million yen or less per year (hereinafter called the “ordinary stock option”) were approved at the 49th ordinary general meeting of shareholders on June 29, 2010. At this time, we request the approval to abolish the existing ordinary stock option program due to the alteration of the stock option program for directors, and provide share remuneration-type stock option equity warrants per year of 100 million yen or less to directors (excluding outside directors).

[Details of equity warrants]

(1) Subjects to allocation of the equity warrants

Our directors (excluding outside directors)

(2) Classes and numbers of shares subject to the equity warrants

The shares subject to equity warrants will be common shares. The number of shares subject to each equity warrant (hereinafter called the “number of shares provided”) will be 100. In the case of a share split, free share awards, or a reverse split, the number of shares provided will be adjusted by the following formula. However, the adjustment is made only to equity warrants not exercised as of that time, and any fractions less than one share arising from the adjustment would be rounded down.

Adjusted number of shares provided = Unadjusted number of shares provided × Ratio of a share split,
free share awards, or a reverse split

When the equity warrants are succeeded because of an absorption- or consolidation-type merger or the exchange or transfer of shares making us a wholly owned subsidiary, we will be able to adjust the number of shares we think necessary according to the ratio of mergers and other factors.

(3) Upper limit of the equity warrants

The upper limit will be 500 equity warrants issued to directors within one year after the date of the ordinary general meeting of shareholders for each fiscal year. The equity warrants are allocated on an annual basis.

(4) Paid-in amount of the equity warrants

The paid-in amount will be the fair value calculated on the date of allocation of the equity warrants by the Black-Scholes model and other methods. The amounts will be offset by the equivalent remuneration claims.

(5) Value of the property contributed in exercising the equity warrants

Money will be the property contributed in exercising each equity warrant. The value will be the number of shareholders to be issued by exercise of the equity warrants multiplied by 1 yen per share.

(6) Exercise period of the equity warrants

The exercise period will be up to 30 years from a day after the allocation date of the equity warrants to be determined by the board of directors.

(7) Terms and conditions of exercise of the equity warrants

Subscribers receiving allocations of equity warrants (hereinafter called "holders of equity warrants") will be able to exercise the equity warrants for a period from one day after losing the position as director to 10 days after. Other terms and conditions of the exercise of equity warrants will be determined by the board of directors.

(8) Restriction on transfer of the equity warrants

Acquiring equity warrants by transfer will require the approval of the board of directors.

(9) Treatment of a fraction less than 1 share in the number of shares to be issued at the time of exercise

In the number of shares to be issued to the holders of equity warrants, any fraction less than 1 share will be rounded down.

(10) Other details of the equity warrants

Details of the above items (2) - (9) and other details of the equity warrants will be determined by the board of directors, which makes all decisions regarding the offer of equity warrants.

(Reference)

In conjunction with the introduction of the above-mentioned share remuneration-type stock options (equity warrants) to directors (excluding outside directors), we will annually allocate the same details of share remuneration-type stock options (equity warrants) as the above to executive officers.