

SHIMA SEIKI MFG., LTD.

Representative: Mitsuhiro Shima, President

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

May 10, 2024

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	Original target of prev MTMP	percent change Target to 2023 result
Net sales	24.4	35.9	+ 46.6%	54.0	-33.5%
Operating income	-9.1	0.4	became profitable	2.0	-78.5%
Ordinary income	-7.2	1.0	became profitable	2.5	-59.3%
Net income	-17.8	1.0	became profitable	2.0	-48.5%

Opportunities and Risks in Business Environment

Opportunities

External

- Stable market growth due to increasing world population and GDP growth
- 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

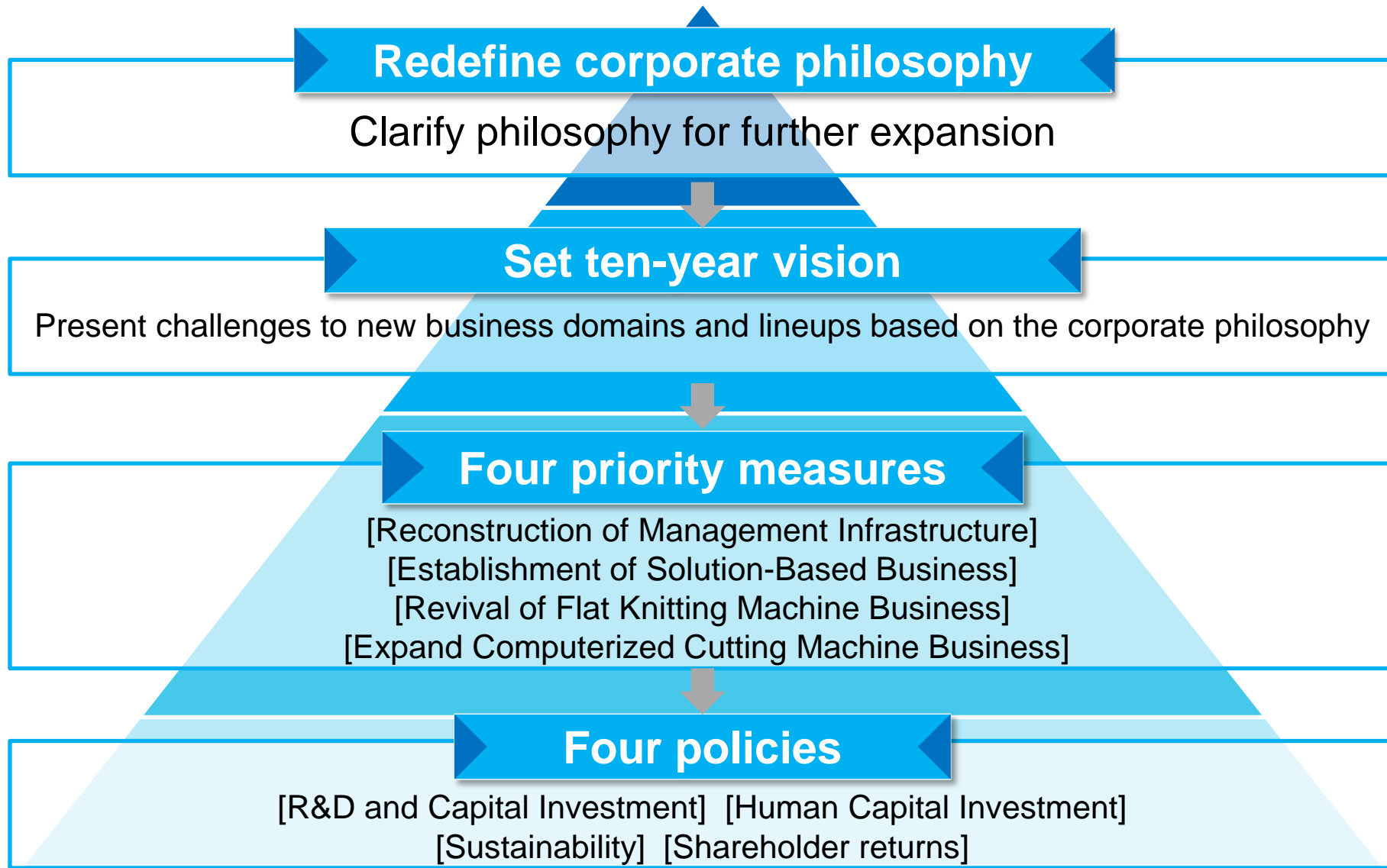
External environment

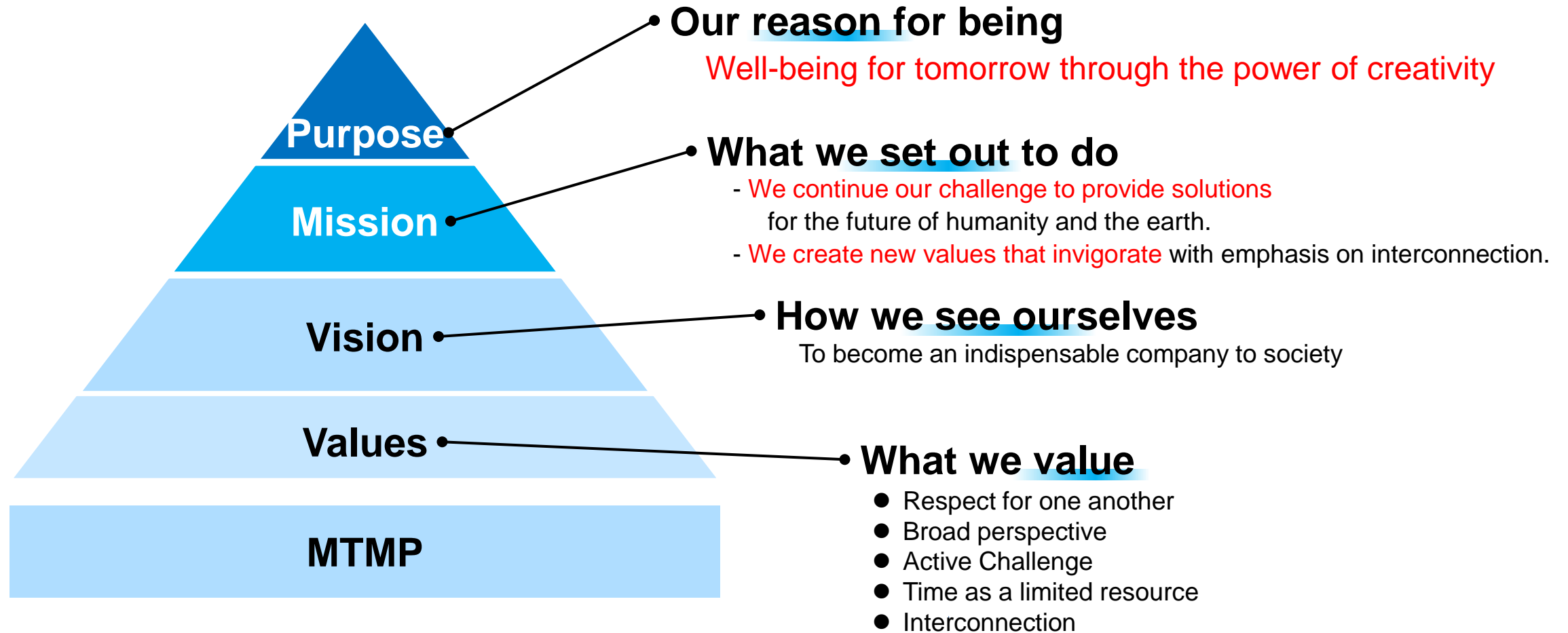
- Lower appetite for investment caused by frequent conflicts and a more complex global economy

Competitive environment

- Increased competition for market share

Outline of New MTMP





Well-being for tomorrow through the power of creativity

Since our founding, SHIMA SEIKI 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)



Problem-
Solving

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



New
Values

We create new values that invigorate with emphasis on interconnection.

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.

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		FY2026 Target	percent change 2023 to 2026
Net sales	24.4	35.9		55.0	+53.2%
Operating income	-9.1	0.4		7.0	16.3 times
Ordinary income	-7.2	1.0		7.5	7.4 times
Net income	-17.8	1.0		5.5	5.3 times
ROE	-18.1%	1.2%		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

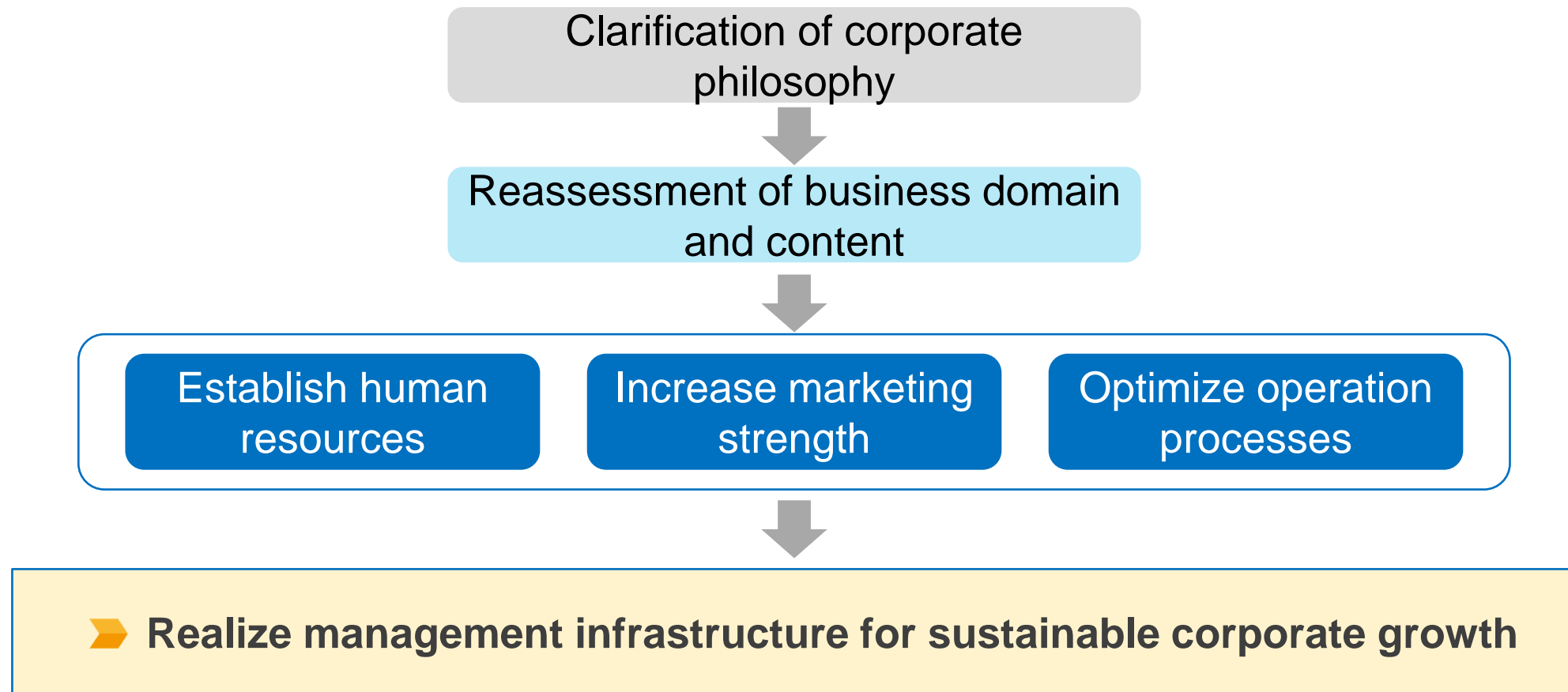
- Ensure sustainable growth of flat knitting machine business through development of new products suited to the market, extensive cost reductions, and development of new markets outside the fashion industry

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

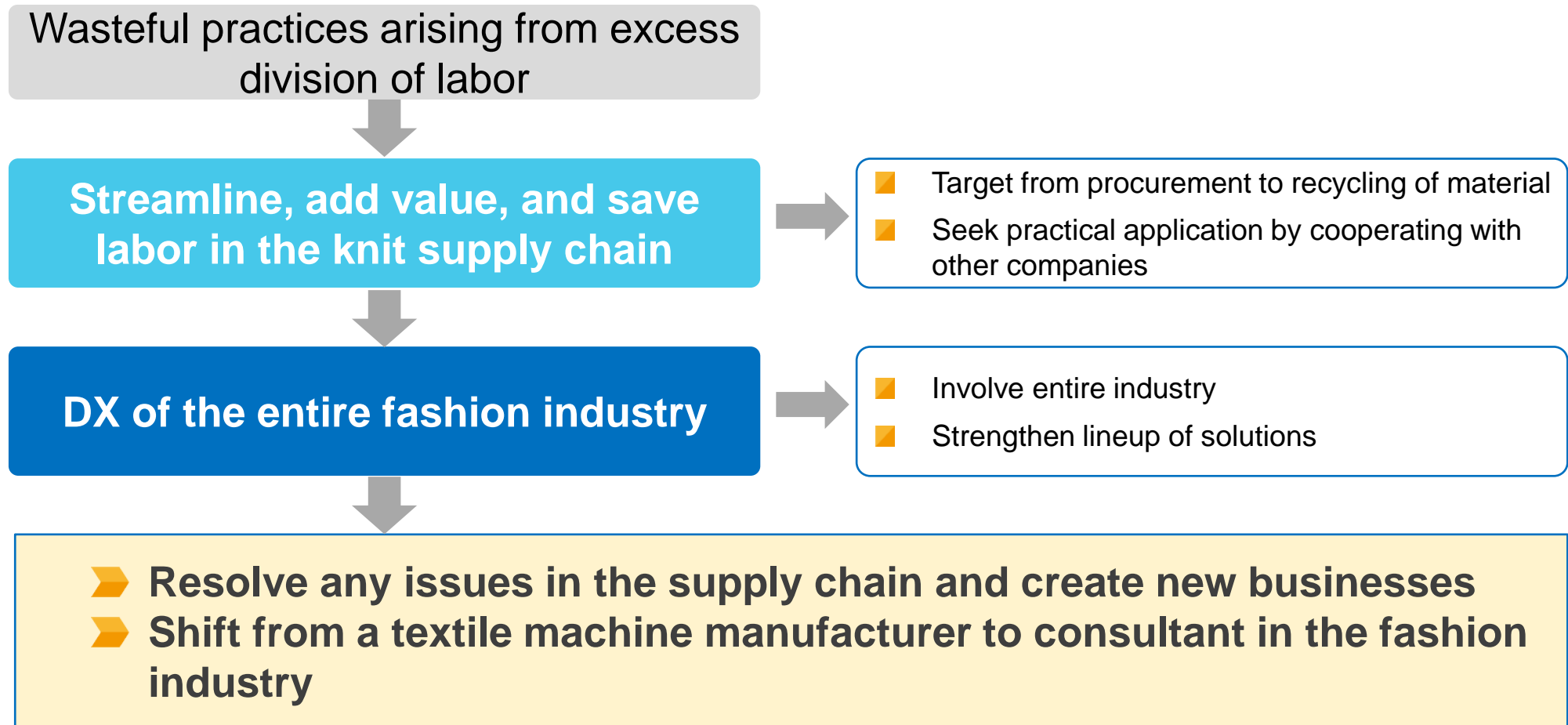
Reconstruction of Management Infrastructure

- 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



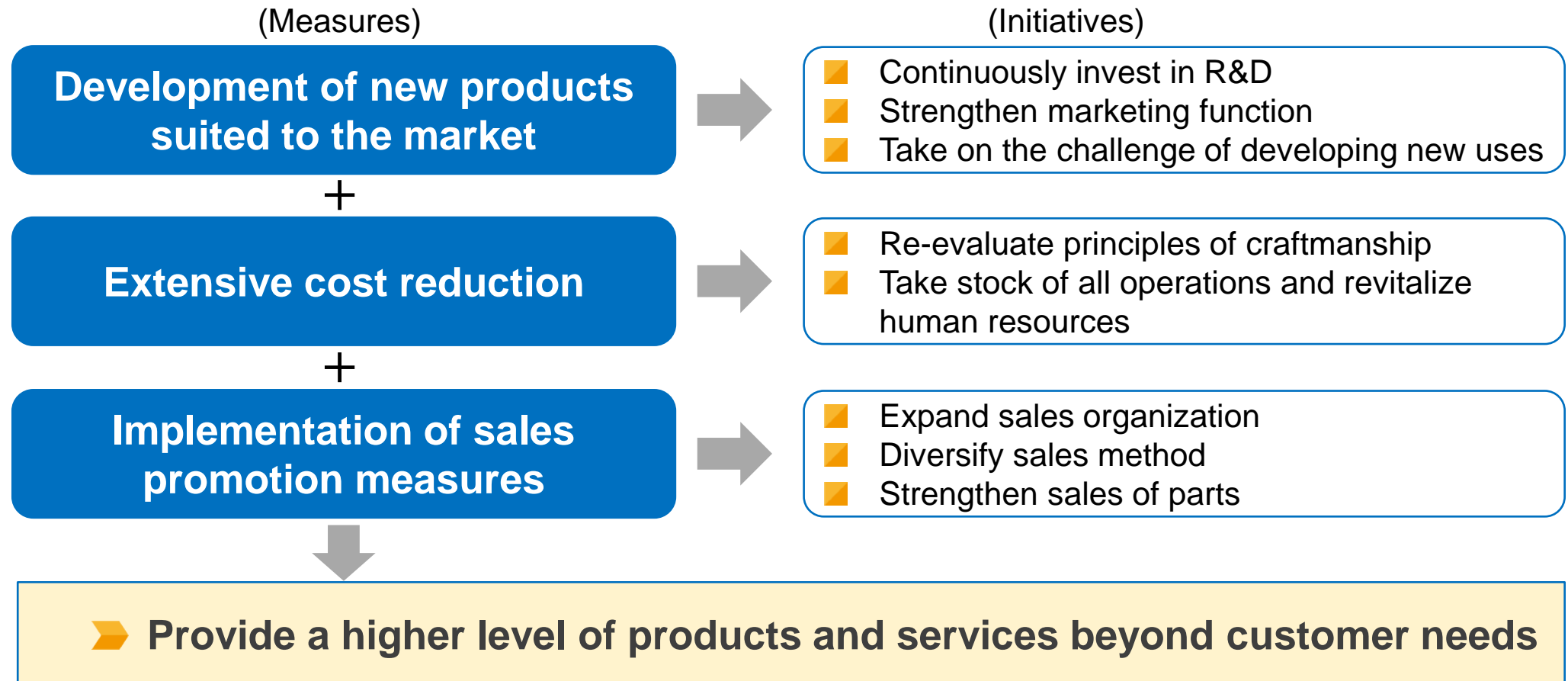
Establishment of Solution-Based Business

- 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

Product lineup with vastly improved machine performance

Expand sales and service network



Accelerate business expansion by targeting all areas and business types



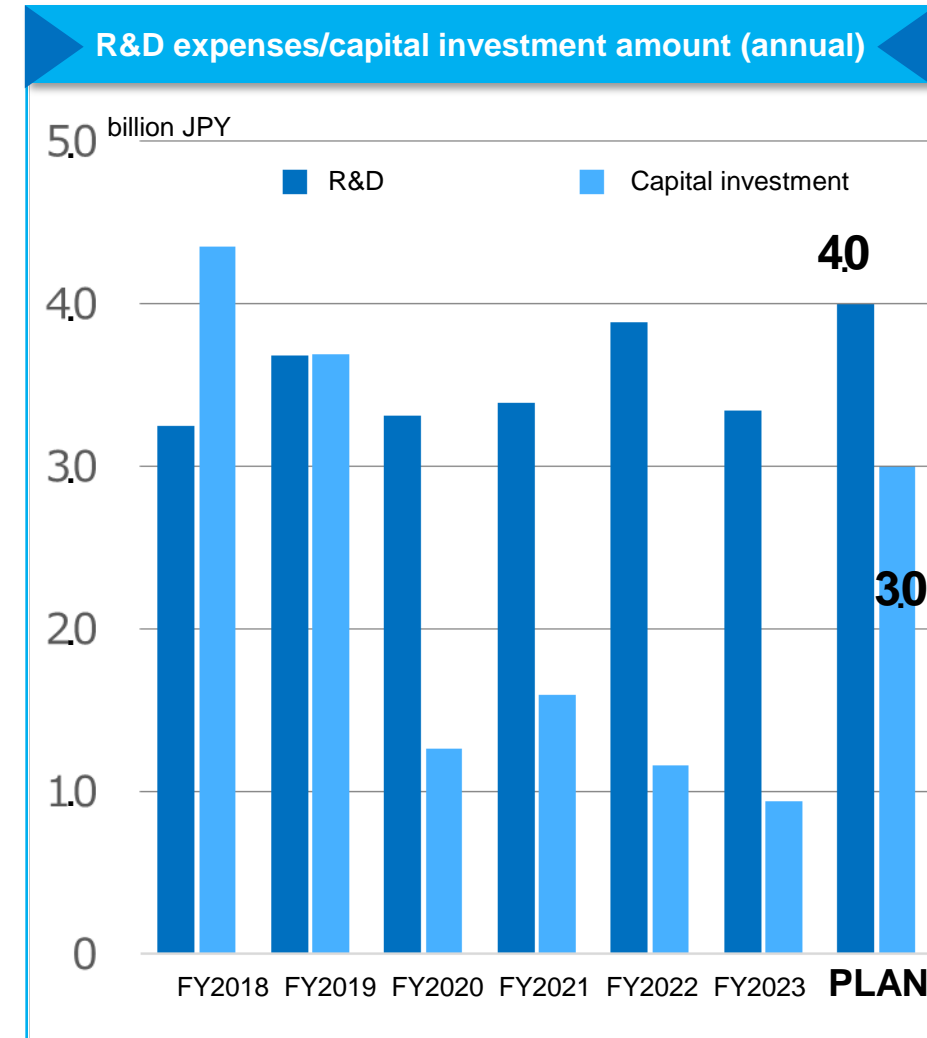
➤ **Establish a pillar of business following the flat knitting machine business**

Net Sales by Product Segment

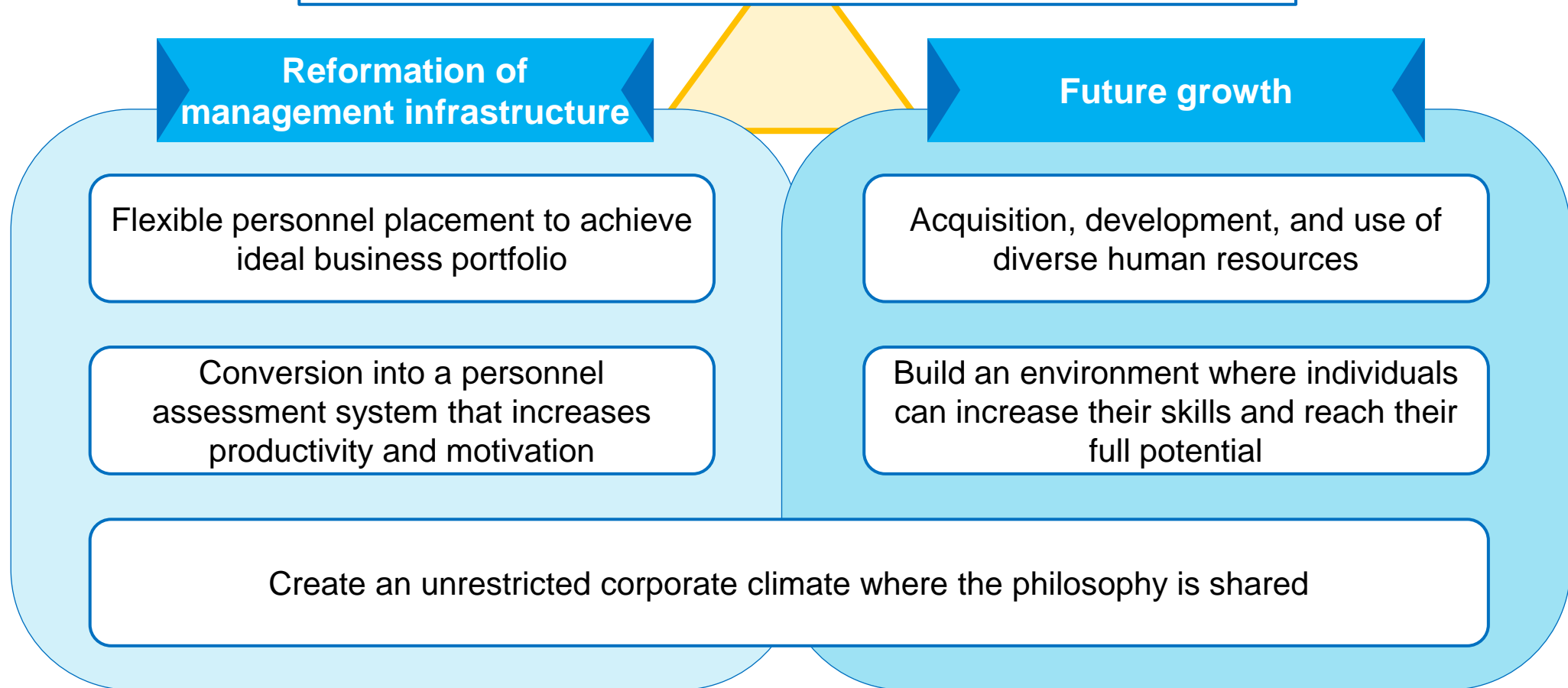
	(billion JPY)	FY2023 Results	FY2026 Targets	Remarks
Net Sales		35.9	55.0	■ percent change: +53%
Flat knitting machine		25.8	38.5	■ Sales recovery in Asia
Design system		3.4	8.0	■ Growth in computerized cutting machine business
Glove and sock knitting machine		0.4	1.0	
Others		6.1	7.5	■ Increase in parts sales and maintenance service

R&D and Capital Investment

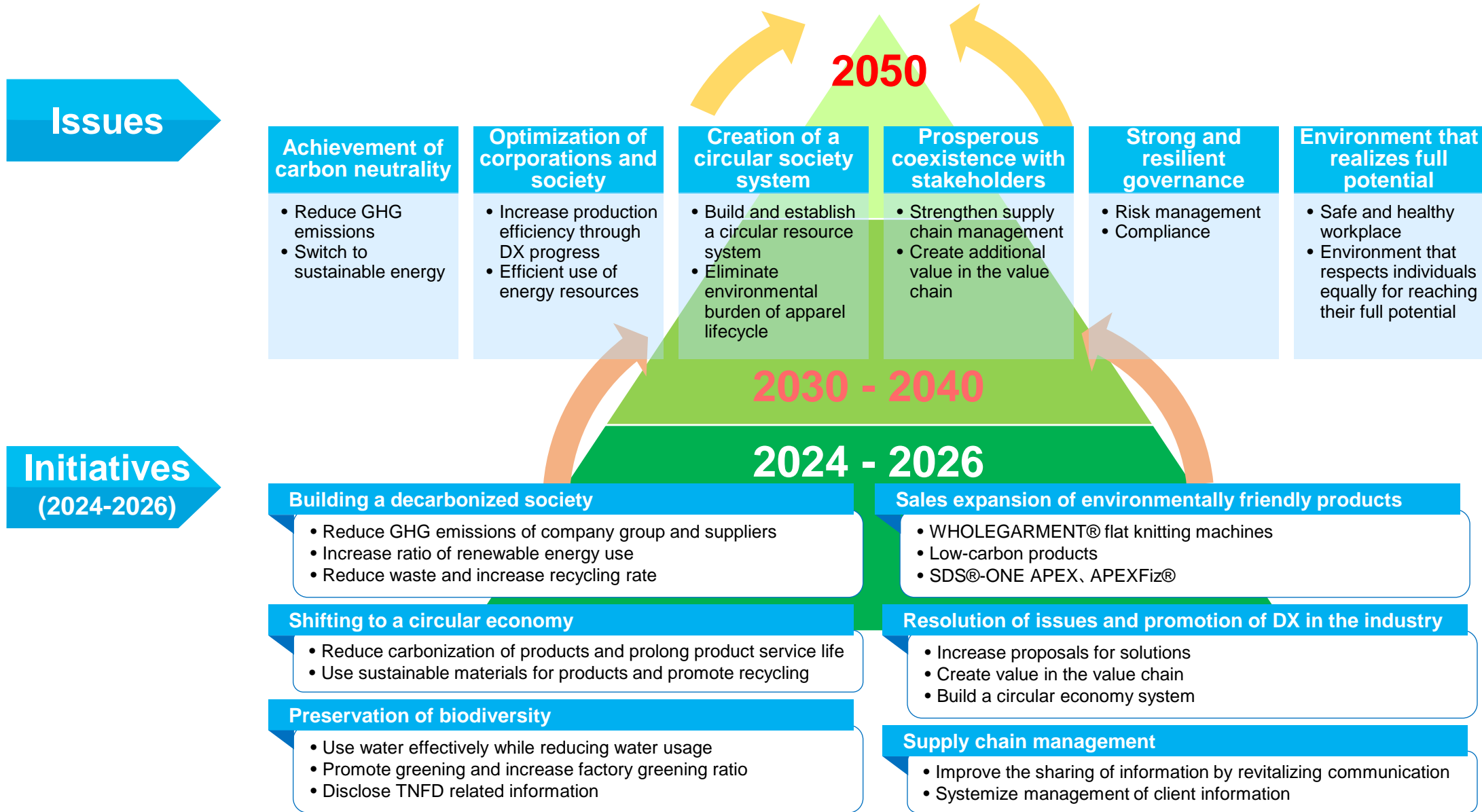
- Invest more aggressively than ever, including in R&D
- Establish new service centers to expand computerized cutting machine business
- Increase investment to strengthen solution business (including cooperation with other companies)
- Increase investment in human capital (including development of human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



To Realize Our Vision



Sustainability (Issues and Initiatives)



(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)

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.