

Medium-Term Management Plan

(FY2021 - 2023)

Ever Onward 2023



May 7, 2021

(Revised May 10, 2023)

Results of previous Medium-Term Management Plan

(FY2020 results)

- Significant decline in sales
- Operating loss in two consecutive fiscal years (FY2019 and 2020)

| (billion JPY) | FY2017 Result | FY2020 Result | percent change 2017 to 2020 result | Original target of prev MMP | percent change Target to 2020 result |
|------------------|------------------|------------------|---------------------------------------|--------------------------------|---|
| Net sales | 71.8 | 24.4 | -66% | 100.0 | -76% |
| Operating income | 14.9 | -9.1 | -- | 25.0 | -- |
| Ordinary income | 15.5 | -7.2 | -- | 25.0 | -- |
| Net income | 11.2 | -17.8 | -- | 18.0 | -- |
| ROE | 9.9% | -18.1% | -- | 12% | -- |

Market Environment and Issues Facing the Company

Environment Surrounding the Company

Consumers

- GDP growth due to global population increase etc.
- Change in consumer behavior (Intangible goods consumption, growing interest in SDGs, spread of social media)

Suppliers

- Growing momentum for DX and smart factories
- Investment in conventional machines has peaked out and shifted to seamless machines
- Demand for lower-priced flat knitting machines

Retailers

- Acceleration of electronic commerce due to COVID-19 spread
- Growing engagement in SDGs

Competitors

- Highly competitive pricing and expanded product lineup
- Developments in industry restructuring

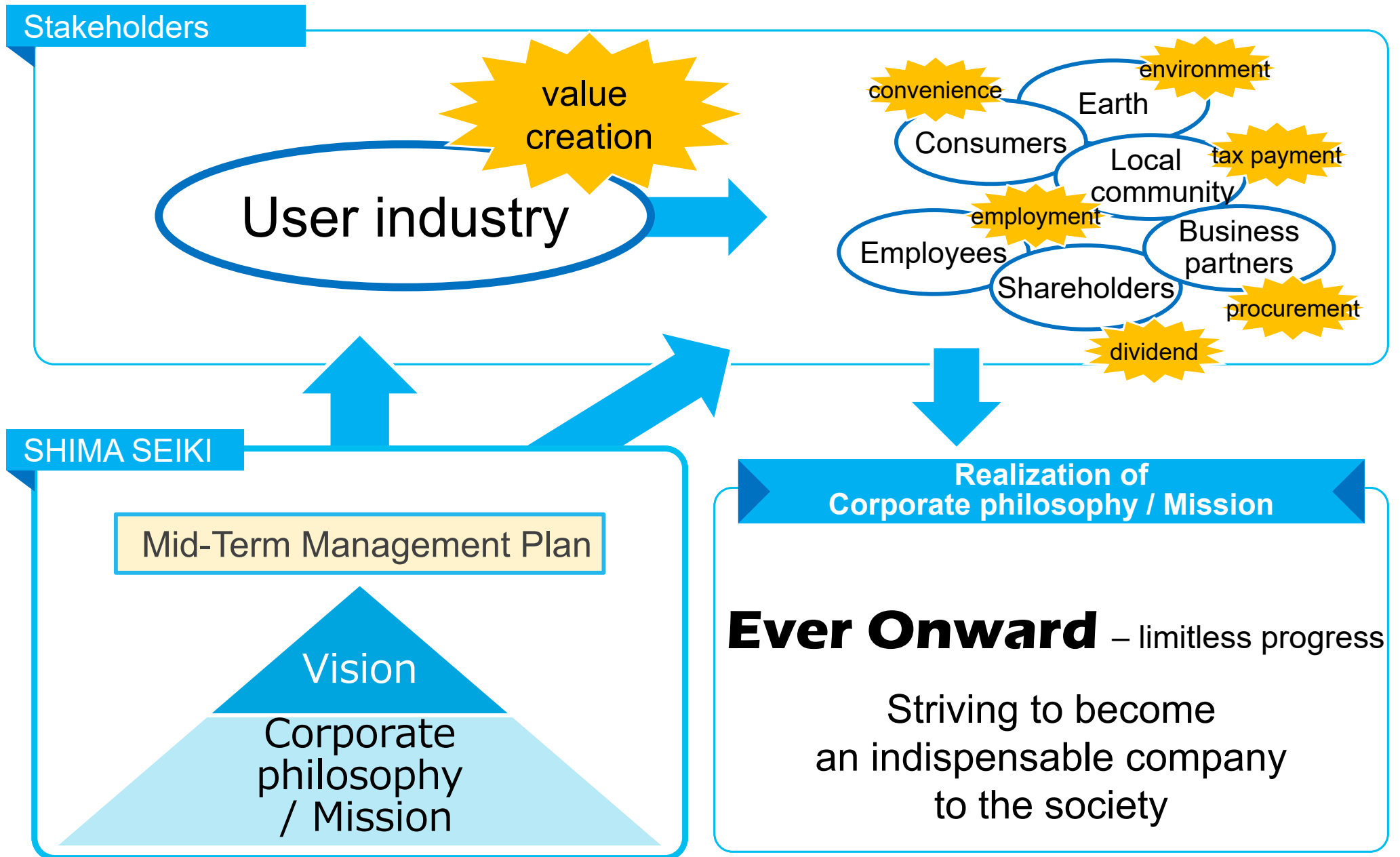
Increasing Opportunities

- Stable apparel market in mid- and long-term
- Creation of new market in changing landscape (DX and meeting SDGs)

Issues Facing the Company

- Shifting business structure to combination of “WHOLEGARMENT” and “Solution-based business”
- Speeding up product development and time-to-market to meet the needs of customers
- Business development in new areas (e.g. diversification along existing business)

Conceptual Diagram of Medium-Term Management Plan



Corporate philosophy / Mission

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”, “Creativity”, 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.

Our vision for where we stand in 10 years' time

- SHIMA SEIKI has evolved into a “problem solving company” that contributes to the growth of the fashion industry through our widely-adopted creative technology.
- SHIMA SEIKI has evolved into a “sensitivity- and information-based company” that contributes to the growth of other industries by leveraging its strengths developed in the fashion industry.



Reform and **Revival**

Corporate renaissance by transforming the mindset and speed of each and every employee

Priority Measures and Business Domain

(3) Advancing diversification with distinction

Speedy launch of new businesses that contribute to management stabilization

(2) Conversion to solution-based business

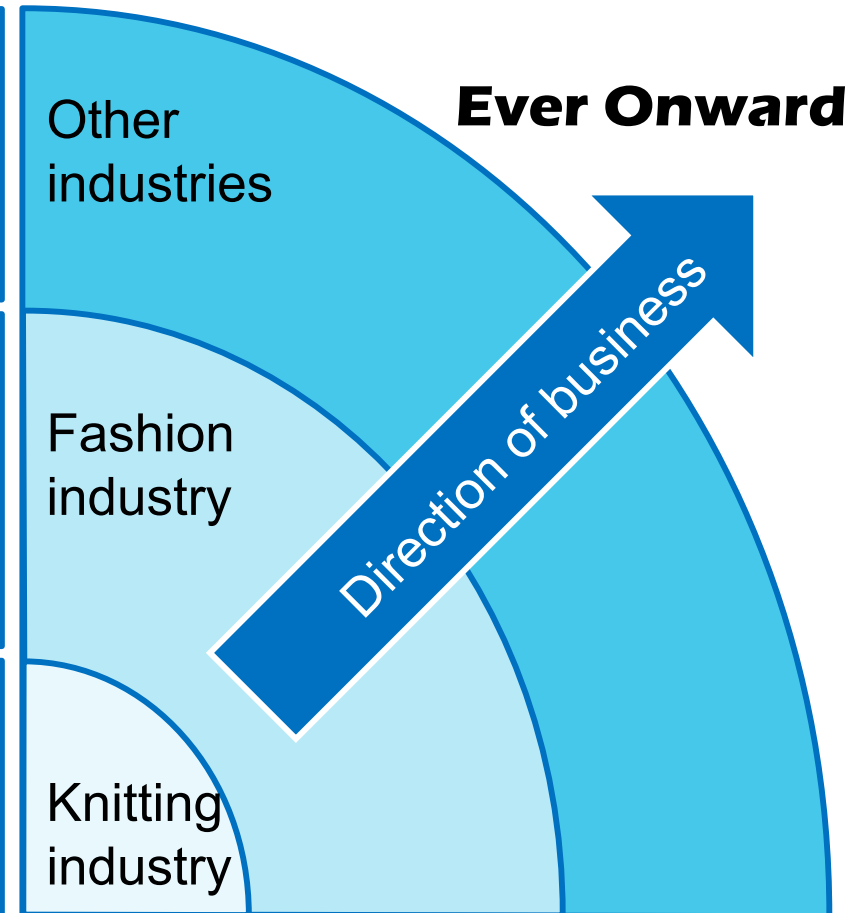
Restructuring the supply chain for the entire fashion industry

(1) Strengthening WHOLEGARMENT business

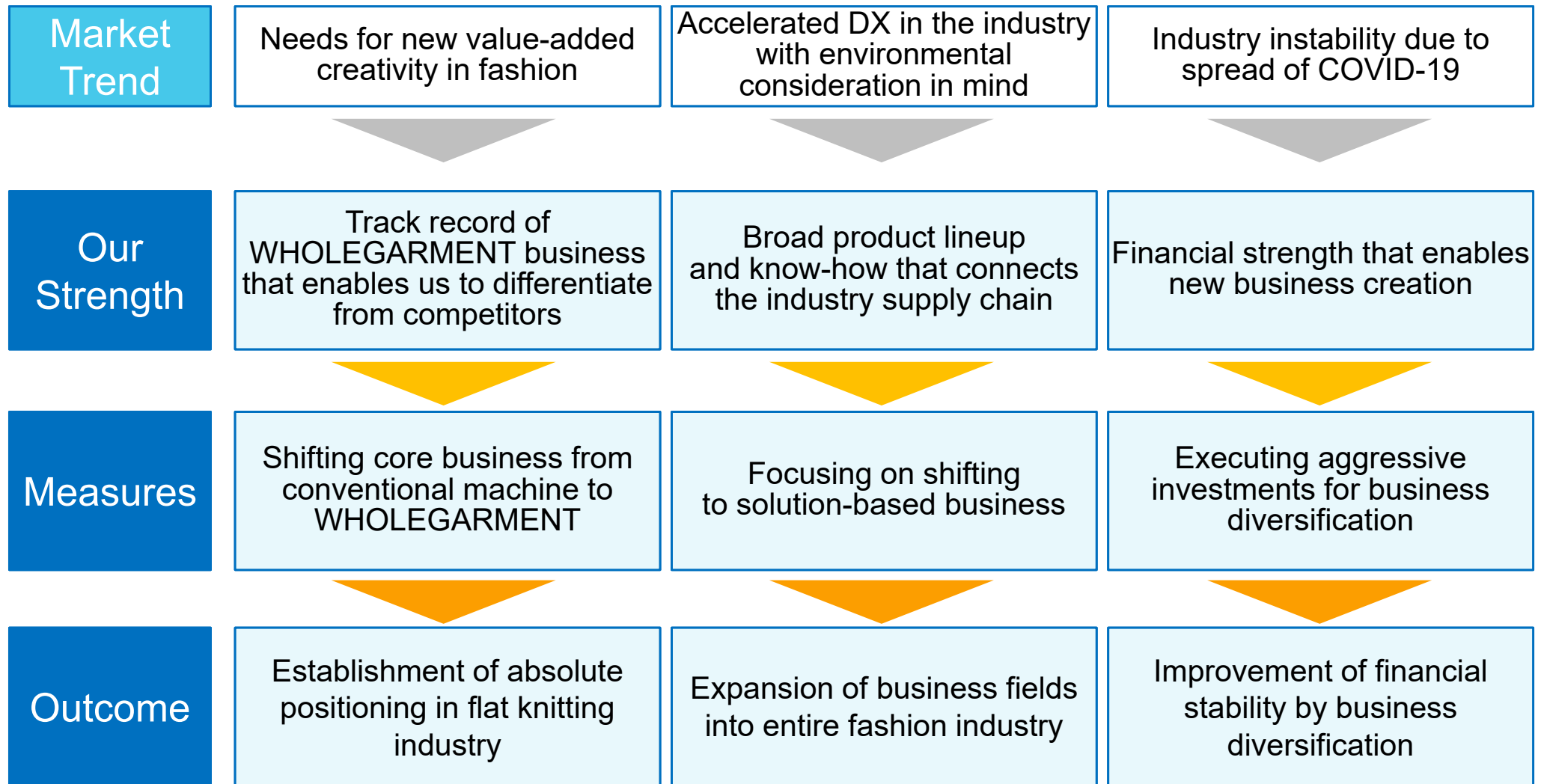
Shift of core business structure from conventional machine to WHOLEGARMENT

(4) Restructuring management infrastructure in response to social change

Management structure that meets the requirements of post COVID-19



Market Trend and Priority Measures of Medium-Term Management Plan



We aim for a positive turnaround in the next three years through industry-wide reform (**Reform** and **Revival**)

Management Targets

- These targets are positioned as milestones for the future
- We aim to further increase corporate value by achieving our mission

| (billion JPY) | FY2017 Result | FY2020 Result | FY2023 Target | percent change 2020 to 2023 |
|------------------|------------------|------------------|------------------|--------------------------------|
| Net sales | 71.8 | 24.4 | 43.0 | +76% |
| Operating income | 14.9 | -9.1 | 1.0 | — |
| Ordinary income | 15.5 | -7.2 | 1.7 | — |
| Net income | 11.2 | -17.8 | 1.2 | — |

Priority Measures for Achieving the Targets

(1) Strengthening WHOLEGARMENT business

- Shift of core business structure from conventional machine to WHOLEGARMENT

(2) Conversion to solution-based business

- Restructuring the supply chain for the entire fashion industry

(3) Advancing diversification with distinction

- Speedy launch of new businesses that contribute to management stabilization

(4) Restructuring management infrastructure in response to social change

- Management structure that meets the requirements of post COVID-19

Outline of Priority Measures

(1) Strengthening WHOLEGARMENT business

- Shift of core business structure from conventional machine to WHOLEGARMENT

(Measures)

**Development of new products
with reinforced functions**

+

**Thorough cost reduction
of products**

+

**Execution of
sales promotion measures**



➤ **WHOLEGARMENT-centered business structure
that differentiates from competitors**

(Main initiatives)

- Continued investment in development
- Strengthening marketing function

- Automation of production processes
- Reassessment of company-wide operations

- Enhancement of after-sales services
- Strengthening collaboration with other partners

Outline of Priority Measures

(2) Conversion to solution-based business

- Restructuring the supply chain for the entire fashion industry

Wasteful practices in supply chain

Streamlining, labor-saving, and adding values in knitting and other production process

DX for the entire fashion industry

- Shift of profit structure from product sales to sales of value-added solution

(Main initiatives)

- Proliferation of APEXFiz and yarnbank

- Strengthening of solution lineup

(3) Advancing diversification with distinction

- Speedy launch of new businesses that contribute to management stabilization

Decide on
diversification policy

+

Decide on
invested resources

...Business area, scale, goals

...Setting investment credit limit,
securing human resources

**Decide on
individual business plan**

Expansion of target

Monetization of existing business

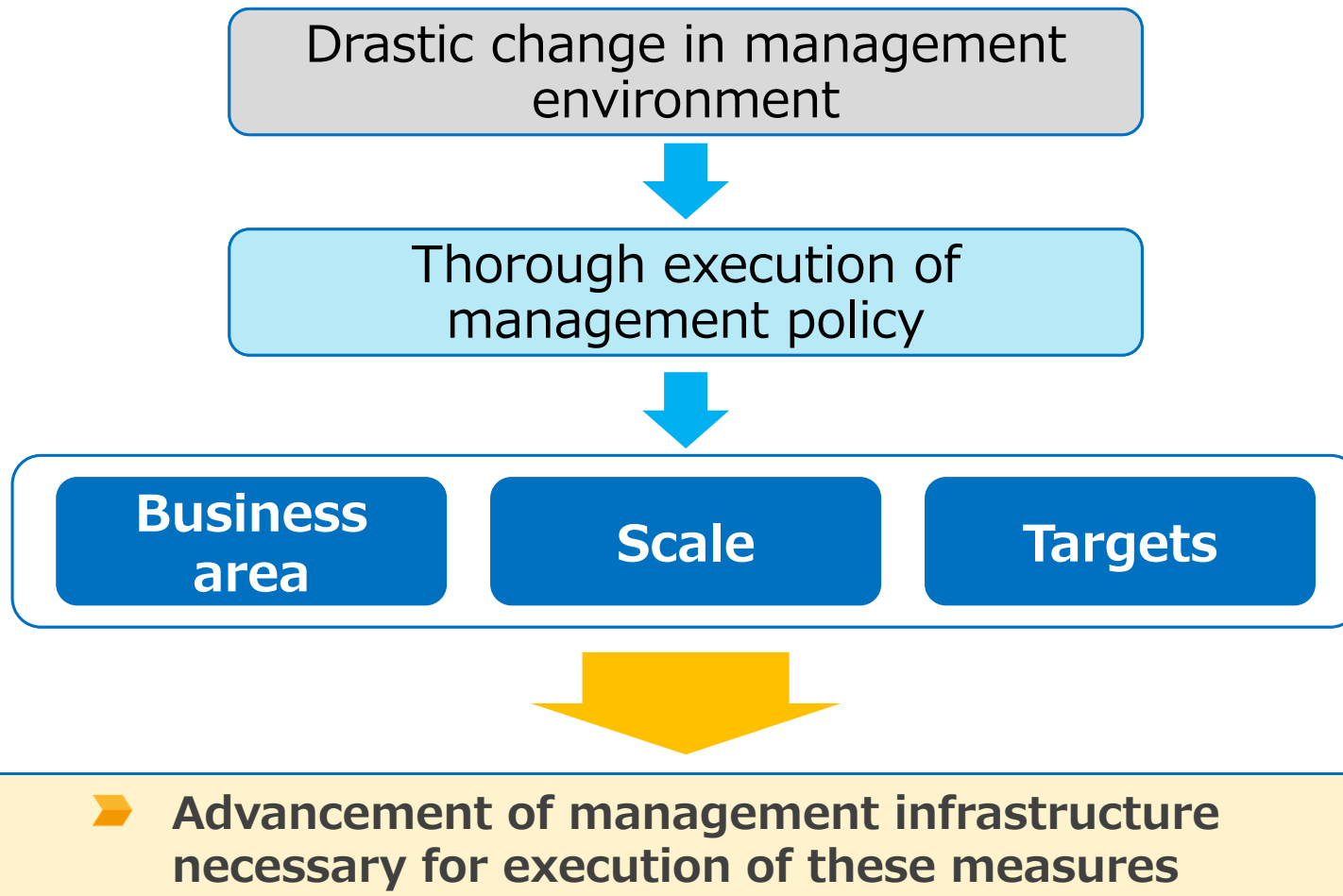
New business

- Rectifying overdependence on flat knitting segment and securing stable profit structure

Outline of Priority Measures

(4) Restructuring management infrastructure in response to social change

- Management structure that meets the requirements of post COVID-19



Net Sales by Product Segment

| (billion JPY) | FY2020 Results | FY2023 Targets | Remarks |
|---------------------------------|----------------|----------------|------------------------|
| Net Sales | 24.4 | 43.0 | ■ percent change: +76% |
| Flat knitting machine | 15.5 | 31.9 | |
| Design system | 2.5 | 3.7 | |
| Glove and sock knitting machine | 1.9 | 0.9 | |
| Others | 4.5 | 6.5 | |

Initiatives for the Realization of a Sustainable Society

We recognize our contribution to the realization of a sustainable society as one of our most important issues.

- SHIMA SEIKI takes initiatives at both the “product-” and “company-” level in order to achieve Sustainability Development Goals (SDGs).

Initiatives

Advancing our initiatives on mainly 9 issues for 2030 target

Products Level



Digitalization of fashion industry



Reducing inventory loss of knitted products



Company Level



Increasing the number of female managers



Increasing utilization rate of paid-leave



Appropriate waste water treatment from factories



Reducing discharge amount of chemical waste



Reducing CO₂ emissions



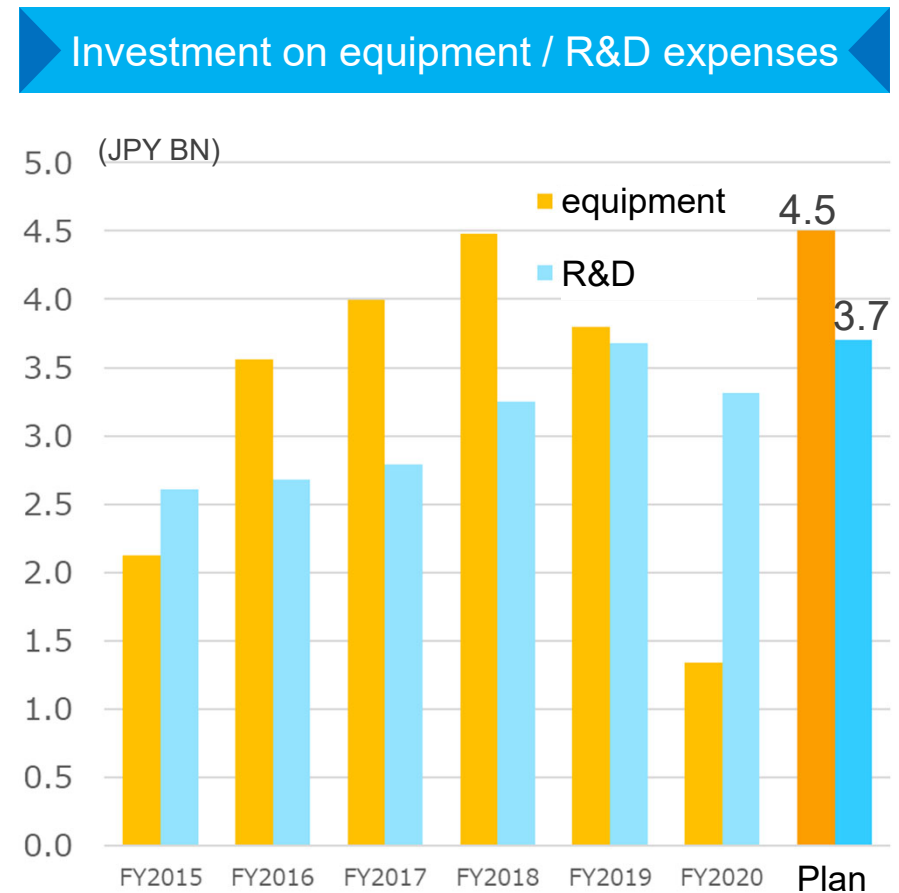
Increasing the usage rate of renewable energy



Increasing the green space area ratio

Continuation of aggressive investment from mid- to long-term perspective

- Continuation of high-level R&D investment
- Advancement of automation for increased production capabilities
- Personnel training from company-wide perspective, Investment in human resources from mid- to long-term perspective
- Setting investment credit limit of 2 billion JPY for reinforcing existing business and creation of new business
- Reinforcing environmental investment



(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) Guidance on shareholder returns (three years from FY2021)

Consolidated payout target ratio of 30%

- ▶ We strive to achieve surplus and execute consolidated payout target ratio of 30% for shareholder returns. We will also strive to increase capital efficiency through measures such as purchasing treasury stock in a timely and expeditious manner by taking into consideration such factors as our share price level, cash position, and 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.