

SHIMA SEIKI MFG., LTD.

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Code number: 6222

Stock listings: Tokyo Stock Exchange (Prime)

Preparation of the new Medium-Term Management Plan

SHIMA SEIKI (the "Company") announces that the new medium-term management plan titled Ever Onward 2026, which covers three years from FY2024 to FY2026, was prepared as follows in response to a largely changing management environment.

Notes

- 1. Outline of the new Medium-Term Management Plan
 - (1) Period subject to the plan:

The three years from April 2024 to March 2027

- (2) Priority measures:
 - · Reconstruction of management infrastructure
 - Establishment of solution-based business
 - · Revival of flat knitting machine business
 - · Expand computerized cutting machine business
- 2. Numerical target of the new Medium-Term Management Plan

(billion JPY)

	FY2026 Target	FY2023 Result
Net sales	55.0	35.9
Operating income	7.0	0.4
Ordinary income	7.5	1.0
Net income	5.5	1.0
ROE	6.0%	1.2%

^{*}For more details of the new Medium-Term Management Plan, please see the attached materials.

^{*}Company plans, operating performance projections and strategies mentioned in these materials are based on information available as of the date these materials were released, as well as on certain assumptions deemed to be rational. Please be aware that actual performance may differ materially, due to a variety of factors.



Medium-Term Management Plan

(FY2024 - 2026)

Ever Onward 2026

Review of the Previous Medium-Term Management Plan (MTMP)

- Turned profit for the first time in five years due to recovery in sales of main flat knitting machine business
- Below expectations because of the downturn in sales of WHOLEGARMENT® flat knitting machines

(billion JPY)	FY2020 Result	FY2023 Result	percent change 2020 to 2023 result
Net sales	24.4	35.9	+46.6%
Operating income	-9.1	0.4	became profitable
Ordinary income	-7.2	1.0	became profitable
Net income	-17.8	1.0	became profitable

Original target of prev MTMP	percent change Target to 2023 result
54.0	-33.5%
2.0	-78.5%
2.5	-59.3%
2.0	-48.5%

Opportunities and Risks in Business Environment

Opportunities

Stable market growth due to increasing world population and GDP growth

External

Acceleration of market movement arising from changes in production environment

Phased shift to sustainable production

In-house

Aggressive investments in the development of new markets

Product development and business model construction in response to changing business environment

Reconstruction of management infrastructure aimed at sustainable growth

Risks

External environment

Lower appetite for investment caused by frequent conflicts and a more complex global economy

Competitive environment

Increased competition for market share

Outline of New MTMP

Redefine corporate philosophy

Clarify philosophy for further expansion

Set ten-year vision

Present challenges to new business domains and lineups based on the corporate philosophy

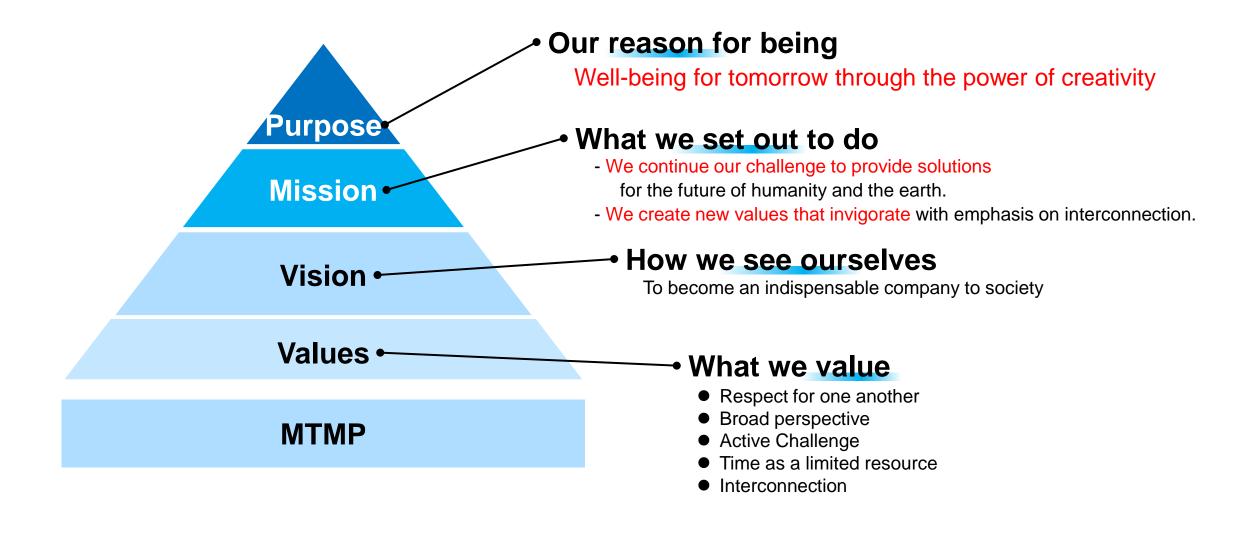
Four priority measures

[Reconstruction of Management Infrastructure]
[Establishment of Solution-Based Business]
[Revival of Flat Knitting Machine Business]
[Expand Computerized Cutting Machine Business]

Four policies

[R&D and Capital Investment] [Human Capital Investment] [Sustainability] [Shareholder returns]

Corporate Philosophy



Our Purpose (Our reason for being)

Well-being for tomorrow through the power of creativity

Since our founding, SHIMA SEKI has committed to the advancement of fashion through technological innovation. Our will to create is at our core, and it is what makes us who we are.

Our dedication to "make tomorrow better than today" constantly drives us to advance our products and services. Our reason for being is to create well-being through such advancements.

Our Mission (What we set out to do)



We continue our challenge to provide solutions for the future of humanity and the earth.



We create new values that invigorate with emphasis on interconnection.

Our Vision (How we see ourselves)

To become an indispensable company to society

SHIMA SEIKI continuously pursues a better future by enriching life and mind through its corporate activities.

Our Values (What we value)

Respect for one another

Cooperation begins with kindness and sincerity toward others.

- Respect others and see things from their viewpoint.
- Value individual uniqueness and combine them for strength.

Broad perspective

Do not assume the status quo is ideal.

- Look at the big picture to determine the problem and arrive at a creative solution.
- Always learn and become a professional that you can be proud of.

Active Challenge

To be passive in an era of change is to be left behind in that era.

- Challenge without fear of change.
- Learn from mistakes and turn them into fuel for improvement.

Time as a limited resource

To maximize productivity within the time given, is fundamental.

- Act quickly and at the right moment.
- Proceed as planned toward the future you wish to realize.

Interconnection

Realize your dreams with people who share them with you, as a source of motivation.

- Strengthen communication and establish strong partnerships.
- Value relationships with stakeholders to maximize synergy with them.

Ten-year Vision

Vision

Work vibrantly with hope and pride and continuously take on challenges

Numerical target

Net sales: JPY 200 billion, Operating profit margin: 25%

(Note)

The company must continuously provide products and services that result in the well-being of employees and customers. In that sense, the company makes the bold commitment to raise the goal of being first. However, this does not mean that the company prioritized itself over other stakeholders.

We seek to contribute to and continuously develop with society by ensuring that each employee aggressively and confidently addresses a wide variety of issues.

Numerical Target of New MTMP

- Steady recovery in sales of flat knitting machine business
- Large increase in revenue along with sales growth

(billion JPY)	FY2020 Result	FY2023 Result
Net sales	24.4	35.9
Operating income	-9.1	0.4
Ordinary income	-7.2	1.0
Net income	-17.8	1.0
ROE	-18.1%	1.2%

FY2026 Target	percent change 2023 to 2026
55.0	+53.2%
7.0	16.3 times
7.5	7.4 times
5.5	5.3 times
6.0%	

Priority Measures of New MTMP

Reconstruction of Management Infrastructure

Execute drastic transformation of mindset for stabilization of earnings and business growth, as well as renovation of internal systems and operation processes in order to reconstruct management infrastructure toward sustainable corporate growth

Establishment of Solution-Based Business

Provide solutions for resolving issues in the fashion industry supply chain and increase added value of the entire industry that results in sustainable corporate growth of the group

Revival of Flat Knitting Machine Business

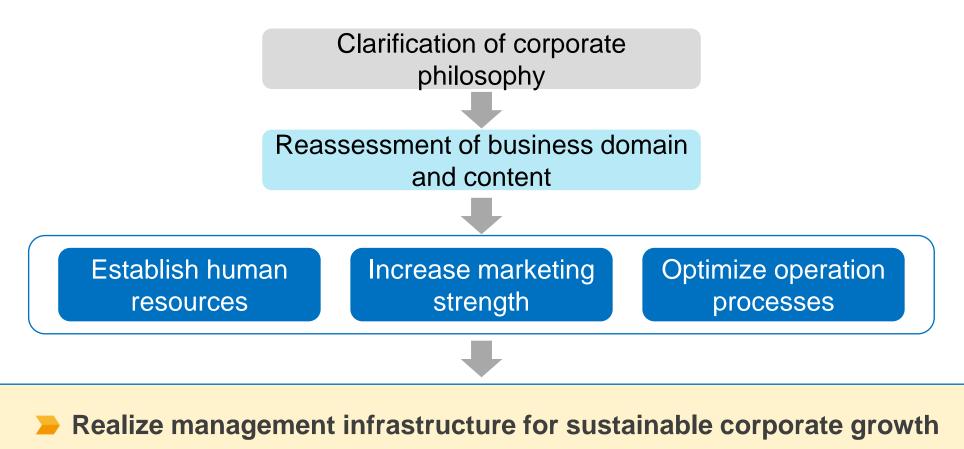
Ensure sustainable growth of flat knitting machine business through development of new products suited to the market, extensive cost reductions, and development of new markets outside the fashion industry

Expand Computerized Cutting Machine Business

Bring to market a product lineup with vastly improved machine performance and expand sales and service network through aggressive investment in order to develop the computerized cutting machine business into a main pillar of business following the flat knitting machine business

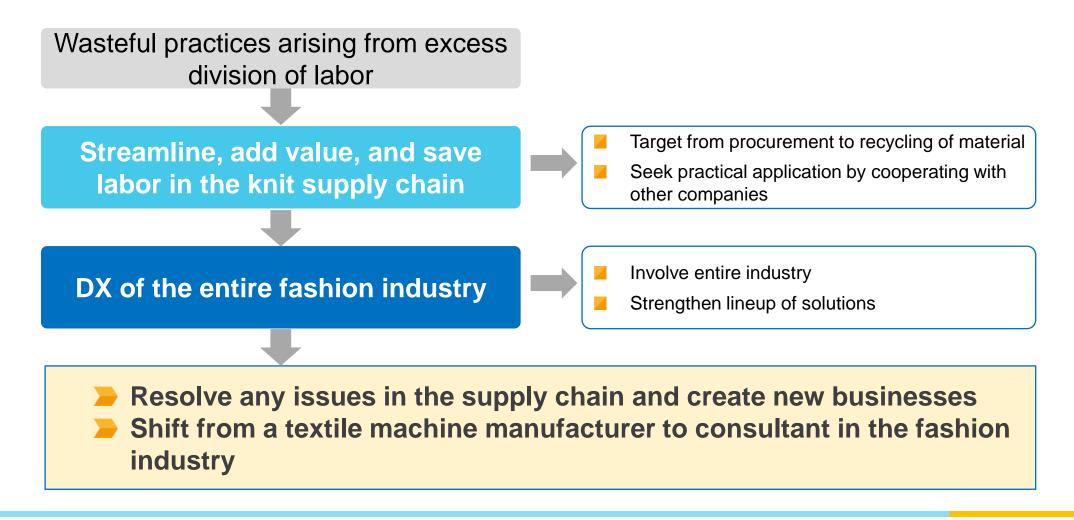
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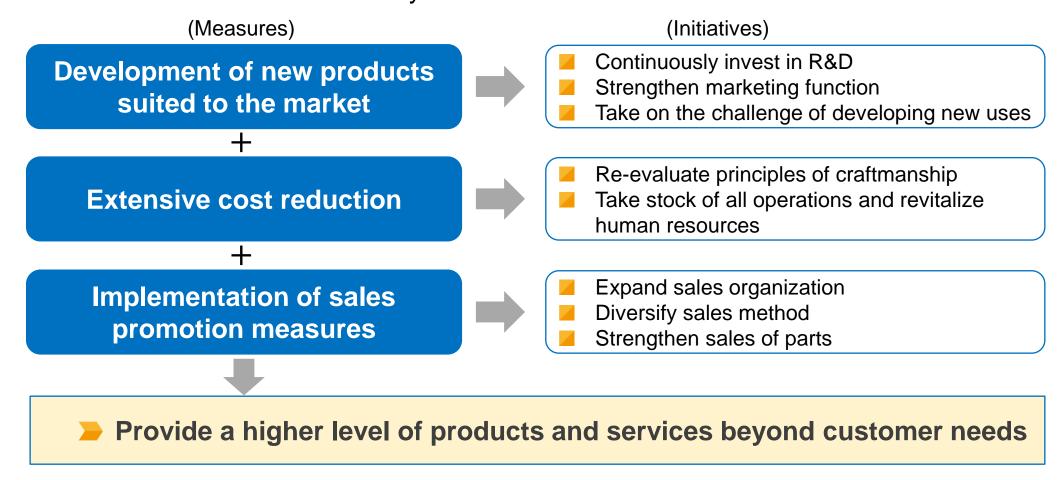
Establishment of Solution-Based Business

Provide solutions for resolving issues in the fashion industry supply chain and increase added value of the entire industry that results in sustainable corporate growth of the group



Revival of Flat Knitting Machine Business

Ensure sustainable growth of flat knitting machine business through development of new products suited to the market, extensive cost reductions, and development of new markets outside the fashion industry



SHIMA SEIKI 15

Expand Computerized Cutting Machine Business

Bring to market a product lineup with vastly improved machine performance and expand sales and service network through aggressive investment in order to develop the computerized cutting machine business into a main pillar of business following the flat knitting machine business

Product lineup with vastly improved machine performance

Expand sales and service network



Accelerate business expansion by targeting all areas and business types



Establish a pillar of business following the flat knitting machine business

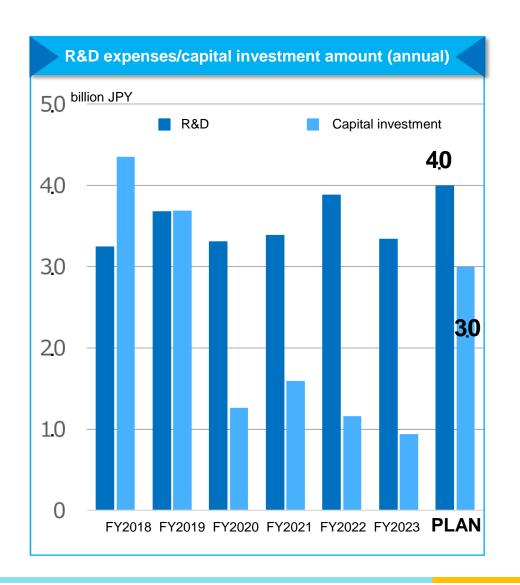
Net Sales by Product Segment

	(billion JPY)	FY2023 Results
Ne	et Sales	35.9
	Flat knitting machine	25.8
	Design system	3.4
	Glove and sock knitting machine	0.4
	Others	6.1

FY2026 Targets	Remarks	
55.0	percent change: +53%	
38.5	Sales recovery in Asia	
8.0	Growth in computerized cutting machine business	
1.0		
7.5	Increase in parts sales and maintenance service	

R&D and Capital Investment

- Invest more aggressively than ever, including in R&D
- Establish new service centers to expand computerized cutting machine business
- Increase investment to strengthen solution business (including cooperation with other companies)
- Increase investment in human capital (including development of human resources)
- Make sustainable environmental investments to achieve goals



Human Capital Investment

To Realize Our Vision

Reformation of management infrastructure

Flexible personnel placement to achieve ideal business portfolio

Conversion into a personnel assessment system that increases productivity and motivation

Future growth

Acquisition, development, and use of diverse human resources

Build an environment where individuals can increase their skills and reach their full potential

Create an unrestricted corporate climate where the philosophy is shared

Sustainability (Issues and Initiatives)

Issues

Achievement of carbon neutrality

- Reduce GHG emissions
- Switch to sustainable energy

Optimization of corporations and society

- Increase production efficiency through DX progress
- Efficient use of energy resources

2050

Creation of a circular society system

- Build and establish a circular resource system
- Éliminate environmental burden of apparel lifecycle

Prosperous coexistence with stakeholders

- Strengthen supply chain management
- Create additional value in the value chain

Strong and resilient governance

- Risk management
- Compliance

Environment that realizes full potential

- Safe and healthy workplace
- Environment that respects individuals equally for reaching their full potential

2030 - 2040

Initiatives (2024-2026)

2024 - 2026

Building a decarbonized society

- Reduce GHG emissions of company group and suppliers
- Increase ratio of renewable energy use
- Reduce waste and increase recycling rate

Shifting to a circular economy

- Reduce carbonization of products and prolong product service life
- Use sustainable materials for products and promote recycling

Preservation of biodiversity

- Use water effectively while reducing water usage
- Promote greening and increase factory greening ratio
- Disclose TNFD related information

Sales expansion of environmentally friendly products

- WHOLEGARMENT® flat knitting machines
- Low-carbon products
- SDS®-ONE APEX, APEXFiz®

Resolution of issues and promotion of DX in the industry

- Increase proposals for solutions
- Create value in the value chain
- Build a circular economy system

Supply chain management

- Improve the sharing of information by revitalizing communication
- Systemize management of client information

Shareholder Returns

(1) Policy on Profit Return

SHIMA SEIKI considers profit return to shareholders as one of its highest management priorities. Our fundamental policy is to continue providing stable dividends over the long term in line with sustainable business expansion.

On this basis, we strive to allocate profits in a balanced manner, while maintaining the internal reserves for long-term investment in growth and future business expansion.

(2) Indicator of Shareholder Return (three years from FY2024)

Consolidated payout target ratio of 40%

We will make aggressive growth investments and strengthen our financial structure to increase profitability, while executing a consolidated dividend payout ratio of 40% as a target for shareholder returns. We will also acquire treasury shares in a timely and flexible manner in consideration of share prices, the status of funds, and the overall market environment.

Ever Onward — limitless progress

(Disclaimer)

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