

## **SHIMA SEIKI MFG., LTD.**

Representative: Mitsuhiro Shima, President

Code number: 6222

Stock listings: Tokyo Stock Exchange (1<sup>st</sup> section)

### Notice of Absorption-type Merger of a Consolidated Subsidiary (Simplified Merger/Short Form Merger)

SHIMA SEIKI MFG., LTD. has decided to merge its consolidated subsidiary TSM Industrial Co., Ltd., through an absorption-type merger as approved at the meeting of the board of directors on July 31, 2018. This merger is a simplified absorption-type merger where the subject is a wholly owned subsidiary; therefore, some of the disclosure items and details have been omitted from this announcement.

#### Notes

##### 1. Purpose of the merger

By merging TSM Industrial Co., Ltd., which is a wholly owned subsidiary that manufactures machine parts for our products, and consolidating our production and management operations, we aim to improve the productivity and management efficiency of our Group in order to achieve continuous and stable growth for our business.

##### 2. Summary of the merger

###### (1) Dates of the merger

Meeting of the board of directors approving the merger agreement July 31, 2018

Conclusion of the merger agreement July 31, 2018

Date of Merger (effective date) (scheduled for) October 1, 2018

\*This merger is a simplified merger as set forth in Article 796, Paragraph 2, of the Companies Act for our Company, while it is a short-form merger as set forth in Article 784, Paragraph 1, of the Companies Act for TSM Industrial Co., Ltd.; therefore, neither will hold a meeting of shareholders for approval of the merger agreement.

###### (2) Method of the merger

An absorption-type merger in which the Company is the surviving company and TSM Industrial Co., Ltd., is dissolved.

###### (3) Details of the allotment concerning the merger

Because our Company owns all shares of TSM Industrial Co., Ltd., there will be no allotment of shares or monies at the time of this merger.

(4) Treatment of stock options as of the merger

Not applicable.

3. Outline of the companies involved in the merger (as of March 31, 2018)

	Surviving company	Disappearing company
(1) Name	SHIMA SEIKI MFG., LTD.	TSM Industrial Co., Ltd.
(2) Head office location	85 Sakata, Wakayama City	178-1 Ido, Wakayama City
(3) Name and title of the representative	Mitsuhiro Shima, President and Representative Director	Yoshiaki Nakanishi, President and Representative Director
(4) Details of the business	Manufacturing and sales, etc. of textile machines	Machine parts manufacturing, etc.
(5) Capital	JPY 14,859,800,000	JPY 48,000,000
(6) Founded	July 13, 1961	September 18, 1978
(7) Issued common shares	36,600,000	48,000
(8) Accounting year-end	March 31	March 31
(9) Major shareholders and percentage of shares held	Wajima Kosan Co. Ltd. 11.01% Japan Trustee Services Bank, Ltd. (Trust Account) 6.14% The Kiyo Bank, Ltd. 4.03% MSCO CUSTOMER SECURITIES 3.97% The Master Trust Bank of Japan, Ltd. (Trust Account) 3.92%	SHIMA SEIKI MFG., LTD. 100%
(10) Financial status and business performance of the most recent fiscal year		
Accounting year-end	Year ended March 31, 2018 (consolidated)	Year ended March 31, 2018 (non-consolidated)
Net assets	123,491 million yen	1,103 million yen
Total assets	154,343 million yen	1,574 million yen
Net assets per share	3,381.85 yen	22,990.67 yen
Net Sales	71,858 million yen	1,118 million yen
Operating income	14,905 million yen	156 million yen
Ordinary income	15,525 million yen	168 million yen
Net income attributable to owners of the parent	11,279 million yen	113 million yen
Net income per share	316.82 yen	2,354.47 yen

(Note) "(3) Name and title of the representative" states the situation as of July 31, 2018.

4. Status after the merger

There is no change of name, location, name and title of the representative, details of the business, capital or accounting year-end of our company after the merger.

5. Outlook

This is a merger with our wholly-owned subsidiary therefore the effect on our consolidated earnings is negligible.