

Outline of Shima Seiki's Medium-Term Management Plan

Ever Onward 2017

- Introduction -

Shima Seiki has continually risen to the challenge of developing a series of groundbreaking products by applying creativity and innovative technology to meet the needs of its customers in line with its corporate motto, "**Ever Onward.**"

After more than 50 years in this industry, we have evolved into a highly trusted manufacturer of computerized glove knitting machines, computerized flat knitting machines, and computer graphic design systems, thanks to the loyal patronage of our customers.

On the other hand, the worldwide business environment in which we operate is changing rapidly.

We have formulated our new medium-term management plan, "**Ever Onward 2017.**" to address various business issues we are facing and further enhance the corporate value.

1. Long-term management plan

We have formulated our medium-term management plan based on our corporate philosophy and long-term vision for where we wish to be in 10 years' time.

(1) Corporate philosophy

Ever Onward - Limitless Progress

We strive to become an indispensable company to the society through sustainable business development. We do this under the motto of "**Ever Onward**" with "love", "creation" and "passion" as our mantra.

Love: We contribute to society through our creative craftsmanship, which is friendly to both people and the environment. We strive to contribute to society through love for our work, people, country, community and the earth.

Creativity: We aim to create world's firsts through our finely honed sensitivity and sense of creativity.

Passion: We tackle new challenges with passion and chart our own future course by putting our all into our products and services.

(2) Our vision for where we wish to be in 10 years' time

Our technology is adopted around the world and becomes the standard for the creation of appealing fashion items.

Our core competencies create a newly expanding and sustainable business domain as a creative, information-based company that values based on innovative ideas for industries other than fashion.

2. Outline of the medium-term management plan

(1) Structure

We consider this medium-term management plan to be the reinforcing phase for building the foundations for corporate growth over the next 50 years.

We will move forward on companywide management measures by promoting environmentally friendly management and reinforcing our business infrastructure to achieve sustainable growth, while aiming to set new profit records.



(2) Key principles

- (i) Contribute to the development of the fashion industry by promoting our total fashion system and changing how knitting items are produced.
- (ii) Create new markets by tapping the resources from our core business and providing business solutions that contribute to society.
- (iii) Build new business models by returning to our origins and reviewing our current business practices.

(3) Target figures

Our new medium-management plan aims to increase profitability, financial stability and flexibility, preparing us for future investment and higher return to shareholders.

| (Unit) Billions of yen | FY 2014 (Consolidated results) | FY 2017 (Consolidated targets) |
|---------------------------|-----------------------------------|-----------------------------------|
| Net Sales | 48.3 | 70.0 |
| Operating Income | 5.7 | 15.0 |
| Ordinary Income | 8.4 | 15.0 |
| Net Income | 3.6 | 10.0 |
| ROE (%) | 3.8% | 8.5% |

(4) Priority measures

Four priority measures for our growth strategy are outlined below. We will promote the selection and concentration of our management resources in these areas as we work to enhance corporate value.

| | |
|---|--|
| Strengthening the flat knitting business | We will further strengthen the flat knitting business by increasing customer satisfaction through innovative marketing strategies surrounding WHOLEGARMENT solutions. |
| Advancing unique business segments | We will advance our differentiation strategy by creating innovative business models that tap into our unique WHOLEGARMENT technology. We will also expand flat knitting technology into non-fashion fields and strengthen the automated cutting machine solution business. |
| Improving the profit structure | We will achieve sustainable revenue growth and strategic cost reduction by reviewing our fundamental business practices and diversifying revenue sources through enhanced after-sale activities and improved operating cash flows. |
| Reinforcing the management infrastructure | We will reinforce overall management resources, including the recruiting of creative and diverse personnel, and build a management structure with more emphasis on CSR. |

(5) Policy on profit return

We make contributions to all the stakeholders through sustainable business development.

We also consider the return of profits to shareholders one of the topmost management priorities. Our fundamental policy is to grow our business from a long-term perspective, increasing dividends steadily and actively as business performance improves.

(Forward-Looking Statements)

These future plans and other statements are based on information available to the Company's management as of the day for releasing this material.

There are many uncertain or risk factors inherent in plans, and there might be cause in which actual results materially differ from plans and other statements of this material.