

**SHIMA SEIKI**



SHIMA SEIKI MFG., LTD.

Integrated Report

**2024**

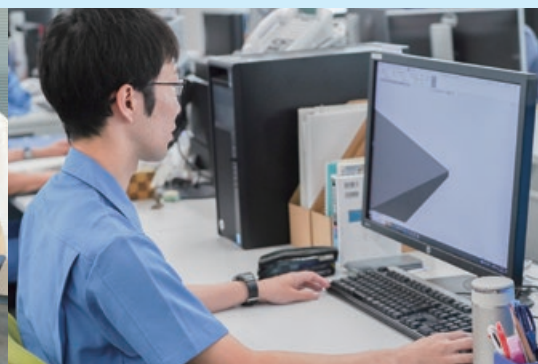


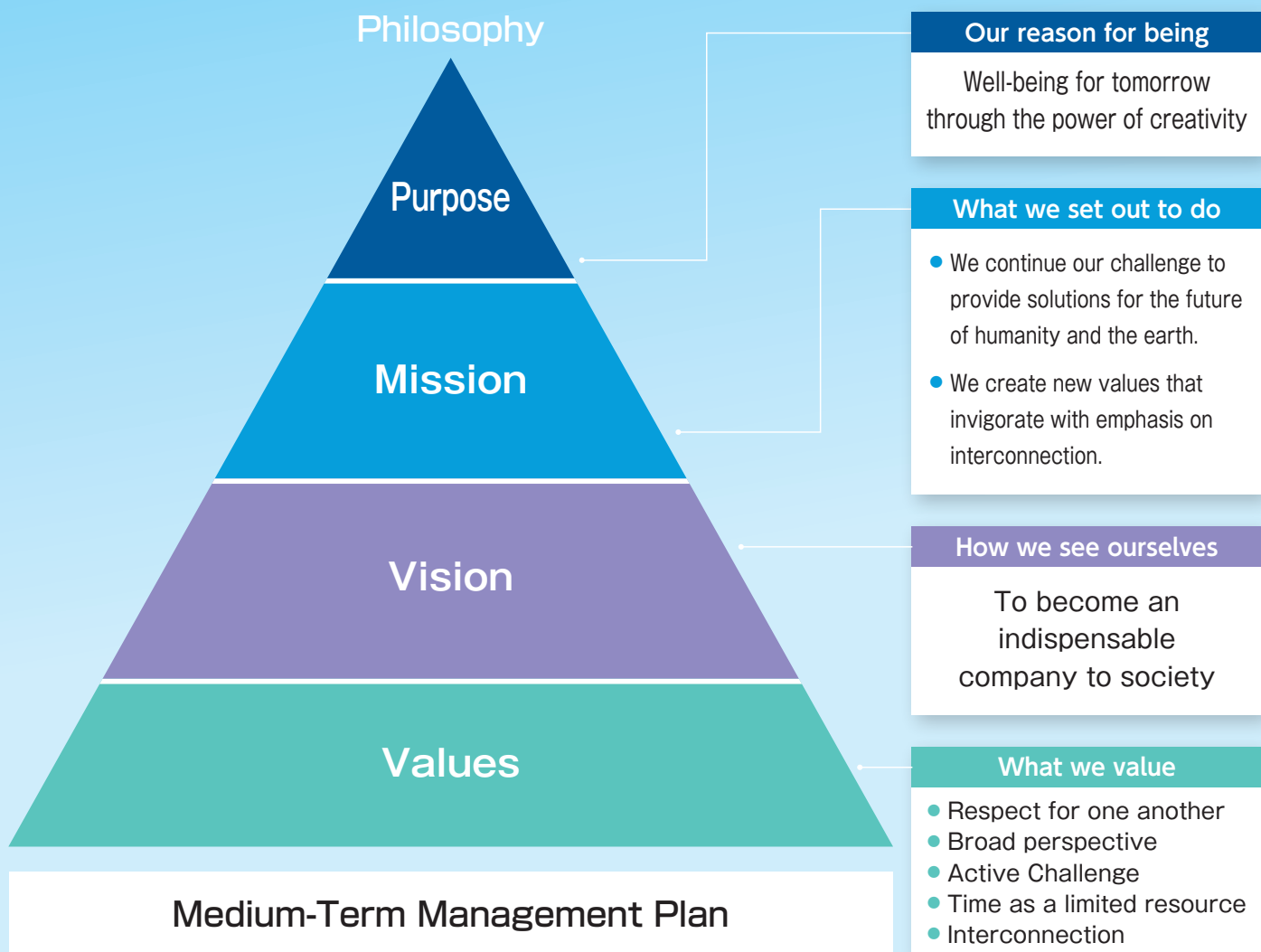
# *Well-being for tomorrow through the power of creativity*

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.





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### Activity Feeds



Instagram  
@shimaseiki.  
official



Instagram  
@wholegarment  
\_official



Instagram  
@virtualsample



YouTube



Facebook

Please find links to all our  
social media feeds in the  
footer of our website.

<https://www.shimaseiki.com/>



## ■ Editorial Policy

This Integrated Report was created to provide our stakeholders with an easy-to-understand description of our future vision and initiatives regarding our medium- to long-term business strategy and solutions to sustainability issues.

In this edition, we have particularly focused on enhancing the content based on the concept of emphasizing the “power of creativity,” which is our origin and continues to be the foundation of our growth. Now, as we embark on a new start with the formulation of our Medium-Term Management Plan and redefinition of our corporate philosophy, we have once again strived to highlight the “power of creativity” and the strengths that compose it—our development capabilities, production technology capabilities, sales capabilities, and human resources—to help you understand the future potential and social contribution of our business.

### Key Points

- To convey the “power of creativity” more persuasively, we have enhanced the content related to our strategies and policies for development capabilities, production technology capabilities, sales capabilities, and human resources.
- We have structured the report to clearly articulate our business strategies and management policies for realizing our purpose, “Well-being for tomorrow through the power of creativity,” in a manner that a wide range of stakeholders can understand.

Message from the President, Director’s Message, Materiality, etc.

### Reporting Period

While the report primarily covers FY2023 (April 1, 2023 to March 31, 2024), it also includes information from before and after this period.

## ■ Communication Tools



### ▶ Integrated Report

This Integrated Report provides comprehensive information disclosure to our stakeholders by publishing financial information, such as our business performance, and our ESG (Environmental, Social, and Governance) initiatives to equip them with an understanding of our medium- to long-term growth and the value creation process necessary to achieve it.

### ▶ Shareholder Newsletters

We provide our shareholders with semi-annual business reports, our latest news, recent initiatives, etc. (Only in Japanese)

### ▶ Annual Securities Report / Semi-Annual Securities Report

These reports contain business overviews and financial statements, etc.

### ▶ Results Briefing Materials

Presentation slides that outline quarterly financial information (simplified versions for 1st and 3rd quarters). Performance information is expressed using diagrams and photographs.

These communication tools are found on the Investor Relations page of our website under HOME > IR Library.  
<https://www.shimaseiki.com/ire/library/>



## Notes on Forward-Looking Statements

Performance forecasts and other forward-looking statements contained in this report are based on information available at the time of preparation and certain assumptions deemed reasonable, but are subject to uncertainties. Therefore, please be aware that actual performance, business development, or financial conditions may differ significantly from the forecasts due to various factors, including future economic trends, market demand, and economic, social and political conditions.

# History of Shima Seiki

— Challenge to World Firsts —

"If it can't be found anywhere, let's create it"

Since its foundation, Shima Seiki has created numerous world-first products and services.

To this day, we have continued to grow by responding to changes in the social environment and the needs of the times.

## 1962 Foundation

Founded SHIMA SEIKI  
MFG. in Tebira,  
Wakayama City



▲ Founder  
Masahiro Shima

## 1964 Development of the Fully Automated Glove Knitting Machine

On December 25, the Company faced imminent bankruptcy due to an inability to settle a promissory note. However, after receiving a loan from a business owner in Osaka, Masahiro Shima was inspired to continue development tirelessly for a week without sleep. By New Year's Eve, he successfully completed the world's first fully automated glove knitting machine, marking the beginning of Shima Seiki as a manufacturer of fully automated glove knitting machines.

### 1968

- ▶ Constructed a new plant in Sakata, Wakayama City, current location, and relocated the headquarters



### 1971

- ▶ Debuted in the international exhibition ITMA hosted in Paris  
Started full-fledged exporting in response to international recognition

## 1973 Turning Point

Although financial institutions proposed downsizing due to the oil crisis, instead of reducing personnel, Shima Seiki introduced the latest NC machine tools with an eye toward the coming era. The introduction of machine tools improved processing precision and the employment of electronics engineers led to the development of what later became the "computer-controlled flat knitting machine."

### 1985

- ▶ Founded the first overseas subsidiary, SHIMA SEIKI EUROPE LTD. (U.K.)

### 1986

- ▶ Founded SHIMA SEIKI U.S.A. INC. (U.S.)

### 1990

- ▶ Listed on the second section of the Osaka Stock Exchange  
Completed construction of the current headquarters building



### 1992

- ▶ Listed on the first section of the Osaka Stock Exchange

## 1995 Birth of the WHOLEGARMENT® Flat Knitting Machine

In response to the crisis facing the knitwear industry caused by the high value of the yen, including the hollowing out of production due to the relocation of production bases overseas and a rapid increase in imports in the apparel industry, Shima Seiki developed the "completely seam-free-type flat knitting machine (WHOLEGARMENT® flat knitting machine)" suitable for production in consumption areas. This innovative solution of "eliminating sewing" had a historic impact on the industry.

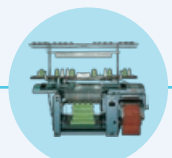
### 1996

- ▶ Listed on the first section of the Tokyo Stock Exchange

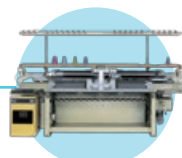
Flat Knitting Machines/  
Glove and Sock Knitting Machines



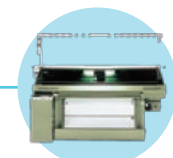
Fully automated glove knitting machine (Square fingertip type)



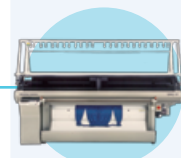
The world's first fully automated full fashion collar knitting machine "FAC"



Shimatronic® computer-controlled flat knitting machine "SNC"



Second-generation computerized flat knitting machine "SES"



The world's first completely seam-free-type computerized flat knitting machine, "SWG"

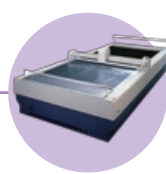
The world's first SlideNeedle®-equipped WHOLEGARMENT® flat knitting machine, "SWG®-FIRST"

Design Systems



Shimatronic® design system "SDS®-1000"

Computerized Cutting Machines



Computerized multi-ply fabric cutting machine "P-CAM"

Solution-Based Business

## 2000

## New Challenges

In response to the diversification of consumer needs and demand for new manufacturing methods, Shima Seiki developed a new design system called "SDS®-ONE" based on the concept of "All in One." By utilizing high-definition virtual samples, the system reduces the time and cost required to create samples, enabling more efficient production.

## 2002

- Obtained ISO 9001 certification related to designing and manufacturing the apparel design system

## 2006

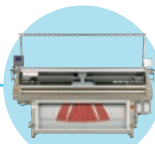
- Founded SHIMA SEIKI WIN WIN LTD. (Hong Kong, China)
- Founded SHIMA-ORSI S.R.L. (Italy)

## 2007

- Awarded the Okochi Memorial Foundation's 53rd Production Special Prize

## Background of WHOLEGARMENT® Flat Knitting Machine Development

WHOLEGARMENT® refers to the seamless knitwear made by Shima Seiki using its uniquely developed, world's first WHOLEGARMENT® flat knitting machine. This technology allows for the entire garment to be knitted in three dimensions without seams, resulting in a sustainable knitted product that is gentle on both the skin and the environment. The concept originated from the idea that "if you turn a glove upside down so that the wrist is the collar, the index, middle and ring fingers are the body, and the thumb and little finger are the sleeves, it would resemble a sweater."



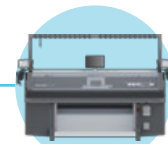
WHOLEGARMENT® flat knitting machine "MACH2®" series

Computerized flat knitting machine "SSR®" series

The world's first computerized flat knitting machine, "SWG®-FIRST®154," which allows shaping in 21-gauge



The world's first WHOLEGARMENT® flat knitting machine with four beds equipped with movable sinkers, "MACH2®XS"



WHOLEGARMENT® flat knitting machine "SWG®-XR"



Fully automated pile glove knitting machine "SPG®-R"



Innovative design system, "SDS®-ONE"



Developed the design system "SDS®-ONE APEX," which enabled three-dimensional expression



"SDS®-ONE APEX4," a design system that simplifies WHOLEGARMENT® programming and speeds up simulation functions



Computerized cutting machine "P-CAM® 120C" that can handle industrial materials



Computerized cutting machine "P-CAM® R," which realized improved cutting quality



Launched the world's first yarn search service, "yambank®"



Launched the design software subscription service "APEXFiZ®"



Launched the online service, "SHIMA Datamall™"

## 2011

## Expansion into Different Sectors

"P-CAM®" computerized cutting machines, which had previously only been sold to the apparel industry, were expanded to include cutting applications for industrial materials, etc., marking the Company's entry into different sectors. The P-CAM® received high praise at composite materials exhibitions and aerospace exhibitions. Due to the expansion of customer base, this also paved the way for expansion of flat knitting machines into different industries.

## 2015

- The headquarters obtained ISO 14001 certification

## 2016

- Received the Prime Minister's Award for Contributions to Greening Efforts

## 2017

- Mitsuhiro Shima assumed the position of President and Representative Director
- Opened "Shima Kids' Land" as an in-house nursery school

## 2023

## Pioneering the Future

The business environment is changing day by day against the backdrop of growing environmental awareness. We are committed to developing and providing products, services and solutions that support our customers' "sustainable manufacturing" efforts, aiming for further growth.

## 2023

- Masahiro Shima retired from the position of Chairman of the Board

## Business Domains

Shima Seiki operates four business segments: “Flat Knitting Machine,” “Design System,” “Glove and Sock Knitting Machine,” and “Other Business.” We combine hardware and software to provide solutions tailored to our customers’ needs.

### Flat Knitting Machine Segment

72.1%  
(¥25,884 million)

Shima Seiki’s core business is the manufacture and sale of computerized flat knitting machines that boast industry-leading technological prowess. We offer WHOLEGARMENT® flat knitting machines capable of knitting entire garments three-dimensionally, as well as shaping machines capable of producing a wide range of patterns and designs.

In particular, the WHOLEGARMENT® flat knitting machine not only achieves high design quality and comfort but also eliminates the need for sewing processes, resulting in no cutting or sewing losses, significantly reducing lead times compared to traditional methods.

Going forward, we will continue to develop products that contribute to solving social issues while also working on expanding into new markets outside the apparel and fashion industry, such as mobility, healthcare, and industrial materials, aiming for sustainable business growth.

#### FY2023 Performance

Net Sales	¥25.8 billion	Down 5.5% year on year
Operating Income	¥4.4 billion	Up 64.1% year on year



### Design System Segment

9.7%  
(¥3,466 million)

This segment handles design systems and computerized cutting machines that support manufacturing in a variety of industries including the fashion industry.

Our design systems not only facilitate programming for flat knitting machines but also enable diverse designs through high-definition virtual samples and three-dimensional simulations, contributing to reduced lead times and cost reductions. In addition to our integrated hardware systems, the user base for our software subscription services that allow for a variety of working styles has been steadily increasing in recent years.

For computerized cutting machines, we will focus on the sale of new models with significantly improved cutting accuracy and productivity, and will work to expand our presence in different sectors, such as mobility and industrial materials, while also intensifying our proposal activities in the global market.

#### FY2023 Performance

Net Sales	¥3.4 billion	Down 2.0% year on year
Operating Income	¥0.8 billion	Up 11.3% year on year



## Glove and Sock Knitting Machine Segment



This segment manufactures and sells glove and sock knitting machines, which are the origin of our technological development.

Through continuous improvements, we have developed technology, durability, and reliable productivity, expanding our user base worldwide. In recent years, we have been advancing functionality and fine gauge capabilities, strengthening our response to high value-added fields such as medical and outdoor applications. We aim to acquire new users and improve our performance further in the future.

### FY2023 Performance

Net Sales	¥0.4 billion	Down 51.1% year on year
Operating Income	¥0.06 billion	Down 39.3% year on year



## Other Business Segment



This segment sells maintenance parts and provides repair and maintenance services for our knitting machines and system equipment, as well as operates a spinning business for high-end cashmere yarn at a subsidiary. We will continue to provide customer-oriented technical services and after-sales services to expand our profitability.

### FY2023 Performance

Net Sales	¥6.1 billion	Up 1.2% year on year
Operating Income	¥1.3 billion	Up 29.9% year on year



# Value Creation

## Message from the President

Announcement of the new “Ever Onward 2026” Medium-Term Management Plan.  
Restructuring our corporate culture with the power of creativity and accelerating growth toward a well-being society



Mitsuhiro Shima  
President

## The “Next Move” is Critical: The Continuing Tough Business Environment of the Apparel and Fashion Industry

In the current apparel and fashion industry, people have become more positive and the market is expected to be reinvigorated as the industry recovers from the COVID-19 pandemic. However, the global economy, which is becoming increasingly complicated by such factors as soaring raw material and energy prices due to the prolonged Ukraine crisis and monetary tightening in Europe and the U.S. to curb inflation, must be said to be extremely difficult for companies to predict. For example, exchange rate fluctuations, which previously were ¥1 or ¥3, can now fluctuate by as much as ¥10, which poses a major risk for us, given our high ratio of overseas sales.

Soaring logistics costs and the tight schedules of the apparel and fashion industry cannot be ignored either. For apparel and fashion manufacturers, our main customers, even a one-week delay can have a significant impact on sales. Under these circumstances, the industry as a whole has no choice but to take a “defensive” approach to business. It continues to be difficult to figure out how to make the next move or take on new challenges.

## Achieving Profitability in the 63rd Fiscal Year for the First Time in Five Years. Restructuring Production System and Company-wide Challenges Lead to Results

Despite this difficult business environment, in FY2023 (the 63rd fiscal year), we achieved profitability for the first time in five years. This was mainly due to a recovery in appetites for capital investment, particularly in China and Southeast Asia, which led to steady sales growth of next-generation WHOLEGARMENT® flat knitting machines and conventional mainstay models. We also revisited the company-wide approach to “manufacturing” that has been cultivated since our founding, and revised from scratch the systems that were taken for granted, such as those for suppliers, manufacturing

processes, and sales activity expenses.

In these revisions, rather than relying on conventional on-demand production, we implemented planned production and procurement, which is one of our measures, to reduce waste while ensuring flexibility, and shifted to a new zero-based manufacturing approach. Through the company-wide challenge, we restructured our production system, which had previously been affected by seasonal fluctuations, and leveled out monthly production throughout the year, leading to cost reductions.

I would like to take this opportunity to once again express sincere gratitude to our suppliers and other stakeholders, for enabling us to overcome this difficult situation.

I believe that the environment surrounding the apparel and fashion industry will continue to change dramatically. However, humans have an innate ability to adapt to changes in the environment. We, too, need to view the business environment from a broader perspective and respond more flexibly and quickly to issues such as exchange rate fluctuations and strict delivery deadlines. I believe that we can achieve further growth by harnessing the power of creativity, which is our corporate DNA.

On a different note, when I was a student, I was a member of a yacht club. I would go out to sea every day to practice my sailing skills. As a business manager, I am reminded of those days when I think about the business environment. Running a business is very similar to sailing a ship. For example, when a storm stirs up waves so huge that you cannot see the other side, you can move forward successfully not by taking the wave head-on, but rather, by taking risks and going at an angle. On the other hand, when there is no wind, there are ways to move forward, but only at a slow pace. Only by skillfully utilizing strong winds and rough waves can we make great progress. It is precisely because we are in the current business environment that I believe we can gain tough impetus for growth by boldly catching the waves and continuing to take on challenges.



ITMA 2023, an international textile machinery exhibition (June 2023)

## Formulation of the New Medium-Term Management Plan.

### The Younger Generation Takes the Lead in Weaving a New Philosophy

This fiscal year, we formulated a new Medium-Term Management Plan covering the three years from FY2024 to FY2026, and announced it in May 2024. In this new Medium-Term Management Plan, we redefined our corporate philosophy, clarifying our philosophy for further expansion and growth.

If a company does not have a clear purpose (reason for being), the direction of the entire organization will also remain unclear. In order to face a business environment that is expected to continue to undergo dramatic changes, it is necessary to reaffirm, share, and unify our reason for being throughout the entire company now. We have set our new purpose as "Well-being for tomorrow through the power of creativity." This signifies our commitment to using our technological capabilities to embody the fundamental human aspiration to "make tomorrow better than today" in our products and services, tackling various social issues, including those in the apparel and fashion industry, and providing new values.

The new Medium-Term Management Plan has been formulated based on our philosophy. Our strength in this is the "power of creativity" we have honed since our founding. With the aim of continuing to provide well-being not only for the apparel and fashion industry, but also for society at large, we have set our ten-year vision of "Work vibrantly with hope and pride and continuously take on challenges." The younger generation who will be responsible for our Company ten years from now took the initiative in formulating the philosophy.

At present, young employees who volunteered are playing an active role as leaders in gaining a deeper understanding of the new philosophy and translating it into concrete action. They have set up opportunities for discussion and communication that go beyond



generations and positions, and while respecting differences of opinion, they are carrying out briefing sessions and other promotional activities to ensure that our philosophy does not become a mere formality. I feel very confident that creating such opportunities is an important first step toward achieving our goals. We intend to continue to share our philosophy with all employees and conduct our business activities based on a solid foundation.

### Transforming the Entire Supply Chain with Shima Seiki's Innovative Solutions

Under the new Medium-Term Management Plan, all employees are taking action with a strong determination to "create a well-being future." If our reason for being as a company is clearly defined, concrete business strategies based on that purpose will naturally follow.

In addition to reconstructing our management infrastructure by clarifying our philosophy, we have positioned the following measures as the pillars of our growth strategy: establish a solution-based business centered on our design systems; develop new products and tap into new markets for our mainstay flat knitting machines; expand global sales channels for our computerized cutting machines; and expand sales in different sectors. These measures are not merely an extension of our past growth, but a new challenge to realize a well-being future based on our new philosophy. Every employee will work with a broader perspective to achieve our goals.

We aim to transform the entire supply chain with comprehensive solutions that include our flat knitting machines, design systems, and computerized cutting machines, and we intend to actively take on new ventures in different industries by thinking outside the box.

### Exploring the Potential of the Supply Chain with Flexible Thinking

To realize a society that values well-being, a variety of reforms are needed, which in turn requires providing new solutions with flexible thinking. Let's look at store

operations in the apparel and fashion industry for example.

Currently, the mainstream style, both in physical stores and on e-commerce sites, is to display a large number of products to attract consumers' attention and allow them to enjoy browsing items as they shop. However, in order to maintain this system, it is said that approximately 80 billion apparel items are produced worldwide per year.

I wonder if such a large number of items are really necessary for a world population of approximately 8 billion people. This mass production and mass consumption style of business produces enormous waste, and the industry faces many challenges, including the environmental burden on the planet and human rights issues for workers. One way to improve this situation is to create a new sales style that minimizes inventory while still allowing consumers to enjoy shopping.

The new sales style I imagine is one in which consumers can specify their favorite designs and colors on an e-commerce site or at a physical store, and products are actually created on the spot. This process eliminates waste and makes it possible to only produce what is needed. On-demand production is the key to achieving this. This is theoretically feasible with our WHOLEGARMENT® flat knitting machines and design systems, significantly streamlining operations. By leveraging our technology, the possibility of a new business model that can balance consumer satisfaction and retailer profits is in sight.

## Taking Shima Seiki's Technologies Global by Actively Expanding into Different Sectors such as Mobility and Medical

For 60 years since our founding, we have developed our business as a pioneer of knitting machine technology in the apparel and fashion industry. In recent years, we have accelerated our expansion into different industries through our flat knitting machine business and the computerized cutting machine business.

Our computerized cutting machine business, which we launched in 1991, has grown to capture the top market share in Japan. We have already expanded into different sectors such as mobility, medical, and industrial materials. One of our future growth strategies involves replacing products traditionally manufactured using computerized cutting machines with knitted materials. This is made possible by our proprietary



WHOLEGARMENT® flat knitting machine, a world-first technology uniquely developed by Shima Seiki.

WHOLEGARMENT® flat knitting machines can produce entire knitted products in three dimensions as long as there is yarn, eliminating the need for large inventories and significantly reducing waste. This technology can revolutionize not only product design and functionality but also the manufacturing process itself. Moreover, utilizing knitted materials expands the range of material options. The major advantage of knits lies in their ability to provide flexibility and comfort that conventional materials cannot achieve. By taking advantage of these characteristics, we expect to see further sales growth across a wide range of industries including mobility, medical, and interior design.

We will continue to promote expansion into different sectors and fields through new applications of our knitting technology while accelerating our growth in the global market. As a leading company in flat knitting machines, our mission is to explore the possibilities of knitted materials and provide innovative solutions. We will continue to devote our efforts to R&D, creating new values for the world.

## Contributing to the Realization of a Well-being Society through Sustainable Initiatives

As a manufacturing company, our sustainability initiatives can be divided into the manufacturing department and back-office department. The manufacturing department, in particular, consume large amounts of energy in machine tools, motors, and boilers and heaters used in heat treatment. To date, we have been steadily accumulating efforts to reduce energy consumption, such as solar power generation, improving air conditioning efficiency, and using heat-shielding paint on factory walls. Currently, in addition to these efforts, to efficiently control energy consumption in our manufacturing, we are working on reviewing manufacturing processes and implementing planned production and planned procurement to level out energy consumption. By continuing these initiatives, we aim to control energy costs and reduce CO<sub>2</sub> emissions. Alongside our in-house initiatives, we are also focusing on sustainability across the entire supply chain. We recognize the importance of contributing to our customers' energy reduction through our machines, and we are working daily on technological development with the aim of halving the power consumption per unit in the future.

When it comes to developing these technologies, I feel that simply relying on cutting-edge technology is already an outdated approach. We need to consider whether cutting-edge technology truly leads to well-being or if it can be achieved through a combination of legacy technologies, taking into account the overall balance. Furthermore, the sustainable initiative that best expresses our character is to promote the use of flat knitting machines across a wide range of industries, significantly reducing waste by replacing product materials with knitted materials. We intend to expand such initiatives and contribute to sustainability through Shima Seiki's unique approach.

In our vision of a well-being world, Shima Seiki's power of creativity, including our technological innovations, is utilized in many industries and various aspects of society. I believe this vision can be realized if we sincerely address the waste that exists in society and propose and develop businesses that benefit the entire supply chain.



## Diversity Means Different Ways of Thinking. Aiming to Be the World's Fastest Growing Group by Uniting Our Employees' Diverse Strengths

The foundation of a company's growth is the "power of its people," and diversity is crucial to support this growth. When we think of diversity, differences in gender, age, or nationality may come to mind, but as a business manager, what I value most is the diversity of individual ways of thinking. Even if life has not gone the way you planned so far, it is important to think about how you can be happy from now on and to maintain a flexible mindset that adapts through exposure to a variety of ideas. In this process, working with others can sometimes lead to better results. To pave the way for the future, it is of paramount importance to respect different perspectives and approaches and unite diverse strengths.

At Shima Seiki, we have been creating an environment where employees can encounter diverse opinions and ideas to maintain and enhance their motivation for growth. As mentioned earlier, the apparel and fashion industry will continue to face intense changes in the business environment. Whether a company grows and evolves amid these changes depends on the creativity honed through exposure to different environments and diverse thoughts, and ideas that are born as a result. I believe that the growth of a company can only be achieved through the united efforts of all employees. However, this "unity" does not imply an image of everyone moving in the same direction as in the Showa era. In the Reiwa era,

what is required is a process of diverse experimentation and trial-and-error, where each individual gains different experiences and grows through repeated course corrections. I hope that our employees will boldly take on challenges, believing that challenges and failures are stepping stones for growth. I believe that this individual growth is what will drive Shima Seiki's powerful growth. While cherishing the power of creativity we have honed over the years, we will incorporate new perspectives and approaches as we strive to become the world's fastest-growing group.

### Together with All Stakeholders as Partners, Leading the Industry Toward Progress

We consider our stakeholders to be valuable partners in jointly resolving social issues in the industry and guiding it toward expansion. We recognize

the importance of taking consistent action based on our vision, making flexible adjustments as necessary, and growing together through continuous dialogue with all of you. Through our IR activities, we will continue to strive to deepen our relationships of trust by clearly communicating our vision and strategies. We kindly ask for your understanding of this vision and strategies with regard to the direction we are working toward, and how we will proceed with our business to achieve our goals.

Lastly, I would like to mention that "Ever Onward 2026," our Medium-Term Management Plan, has been launched this fiscal year. We consider it is our mission to demonstrate the power of creativity not only in the apparel and fashion industry, but also across a wide range of industries, continuously taking on challenges to provide solutions for the future of humanity and the planet, and contributing to the realization of a well-being society. We humbly request your continued support as our stakeholders in these endeavors.



# The Shima Seiki Value Creation Model

Shima Seiki continues to challenge unknown territories toward the solution of all social issues.

## • Principal Capital •



The ability to create **unique**, world's-first products and services



The technologies to **consistently** produce **high-quality** products through widely varied, small-lot production



Sold in approx. **80 countries**  
Overseas sales ratio of around **80%**



**1,789** employees  
Cultivating diverse human resources to maintain a corporate culture that fosters **originality**



Approx. **850** patents (in Japan and overseas)  
Approx. **320** registered trademarks (in Japan and overseas)  
Considerable other know-how



An equity ratio of **85.2%**  
Total assets of **¥107.8 billion**

(Fiscal year ended March 31, 2024)

## • “Ever Onward 2026” Medium-Term Management Plan •

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

## • Materiality •

Challenging **technological innovation**

Realizing a **sustainable society**

**Human resource strategy**

Building **sturdy corporate governance**

## • Social Issues •



Information society



Climate change



Environmental pollution  
& resource depletion

## Establishment of Solution-Based Business

We aim to solve social issues by using our technology capabilities and hardware and software know-how to build platforms, systems, and frameworks for our customers to satisfy consumers.

### Existing Business



Flat knitting machines



Design systems



Glove and sock knitting machines



Computerized cutting machines



### New Business Development



SHIMA Datamall™



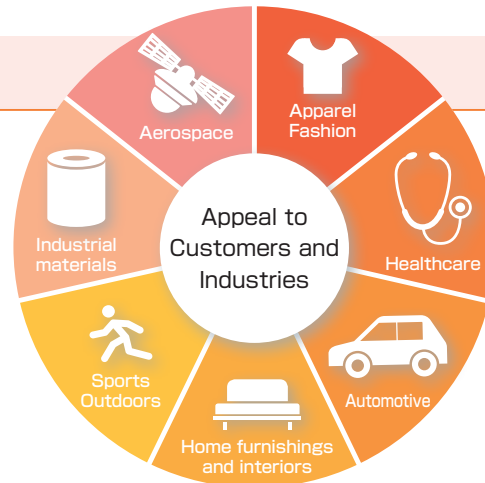
APEXFiz®



yarnbank  
yarnbank®



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## Return to Consumers

### Timely and optimal production

Produce the required amount only as needed, and ensure that consumers can get what they want when they want it as well.

### Secondary distribution of fashion products

Consumers can feel they are helping the environment and use fashion products more effectively.

### A game changer for the industry

Consumers can benefit from the cost advantage of reduced wasteful practices in manufacturing.

### Contributing to other industries

Contribute not only to the fashion industry, but also to an affluent society, which in turn enriches consumers' lives.

Solving social issues



Population decline in developed countries



Work style reform



Strengthening of international competitiveness

# Source of Value Creation

## 1 Development Capabilities

### Continuing to Create Innovative Solutions

Shima Seiki's development history began with the "automation of glove knitting machines," and in the 1990s, we successfully developed the completely seam-free-type "WHOLEGARMENT® flat knitting machine," which was praised as "Oriental Magic." Since then, we have continued to develop flat knitting machines, design systems, computerized cutting machines, and other products that anticipate the needs of the times. Currently, we are also focusing on developing samples that use sustainable materials and creating solutions that consistently support the entire supply chain from planning to production and sales, continuing our efforts to promote sustainable manufacturing.



## 2 Production Technology Capabilities

### Seamlessly Integrated High-Quality Manufacturing

We have continuously pursued technological innovation to provide our customers with high-quality products that excel in durability and stability. We have centralized all departments, including development, production, manufacturing, and sales, at our headquarters in Wakayama, which allows for smooth collaboration between departments, enabling us to achieve a consistent integrated manufacturing process from start to finish. To improve quality, we regularly hold "QMS (Quality Management System) Committee" meetings to share information on initiatives and discuss solutions and improvements to issues. In doing so, we strive to develop and provide attractive products from the customers' perspective. In addition, we are working to establish an internal traceability system, and by utilizing an internally linked system to grasp the entire production process through data, we are able to quickly respond to inquiries from customers after shipment, thereby achieving stabilization and improvement of product quality.



## 3 Sales Capabilities

### A Global Network of Trust

The ratio of overseas sales accounts for approximately 80% of our product sales. Our products, primarily flat knitting machines, are currently sold in approximately 80 countries, including Italy, known for producing numerous luxury brands; China, the world's largest knitting production center; and emerging production hubs in Southeast Asian such as Bangladesh and Vietnam.

With our local subsidiaries in China, Hong Kong, Vietnam, Italy, the U.K. and the U.S. as the core, we have a built service network across the world, expanding our business and services globally. We constantly collaborate with our overseas agents to enhance our support system, ensuring that customers all around the world can use our products with peace of mind.



## 4 Human Resource Capabilities

### Creating an Environment for Diverse Talent to Thrive

To realize our vision of "To become an indispensable company to society," which is set out in the "Ever Onward 2026" Medium-Term Management Plan, we have positioned "human resources" as one of our important capital assets. We are promoting initiatives based on the policies of "reformation of management infrastructure" and "future growth," focusing on creating an environment where employees can enhance their capabilities and maximize their potential. We believe that the chemical reactions born from the mixing of people with different experiences, values, nationalities, and genders, who respect and inspire one another, have a significant impact on organizational development and the creation of new values. Based on this belief, we are actively promoting diversity and linking it to the sustainable enhancement of corporate value.



# Materiality

In order to become an indispensable company to society, Shima Seiki will contribute to the solution of social and environmental issues through our business and pursue both social and economic value to achieve sustainable growth and improve medium- to long-term corporate value. Based on this vision and management direction, we investigated and analyzed SDGs and ESG investing (investing prioritizing environmental, social, and governance factors), as well as other prominent social and environmental issues and management challenges facing our Company. Taking into account the rapidly changing management environment, accelerating innovation, and global trends, we classified our materiality into the four categories of **technology**, **environment**, **human resources**, and **governance**, which have high degrees of importance for both our stakeholders and our business, and set themes in each category.

## Our Materiality Themes

### Technology

#### Challenging technological innovation



## Materiality Specification Process

### STEP 1

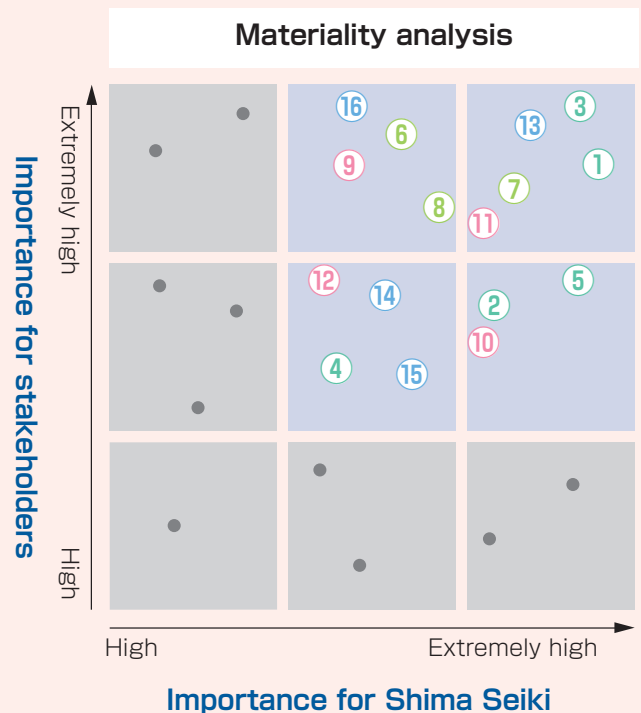
#### Reference Indexes for Materiality Specification

- 17 goals and 169 targets of the SDGs, ESG perspective
- Social issues; company issues



### STEP 2

#### Assessment of Importance



## Environment

## Realizing a sustainable society



## Human Resources

## Human resource strategy



## Governance

## Building sturdy corporate governance



## Technology

- 1 : Decline in distribution volumes due to a production structure review in the apparel industry
- 2 : Decline of working population due to low birthrate and aging in Japan
- 3 : Wasteful consumption and streamlining of goods, resources, and labor in the apparel industry  
Emergence of DX and e-Commerce sales; shift of the apparel manufacturing industry to local production for local consumption
- 4 : Appearance of new technologies, such as artificial intelligence (AI); higher speed and upgrading of communication technology
- 5 : Development of similarly designed clothing from multiple brands

## Environment

- 6 : Emergence of environmental problems, such as global warming, abnormal weather conditions, energy consumption, and water resource pollution
- 7 : Worldwide CO<sub>2</sub> emissions of approximately 2.1 billion tons a year by the apparel industry
- 8 : Increase of made-to-order production and customized sales; increasing interest in ethical consumption

## Human Resources

- 9 : Advance of low birthrate and aging in Japan  
Health problems; medical care and nursing care problems; longer healthy lives  
Worldwide proliferation and spread of infectious diseases, etc.
- 10 : Accelerated social advancement of women and elderly  
Increase in world population, expansion of poverty and inequalities in developing countries
- 11 : Expansion of problem-solving-type industries and services  
Problem of work substitution due to the appearance of AI technology
- 12 : Diversification of workstyles

## Governance

- 13 : Moves to strengthen governance system; review of market division
- 14 : Business risk disclosure; risk of natural disasters, etc.  
Risk of leakage of personal information, customer information, know-how, etc.
- 15 : Frequent occurrence of corporate scandals
- 16 : Increased importance of communication with stakeholders

## STEP3













## In-House Hearings

The specified materiality was shared in the Company, and hearings were held in related departments and divisions to check appropriateness and activity content. As a result, the content was further polished.

## STEP4

## Approval by Management

The Executive Committee was given an explanation of the content and confirmed the materiality that Shima Seiki should address.

	Materiality	
	Technology <small>Challenging technological innovation</small>	Environment <small>Realizing a sustainable society</small>
Relevance to Shima Seiki's vision	<ul style="list-style-type: none"> <li>Development of original technologies that are the world's first</li> <li>Productivity improvement through better efficiency</li> <li>Building a manufacturing platform through digitization</li> <li>Response to cutting-edge technologies</li> <li>Creation of added-value clothing</li> </ul>	<ul style="list-style-type: none"> <li>Environmental preservation</li> <li>Supply of products and services with little environmental load</li> <li>Shift to timely and optimal production</li> </ul>
Shima Seiki's activity content	<ul style="list-style-type: none"> <li>Development of new products and services; reinforcing functions of existing products</li> <li>Automation and labor-saving through the utilization of digital tools</li> <li>Expansion of the solution-based business that encompasses Shima Seiki products</li> <li>Development of products compatible with the latest technologies such as AI; making internal systems more resilient</li> <li>Development of new knitting methods and high-added-value yarn</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of the manufacturing process of our products</li> <li>Reducing wasteful practices in the fashion industry</li> <li>Proposal of solutions centered on WHOLEGARMENT® flat knitting machines</li> </ul>
Results until March 2024	<ul style="list-style-type: none"> <li>Development and announcement of "SWG®-XR"</li> <li>Development and announcement of "P-CAM® R"</li> <li>Development and announcement of "SPG®-R"</li> <li>Established "SHIMA Datamall™" online service</li> </ul>	<ul style="list-style-type: none"> <li>Established the Sustainability Management Division and the Sustainability Committee</li> <li>Expressed support for TCFD</li> <li>Participation in Wakayama Prefecture's "Kigyo no Mori" (corporate forest) activities</li> </ul>
Relation to the Medium-Term Management Plan	<ol style="list-style-type: none"> <li>Reconstruction of Management Infrastructure</li> <li>Establishment of Solution-Based Business</li> <li>Revival of Flat Knitting Machine Business</li> <li>Expand Computerized Cutting Machine Business</li> </ol>	<ol style="list-style-type: none"> <li>Establishment of Solution-Based Business</li> <li>Revival of Flat Knitting Machine Business</li> <li>Expand Computerized Cutting Machine Business</li> </ol>
Relevant SDGs	    	      

## Human Resources

Human resource strategy

## Governance

Building sturdy corporate governance

- Building a workplace environment in which employees can play an active role sustainably
- Promotion of diversity
- Development of innovative human resources
- Promotion of employee workstyle reform

- Strengthening of the effectiveness of the Board of Directors
- Strengthening of risk management system
- Promotion of compliance
- Strengthening of investor relations and publicity systems

- Raising of mandatory retirement age; implementation of diverse workstyles
- Promotion of active participation of women, mid-career employees, foreign nationals, etc.
- Support for new business startups; flexible employment system; enhancement of in-house education
- Increasing workstyle options and emphasis on work-life balance

- Division of roles of company management and business execution
- Management of business risk countermeasures; operation of business continuity plans (BCP); strengthening of information security
- Strengthening of awareness-raising activities in the Compliance Committee
- Online meetings and briefings with individuals and institutional investors; local community contribution activities

- Promotion of projects for the active participation of women
- COVID-19 vaccination in the workplace
- Implemented IT and DX human resource development training
- Promotion of the program for finding new businesses

- Initiatives to strengthen the effectiveness of the Board of Directors
- Review of executive officer system
- Promotion of compliance
- Strengthening of crisis management system

- 1 Reconstruction of Management Infrastructure
- 2 Establishment of Solution-Based Business
- 3 Revival of Flat Knitting Machine Business
- 4 Expand Computerized Cutting Machine Business

- 1 Reconstruction of Management Infrastructure



# Strategy

## Growth Strategy Director's Message



### Shosaku Kitagawa

Director, Managing Executive Officer

General Manager of the Corporate Planning Division in charge of the General Affairs and Personnel Division; Information System Division, Accounting and Finance Division and Administrative Division

We will build a system where each individual can think independently and actively take on challenges, realizing sustainable growth.

#### **Sales in the Flat Knitting Machine Business Recovered. Cost Reductions Aided Our Return to Profitability**

In the fiscal year ended March 31, 2024, our Company achieved profitability for the first time in five years. There are two main factors contributing to this.

First, the overall apparel and fashion industry recovered from the COVID-19 pandemic, which led to a more positive approach toward capital investments. This resulted in our

latest models of WHOLEGARMENT® flat knitting machines, our mainstay products, gaining support in the market, aiding the recovery of our business performance. In addition, strong sales of computerized shaping machines in Southeast Asian countries such as Vietnam, Cambodia, Indonesia and Bangladesh, based on the Chinese and Hong Kong markets, contributed significantly to the recovery in sales.

The establishment of an efficient internal management structure also helped us return to profitability. We raised awareness of cost reduction throughout the Company and

conducted a fundamental revision of business activities. Particularly for manufacturing processes with significant seasonal fluctuations, we implemented planned production and procurement, and leveled out production to reduce production costs and improve factory utilization rates. We succeeded in a wide range of cost reductions, including controlling selling, general and administrative expenses, which led to a return to profitability.

### Launched the New Medium-Term Management Plan with Reconstruction of Management Infrastructure as the Top Priority

The new Medium-Term Management Plan outlines four priority measures. First, the utmost priority is reconstructing our management infrastructure. We aim to create an organization where each employee can think and act independently, striving for new corporate value creation and social contribution. We will revise existing operations and manufacturing processes from the ground up to elevate the capabilities of our entire organization, thereby increasing our competitive edge. Additionally, we will create an environment where employees can actively pursue new ideas and challenges, enhancing the vitality and creativity of each individual. Against this backdrop of organizational transformation, we will implement three measures. First, we will establish a solution-based business to address challenges in the apparel and fashion industry supply chain. For instance, to tackle the industry's major issue of "mass production and mass disposal," we will support "timely and appropriate production" using a combination of our WHOLEGARMENT® flat knitting machines and design systems, enabling the production of necessary quantities at the necessary time. By developing and providing such solutions, we aim to enhance the business value of our customers and the industry as a whole, ultimately leading to the Group's growth.

As for the revival of our core flat knitting machine business, we will strengthen product development to uncover the latent needs of our customers while exploring new markets. We will expand beyond the traditional apparel industry into different industries such as mobility and medical, broadening the application range of our products to create new demand.

Next is the computerized cutting machine business. This business has grown to capture the top market share in Japan. We will accelerate our expansion into global markets, including Europe, the U.S., and Asia. By establishing new bases and strengthening our service structure, we aim to provide high-quality products and support to customers worldwide, thereby expanding our market share.

### Increasing Capital Efficiency to Drive Further Growth Strategies

In our financial strategy, increasing capital efficiency and maintaining stable shareholder returns are our top priorities.

To increase capital efficiency, we will review the terms of transactions with customers and focus on shortening the turnover period for accounts receivable over the next three years. We plan to utilize the funds obtained from this initiative for development, human capital, and sustainability investments. By doing so, we aim to achieve sustainable growth and strengthen our competitiveness. In addition, while maintaining our current high equity ratio, we will strategically utilize interest-bearing debts to further strengthen our financial base and pursue new growth opportunities.

Strengthening shareholder returns is undoubtedly an important step in increasing corporate value. Based on this policy, we plan to raise our consolidated payout target ratio to 40% over the three years starting from FY2024. Regarding treasury stock acquisition, we intend to implement it flexibly and dynamically by giving comprehensive consideration to share price levels, status of funds, and market environment. We aim to achieve a PBR of 1x or more by improving our business performance and corporate value.

We are committed not only to our own prosperity but also to addressing issues faced by society as a whole, including the apparel and fashion industry. Based on our philosophy of "Well-being for tomorrow through the power of creativity," which is our purpose, we are undertaking a variety of initiatives, and will continue to contribute to the realization of a better society. With your support, we are determined to strive for sustainable growth. We kindly request the continued understanding and cooperation of all our stakeholders as we move forward.



# “Ever Onward 2026” Medium-Term Management Plan

## Opportunities and Risks in Business Environment

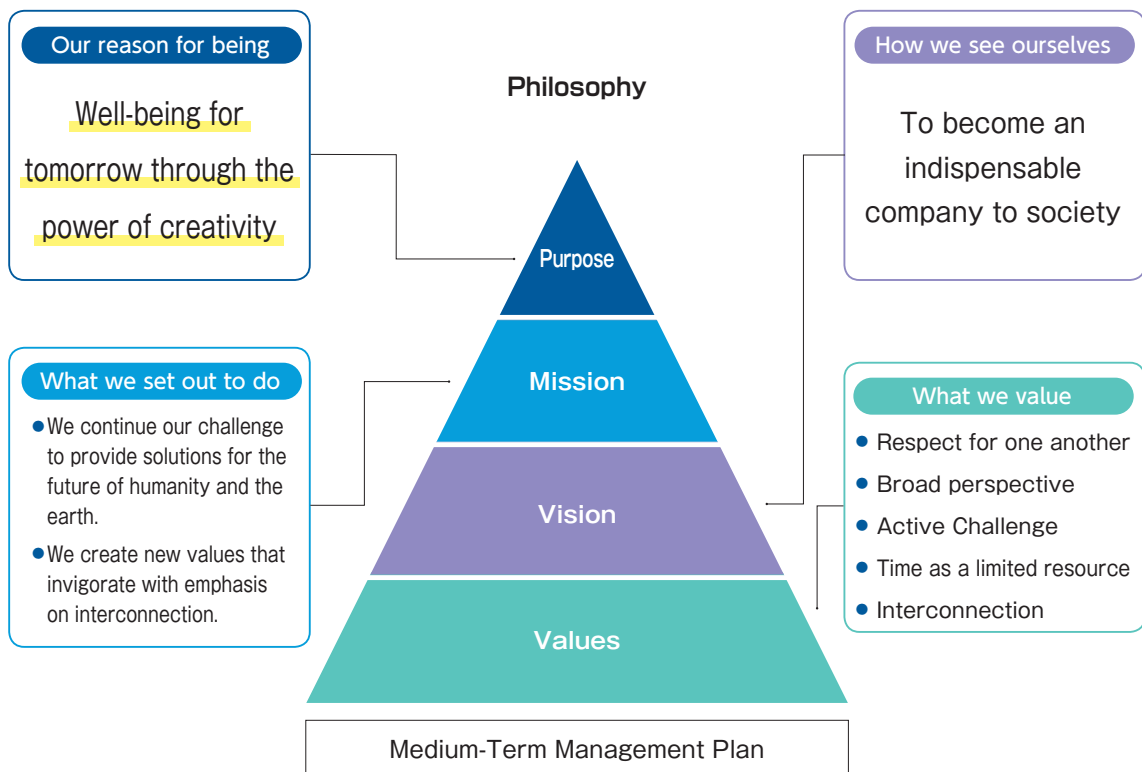
Opportunities	External	In-house
	<ul style="list-style-type: none"> <li>Stable market growth due to increasing world population and GDP growth</li> <li>Acceleration of market movement arising from changes in production environment</li> <li>Phased shift to sustainable production</li> </ul>	<ul style="list-style-type: none"> <li>Aggressive investments in the development of new markets</li> <li>Product development and business model construction in response to changing business environment</li> <li>Reconstruction of management infrastructure aimed at sustainable growth</li> </ul>

## About the “Ever Onward 2026” Medium-Term Management Plan

Target  
Period

Three-year plan from April 2024 to March 2027

### 1 Redefine Corporate Philosophy — Clarify philosophy for further expansion —



## 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

1 Redefine Corporate Philosophy

3 Four Priority Measures

2 Set Ten-Year Vision

4 Four Policies

## 2 Set Ten-Year Vision — Present challenges to new business domains and lineups based on the corporate philosophy —

## Vision

Work vibrantly with hope and pride and continuously take on challenges

## Numerical target

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

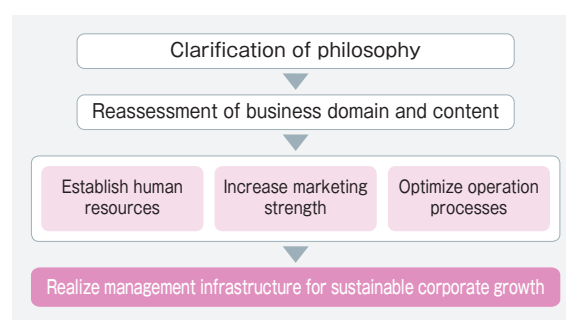
## Numerical target

(billion JPY)	FY2020 Result	FY2023 Result	FY2026 Target	Percent change 2023 • 2026
Net sales	24.4	35.9	<b>55.0</b>	+53.2%
Operating income	(9.1)	0.4	<b>7.0</b>	16.3 times
Ordinary income	(7.2)	1.0	<b>7.5</b>	7.4 times
Net income	(17.8)	1.0	<b>5.5</b>	5.3 times
ROE	(18.1)%	1.2%	<b>6.0%</b>	

### 3 Four Priority Measures

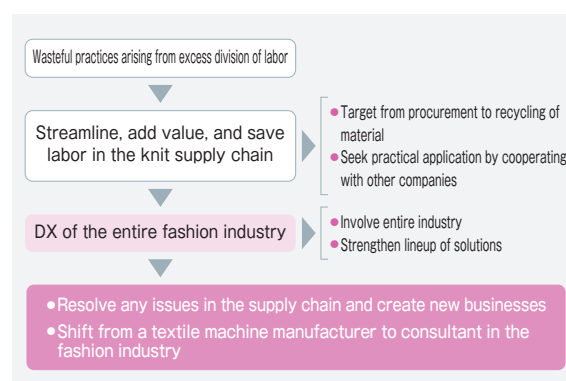
#### Reconstruction of Management Infrastructure

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



### 4 Four Policies

#### ● R&D and Capital Investment

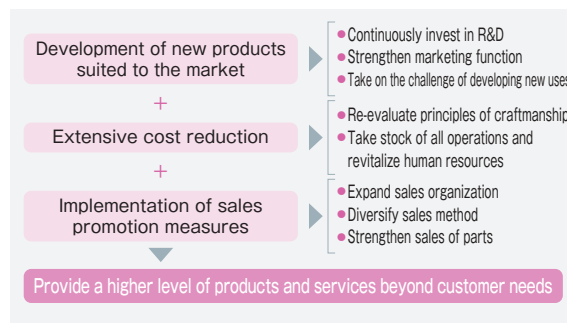
We are intensifying our investments in R&D, etc. more than ever before to drive business growth. We will establish new service centers for the computerized cutting machine business and expand investments to strengthen the solution-based business, as well as significantly enhance human capital investments and continue sustainable environmental investments.

#### ● Human Capital Investment

We will implement flexible personnel allocation and transition to a personnel and evaluation system that enhances productivity and motivation, aiming to improve our management infrastructure. In addition, to pursue further growth, we will focus on acquiring, developing, and utilizing diverse human resources, as well as creating an environment where individuals can enhance and fully demonstrate their abilities. Furthermore, by creating an open and unrestricted corporate culture where our philosophy is shared, we aim to realize our vision of "becoming an indispensable company to society."

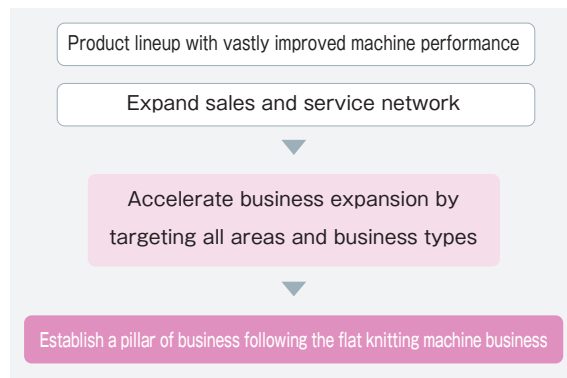
## Revival of Flat Knitting Machine Business

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



## ● Sustainability

Under the challenges of achieving carbon neutrality, creating a circular society system, and prospering and coexisting with stakeholders, we will implement various initiatives such as reducing greenhouse gas (GHG) emissions from our Group and suppliers, utilizing sustainable materials in products and promoting recycling, expanding sales of environmentally-conscious products, and strengthening supply chain management.

## ● Shareholder Returns

We consider profit return to shareholders as one of our highest management priorities. Our basic policy is to continue providing stable dividends over the long term through sustainable business expansion.

While striving for growth investments and reinforcement of our financial structure to enhance profitability, we will aim for a consolidated payout target ratio of 40% as a guideline for "shareholder dividends."

# Development Strategy

For the sake of people, the planet, and the future,  
we will strive to create products and solutions that  
inspire the world, aiming for sustainable growth.

Yoshinori Shimasaki  
Managing  
Executive Officer  
General Manager  
of Development  
Headquarters



## ● Development Policy

In the current market environment, where global issues such as environmental pollution and labor condition problems are mounting, there is a rapid shift toward sustainable business models. We see this situation as a business opportunity and aim to create exciting products and solutions that inspire the world through Intelligence and Action, starting with making proposals for products and solutions with a focus on the entire supply chain. By doing so, we aim to become an indispensable company to society.

## ● Reforms of Shima Seiki's Development

### Organizational reform to enable each employee to fully demonstrate their creativity

In April 2023, we implemented a major organizational reform of all development departments. We abolished the traditional departments and groups, establishing new function-based teams directly under the Development Headquarters. This function-based organizational structure clarifies the roles of each organization and strengthens horizontal collaboration, leading to improved development speed and quality.

In development departments, we clarify the significance of each product, and thoroughly investigate and share the purpose of "why it is necessary." From there, we incorporate these into product concepts and create a system where everyone can contribute ideas on development methods and develop products through friendly competition.

One challenge is that the average age of our employees has been increasing. While older engineers have skilled expertise, they may be less likely to create innovative breakthroughs compared to younger engineers. Going forward, we will further encourage interaction and skill transfer between older and younger engineers. Simultaneously, we will focus on developing the capabilities of young engineers, such as strengthening their research capabilities, through proactive customer visits.

### Challenging all directions with the new super three-dimensional multi-roll flat knitting machine

Until now, we have primarily sold products to the apparel and fashion industry. However, to expand our products to various industries going forward, we have developed the new super three-dimensional multi-roll flat knitting machine, "SES®-R." This product is the culmination of our strengths in sinker knitting, with vastly improved features such as super three-dimensional knitting and multicolor capabilities over conventional models. As a multi-roll flat knitting machine usable for a wide range of applications, it will approach not only apparel and fashion but also different industries such as medical, industrial materials, and sports, dominating the market in all directions.

### Sustainable product development as a pillar

Currently, we are focusing on the development of products that contribute to reducing environmental impact. We have set goals on this front, such as the proactive adoption of sustainable materials and the development of low-power products that consume 50% less power than conventional models by 2030, and are working daily to achieve them. In addition to these environmental considerations, to ensure that all customers can use our products safely, we equip all models with global standard safety devices as standard, considering safety as an important and essential requirement in product development.

Furthermore, we are working to enhance design reviews. The majority of problems that occur between development departments and production departments are due to a lack of communication and information sharing between the two sides. By establishing a department specializing in mass production design and maintenance design in the production departments and enhancing design reviews at the prototype stage, we have achieved resource conservation from development to mass production. Once mass production begins, the production departments can proceed with drawing revisions, leading to secured R&D time for the development departments and cost reductions through improved efficiency.

## ● Development Strategy for Each Business

### Revival of Flat Knitting Machine Business

We will focus on developing new products that enhance added value and are suited to the market, as well as models that will enable us to explore new markets outside the apparel and fashion industry, such as the WHOLEGARMENT® flat knitting machine and the new super three-dimensional multi-roll flat knitting machine. Through extensive cost reduction, expansion of sales structure, and diversification of sales methods, we strive to provide products and services that exceed customer needs and aim for product development that overwhelms competitors.



### Expand Computerized Cutting Machine Business

In the computerized cutting machine business, our new computerized cutting machine "P-CAM® R" has received high praise for its world-class high-precision cutting performance. We are the only company in the world that can handle both flat knitting machines and computerized cutting machines, as well as knit and woven fabrics. We will continue to develop products based on the knowledge and technologies that leverage this strength. We plan to introduce products with vastly improved technologies that combine hardware, software, and our know-how while actively investing in expanding sales routes and after-sales service networks. We are shifting from the development phase focused on achieving world-class cutting technology to the sales phase aimed at capturing the top share of the global market, thereby growing this business into a pillar of business following the flat knitting machine business.



### Establishment of Solution-Based Business

Our Company is focusing on developing solutions to address issues across the entire supply chain.

In particular, development departments are working to strengthen the Total Knitting System®, which supports all processes from planning to production and sales of knitted products—something that can only be achieved with our product lineup. We aim to achieve labor-saving, efficiency, and resource conservation more than ever before, supporting sustainable manufacturing not only in the apparel industry but also across all industries. Additionally, we seek to create new businesses through these efforts.



## ● Intellectual Property Policy

Under our intellectual property strategy, we hold numerous patents relating to a wide range of technologies including knitting technologies, mechanisms and control of flat knitting machines, and design systems. In addition, we hold patents as well as copyrights to the knitting programs that we provide to customers through design systems and at user sites. These intellectual property rights enable customers to use our products with confidence, and we will respond appropriately to infringement of these rights by protecting them, for our benefit and the benefit of customers. Intellectual property rights strategies including the protection of knitting programs will become even more important in the future.

In recent years, in addition to innovation within single specialized technologies, there has been an increasing trend toward the creation of new technologies through fusion with technology from other fields. As one of the related initiatives, we hold in-house seminars as appropriate on intellectual property rights, contracts, and other matters, not only for development staff, but also for the sales and administrative departments.

# Production Strategy

Building a safe, secure, and stable production system.  
Leveraging the synergy between the advanced technological capabilities we have cultivated since our founding and DX, we strive for further improvements in product quality and added value.

Akihiro Ohtani  
Director,  
Managing Executive Officer  
General Manager of the  
Production Headquarters  
in charge of the  
Development Headquarters



## ● Production Policy

The Shima Seiki Spirit "providing products with the highest functionality at economical prices" underpins our production activities, with the aim of improving product quality, enhancing customer satisfaction, and reducing environmental impact throughout the entire supply chain, while adhering to the principles of "QCD+E": Quality, Cost, Delivery, and Environment.

Under this policy, the Production Headquarters is working on visualizing productivity and refining work methods to improve production efficiency and standardize production systems both inside and outside of departments. Furthermore, by implementing measures to enhance the job satisfaction of employees, we aim to boost motivation and drive changes in awareness and behavior, creating a system where our human resources, who are central to our production activities, can work vibrantly and with pride.

## ● Advantages of Integrated Production

### Speedy development and production system

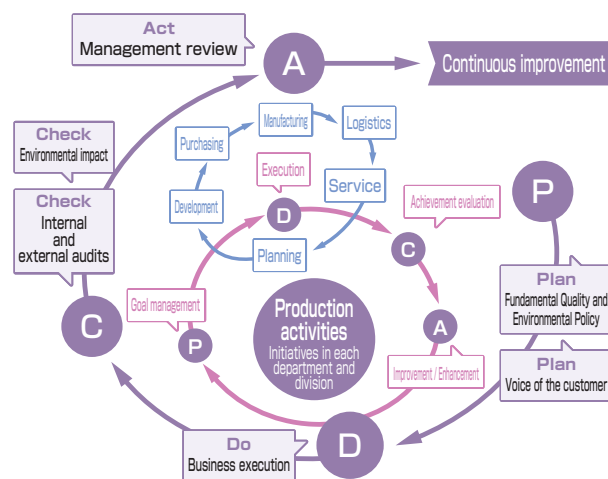
All departments, from development to production, sales and after-sales service, are located in the headquarters premises in Wakayama, allowing us to directly and speedily reflect customer requests and new innovations from development departments into product creation.

### Extensive in-house technological capabilities from parts manufacturing to software development

Since our founding, we have embraced the spirit of "If it can't be found anywhere, let's create it," honing a wide range of technological capabilities, from ultra-precision mold parts to computer motherboards and system development. We will continue to deliver high-quality products and services leveraging our advanced technological capabilities.

## ● Quality / Environmental Management System

To perform thorough quality control, we established a quality management system to earn the trust of our customers. The system enables us to maintain and improve quality and deliver safe and secure products to customers. We have also established an environmental management system structure to promote "people and earth-friendly manufacturing" through the development and provision of "environmentally-conscious products," contributing to environmental conservation. The regularly held "QMS (Quality Management System)/EMS (Environmental Management System) Committee" selects support members from various departments and divisions to continuously improve quality and environment, working toward information-sharing and problem-solving for customers. We will continue to strive for quality improvement and environmental impact reduction, focusing on developing and delivering customer-oriented attractive products.



## ● Supply Chain Management

For sustainable business growth, it is important to maintain a high level of product quality and safety while ensuring compliance with laws and regulations, respect for human rights, and environment considerations throughout the entire supply chain. Proper management of the supply chain is essential to achieve this. We conduct procurement activities in consideration of social responsibility, based on fair and impartial transactions, and are committed to building partnerships with our suppliers aimed at coexistence and co-prosperity.

### Declaration of Partnership Building

The Company supports the "Council on Promoting Partnership Building for Cultivating the Future" and has announced the "Declaration of Partnership Building." We will continue to focus on "coexistence and co-prosperity across the entire supply chain and new collaboration beyond scale or affiliations" and "compliance with promotion standards."



### Basic Policy on Material Procurement

To ensure responsible procurement in the supply chain, we have established the "Basic Policy on Material Procurement." In March 2024, we established the "Shima Seiki Group Supplier Sustainability Guidelines" to promote responsible corporate behavior in the supply chain.

By fostering two-way communication between the Group and our suppliers and aligning our understanding based on these policies and guidelines, we aim to build long-lasting cooperative relationships and contribute to realizing a sustainable society.

#### Basic Policy on Material Procurement

- Comply with laws, regulations, and social norms.
- Deal fairly and impartially.
- Build win-win relationships with suppliers.
- Collaborate with suppliers in terms of cost and technology.
- Ensure procurement with less environmental load.

### Procurement Policy Briefing

Since 2023, we have held annual sessions to explain our business plans and vision for the fiscal year to our suppliers. In 2024, approximately 250 suppliers participated including via online. We will continue to build relationships of trust through appropriate information sharing with our suppliers, ensuring stable procurement.



## ● Future Initiatives

We are pursuing DX to further enhance our productivity.

To properly manage work performance, progress, quality control, and traceability in the production and manufacturing processes of our products, we have developed our own performance collection software and are operating it internally. This software is also being sold externally, primarily to business partners, contributing to our performance.

In addition, following our selection for the 2023 Wakayama DX Challenge Support Program, we have started full-scale development of an automated picking system using robots. We aim to improve productivity by reducing time costs associated with picking errors due to human error and parts searching, and to create higher added-value products by reallocating personnel to work processes that create added value.

# Flat Knitting Machine Segment



## ● Market Environment

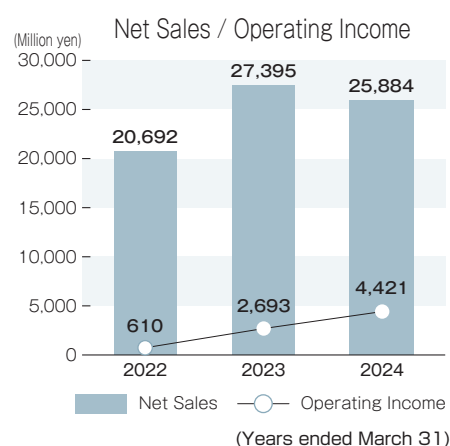
Opportunities	Risks
<ul style="list-style-type: none"> <li>Expansion of apparel consumption market due to global population growth and GDP growth in developing countries</li> <li>Expansion of knitted material applications outside the fashion industry</li> <li>Progressing elimination of competing flat knitting machine manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in demand for flat knitted products due to global warming</li> <li>Intensifying price competition for production equipment due to lower prices of flat knitted products in the volume zone by overseas e-commerce websites</li> <li>Intensifying competitive environment due to improved development and technical support from emerging manufacturers</li> </ul>

Value proposition and strengths of our products in addressing social issues

- Our Total Fashion System®, centered on the WHOLEGARMENT® flat knitting machines, enables advanced product knitting, reducing inventory loss. Integrated with digital data services centered on our "SDS®-ONE APEX" series design system, it facilitates speedy, smart, and environmentally friendly manufacturing.
- The WHOLEGARMENT® flat knitting machine eliminates the need for sewing processes, allowing for quick delivery times. This enables us to respond faster to the need to replenish inventory, and contributes to creating a new business model that meets the demands of society, such as timely and optimal production for local consumption.
- A wide range of product lineups
- Swift technical support system from bases around the world

## ● Business Overview (Fiscal Year Ended March 31, 2024)

In the fiscal year ended March 31, 2024, sales of our mainstay models increased, including new investments in the next-generation WHOLEGARMENT® flat knitting machine "SWG®-XR" by major Hong Kong-based customers, and the highly efficient "N.SVR®" for production bases in Southeast Asia. The Italian market saw growth in WHOLEGARMENT® flat knitting machine sales driven by the development of in-house products by well-known brands, and in Japan, boosted by capital investments and replacement demand geared toward productivity improvement. However, Bangladesh, a production hub for knitted products destined for developed countries, experienced stagnant capital investments owing to political instability and delays in establishing letters of credit (L/C) caused by foreign currency shortages, resulting in decreased unit sales. In Europe and the Middle East, net sales of flat knitting machines decreased due to economic slowdown and unseasonably warm winter. Consequently, net sales in the flat knitting machine segment were ¥25,884 million (down 5.5% year on year) and operating income amounted to ¥4,421 million (up 64.1% year on year).



## ● Growth Strategy

### 1 Strengthening of marketing functions

- Conduct market needs research in various fields through sales representatives and maintenance staff. Quickly share the results with development departments to facilitate speedy product development aligned with market needs.
- Conduct interviews with flat knitting machine users and collaborate with the Production Headquarters to propose solutions that contribute to labor-saving across all production processes of flat knitted products.

### 2 Extensive cost reduction

- Implement personnel rotation that leads to skill development and upskilling to create added value.
- Review parts and material procurement from scratch to accelerate the development of competitively priced models.

### 3 Implementation of sales promotion measures

- Develop sales personnel capable of comprehensively understanding all flat knitting machines models and making a wide range of proposals tailored to user needs.
- Strengthen proposals not only in the apparel and fashion industry but also in different sectors such as mobility and interior design, and actively participate in exhibitions for high-performance materials to conduct compelling promotions.

# Design System Segment



## Market Environment

### Opportunities

- Rapid advancement of digitalization in the apparel and fashion industry
- Increasing corporate social responsibility, including sustainability
- Diversification of work styles

### Risks

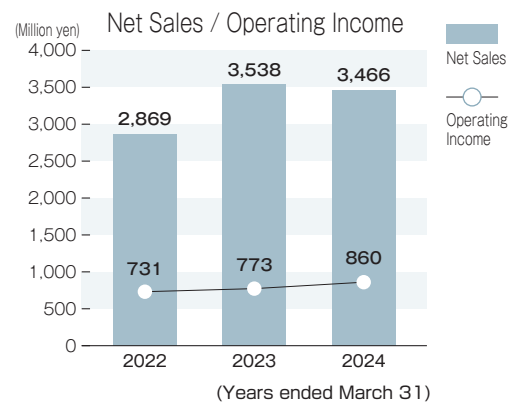
- Stagnation in software development
- Errors in software development direction

Value proposition and strengths of our products in addressing social issues

- Our design system enables the creation of high-definition virtual product samples, significantly reducing prototyping at the product planning stage. This realizes resource conservation and shortened lead times, thereby achieving sustainability.
- In computerized cutting machines, our "Shima Cutting Solutions" automates the entire process from spreading to cutting and pickup, significantly improving work efficiency and contributing to labor-saving for our customers.

## Business Overview (Fiscal Year Ended March 31, 2024)

In the fiscal year ended March 31, 2024, the number of license contracts for "APEXFiz<sup>®</sup>," a subscription service for "SDS<sup>®</sup>-ONE APEX" software, increased both in new contracts and renewals, primarily among major apparel brands in Europe, the U.S., and Japan. Sales of the computerized cutting machines "P-CAM<sup>®</sup>" also increased, mainly in Japan. As a result, net sales in the design system segment were ¥3,466 million (down 2.0% year on year) and operating income amounted to ¥860 million (up 11.3% year on year).



## Growth Strategy

Promotion of design system sales and enhancement of support system

- Strengthen sales of "APEXFiz<sup>®</sup>" to major global fashion brands and enhance support for existing users to expand sales to brands and increase adoption of our systems across the entire supply chain, including suppliers.
- Enhance sales to educational institutions to create a system where students equipped with our design system skills can enter the industry as immediate assets, leading to long-term growth.
- Analyze the characteristics and conditions of each country's market more accurately and develop and implement sales strategies tailored to each.
- Establish a new Digital Solutions Unit within the Global Sales Group in the Joint Sales Division to enhance sales and user support.
- Form strategic partnerships with companies offering various services compatible with "APEXFiz<sup>®</sup>" and jointly conducting marketing and promotions to drive new market development.

Strengthening sales of new computerized cutting machines

- Revamp conventional machines and concentrate on the new computerized cutting machine "P-CAM<sup>®</sup> R" series, boasting high productivity and safety, as the mainstay to expand the computerized cutting machine business, targeting overseas markets and high value-added zones as our main markets.
- Achieve significant yield improvement through the integration of "High-Efficiency Nesting CAD System" with "P-CAM<sup>®</sup> R," realizing SDGs by reducing material and cutting losses, ultimately contributing to environmental impact reduction.
- Strengthen and expand overseas sales bases in Asia, Europe, and the U.S. to develop new users while also strengthening sales in China, where we already have a strong track record, by cooperating domestically with Japanese companies.
- Focus on the cutting surface-fixed type "P-CAM<sup>®</sup> 120C" released for industrial materials as a mainstay, actively participating in exhibitions outside the textile industry to appeal to various industries and discover new markets.

# Business Strategy

## Glove and Sock Knitting Machine Segment



### ● Market Environment

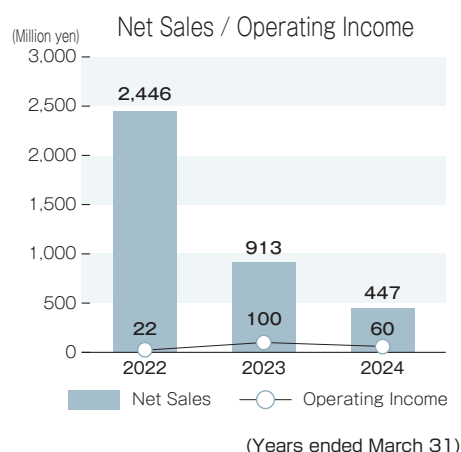
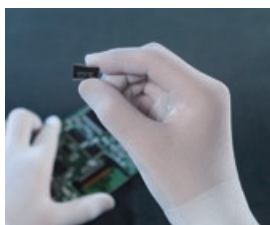
Opportunities	Risks
<ul style="list-style-type: none"> <li>● Increased health and safety awareness</li> <li>● Steady demand for high value-added and new products beyond low-cost mass-produced products</li> </ul>	<ul style="list-style-type: none"> <li>● Risk of declining prices for glove and sock products leading to a decrease in the prices of knitting machine equipment</li> </ul>

Value proposition and strengths of our products in addressing social issues

- Our models with improved functionality enable the production of new high-value-added products.  
We support market needs and new challenges faced by users in the glove and sock industry.
- With stable production planning and minimal defective products, we achieve resource-efficient production through timely and optimal production.

### ● Business Overview (Fiscal Year Ended March 31, 2024)

In the fiscal year ended March 31, 2024, net sales came to ¥447 million (down 51.1% year on year) and operating income to ¥60 million (down 39.3% year on year) due to sluggish capital investments by major domestic and overseas users.



### ● Growth Strategy

Strengthening connections with existing major users

- Strengthen ties with major business partners in the glove and sock industry who have appreciated the advantages of our knitting machines and have been loyal customers for many years. By proposing replacement options through new product development, we aim to ensure stable sales and prevent the entry of rival manufacturers.

New product proposals with new models SPG<sup>®</sup>-R and SFG<sup>®</sup>-R

- Propose new product development using our new models to drive sales expansion while also strengthening proposals to industries outside the traditional gloves and socks industry, such as industrial materials, aiming for new market development.

## Solution-Based Business

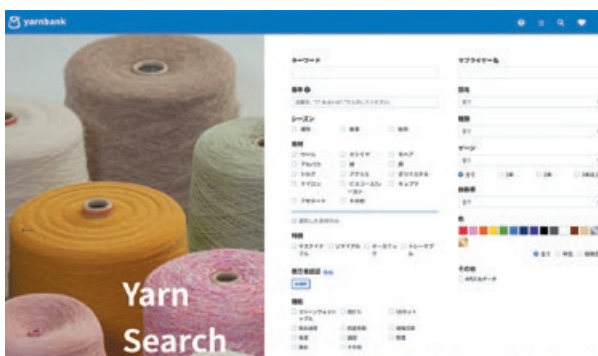
We are focusing on the development of solutions that promote sustainable manufacturing by consistently supporting the entire supply chain from planning to production and sales, utilizing sustainable materials for sample development. We are committed to offering solutions unique to Shima Seiki based on our core technologies accumulated in the knit and other textile fields.

### SHIMA Datamall™



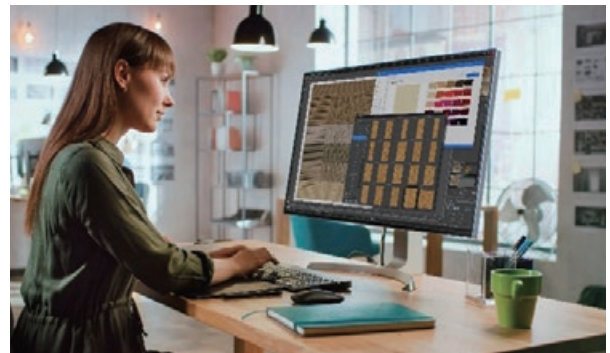
An online service that allows users to search, view, and purchase various digital data useful for planning, production, and sales of fashion items. By improving the operational efficiency of “SDS®-ONE APEX” series, “APEXFiz®,” and flat knitting machine users, we aim to provide stronger support for DX in manufacturing and facilitate a shift toward sustainable manufacturing.

### yarnbank®



A web service that allows users to search, browse, and download yarn data. By using the downloaded digital yarn data for virtual sampling with the “SDS®-ONE APEX” series of design systems, we promote efficiency in product planning and sustainable manufacturing.

### APEXFiz®



A software subscription service that retains the strengths of the design system “SDS®-ONE APEX” series while responding to diverse work styles. It realizes the DX of planning and design, eliminating waste in materials and time associated with sampling, thereby supporting sustainable manufacturing.

### SHIMA KnitManager™



Production management software developed for flat knitting factories. This software allows for online monitoring of flat knitting machines, enabling users to check production status via the web. By visualizing various information such as machine operation status and production progress, we can eliminate unnecessary processes and maximize productivity.

# Sustainability

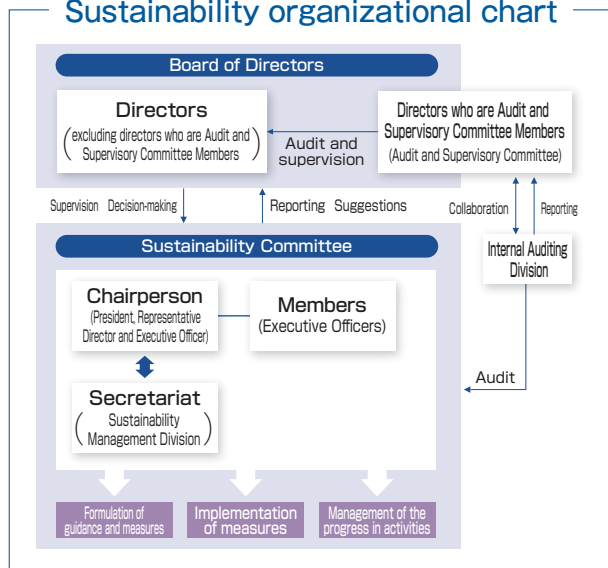
In order to become an “indispensable company to society,” we will strive for the sustainable development of society and the preservation of the global environment, and realize the enhancement of corporate value.

We will take on the challenge of solving all issues, fulfill our social contribution through sustainable value creation, and continue to grow together with all of our stakeholders.

We view sustainability as an “important initiative to meet social demands and improve corporate value.” Based on this concept, we established the Sustainability Management Division and formulated the “Basic Policy on Sustainability” and the “Policy on Human Rights.”

Reflecting the growing awareness of the environment, there has been an accelerating shift toward sustainable manufacturing in the apparel and fashion industry as well. We will work to solve various issues that exist in each process of our supply chain by offering a variety of solutions.

## Sustainability organizational chart



## ● The Shima Seiki Group’s Basic Policy on Sustainability

- 1 We will contribute to the sustainable development of society by generating new values through the provision of products and services that help resolve environmental and social problems.
- 2 We endeavor to maintain the global environment by understanding the significance of environmental protection and the maintenance of biodiversity and promoting environmental load reduction, such as by reducing greenhouse gas emissions and preventing pollution, the sustainable procurement of materials, the proper management of chemical substances contained in our products, and the efficient and cyclical use of resources.
- 3 With a view to realizing a society in which the dignity of all people tied in any way to our business is protected, we endeavor to prevent the violation of human rights by taking appropriate actions to address the impact of our business activities on human rights and the risks that such activities pose in this respect.
- 4 We endeavor to create a climate in which each individual can fully demonstrate their individuality, sensitivity, and creativity while respecting diversity regardless of race, nationality, sex, age, and other backgrounds and cultivating and utilizing human resources as a source for the creation of new values.
- 5 We will comply with laws, regulations, and social norms, and engage in fair and responsible business activities in collaboration with our stakeholders.



## MESSAGE



## Shoichi Chiya

Deputy General Manager  
of Sustainability  
Management Division

In recent years, various social issues such as climate change and human rights problems have become more serious, rapidly increasing concerns about the sustainability of society. For companies to achieve sustainable growth under these circumstances, creating social value through the resolution of social issues via their business activities has become essential.

Since our founding, Shima Seiki has made it its mission to contribute to the creation of a better society and environment by breaking conventional norms with the power of creativity to create new values.

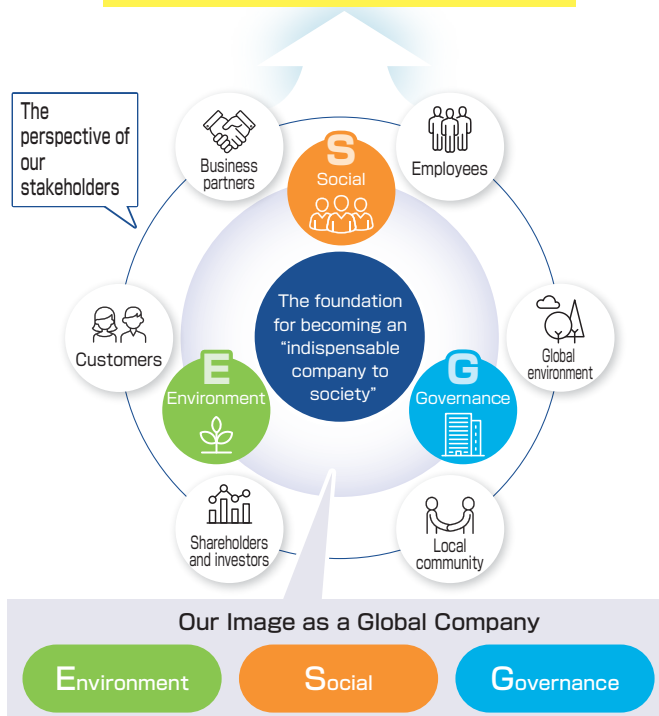
In the Medium-Term Management Plan formulated in May 2024, "Sustainability" is positioned as one of the four policies aimed at proactively addressing social issues and enhancing corporate value. As part of this policy, looking ahead to 2050 and toward what we want to be for 2030 to 2040, we have set six issues to address: "Achievement of carbon neutrality," "Optimization of corporations and society," "Creation of a circular society system," "Prosperous coexistence with stakeholders," "Strong and resilient governance," and "Environment that realizes full potential."

Furthermore, we have categorized our initiatives for the next three years addressing these issues into six specific areas: "Building a decarbonized society," "Shifting to a circular economy," "Preservation of biodiversity," "Sales expansion of environmentally friendly products," "Resolution of issues and promotion of DX in the industry," and "Supply chain management."

With each of us taking action and fulfilling our respective roles in these efforts, we will work to solve all issues, thereby leading to value creation and contributions to society. We will grow together with all stakeholders and contribute to the sustainable development of the Company and the realization of a sustainable society.

Although our efforts are still not sufficient, each and every employee of the Shima Seiki Group is committed to the mission to "become an indispensable company to society," and will continue to strive further to build a sustainable future. I sincerely ask for the continued guidance and encouragement of our stakeholders.

## Enhance corporate value



We will fulfill our responsibilities as a corporation from the viewpoints of our stakeholders to enhance our corporate value by, for example, establishing our image as a global company (Governance), contributing to a sustainable society (Social), and considering the global environment (Environment).

# Environmental Initiatives

## Basic Ideas

In order to pass on our irreplaceable Earth to the next generation, we believe one of our missions is to conduct environmental conservation activities through our business and, at the same time, reduce the environmental impact caused by disposal of inventory losses in the apparel industry. We will use our power of creativity to promote corporate activities that take global environmental issues into account. Shima Seiki Group has formulated its Environmental Conduct Guidelines, and all employees actively work to ensure the systemic and efficient operation of the guidelines and continuously improve their effectiveness.

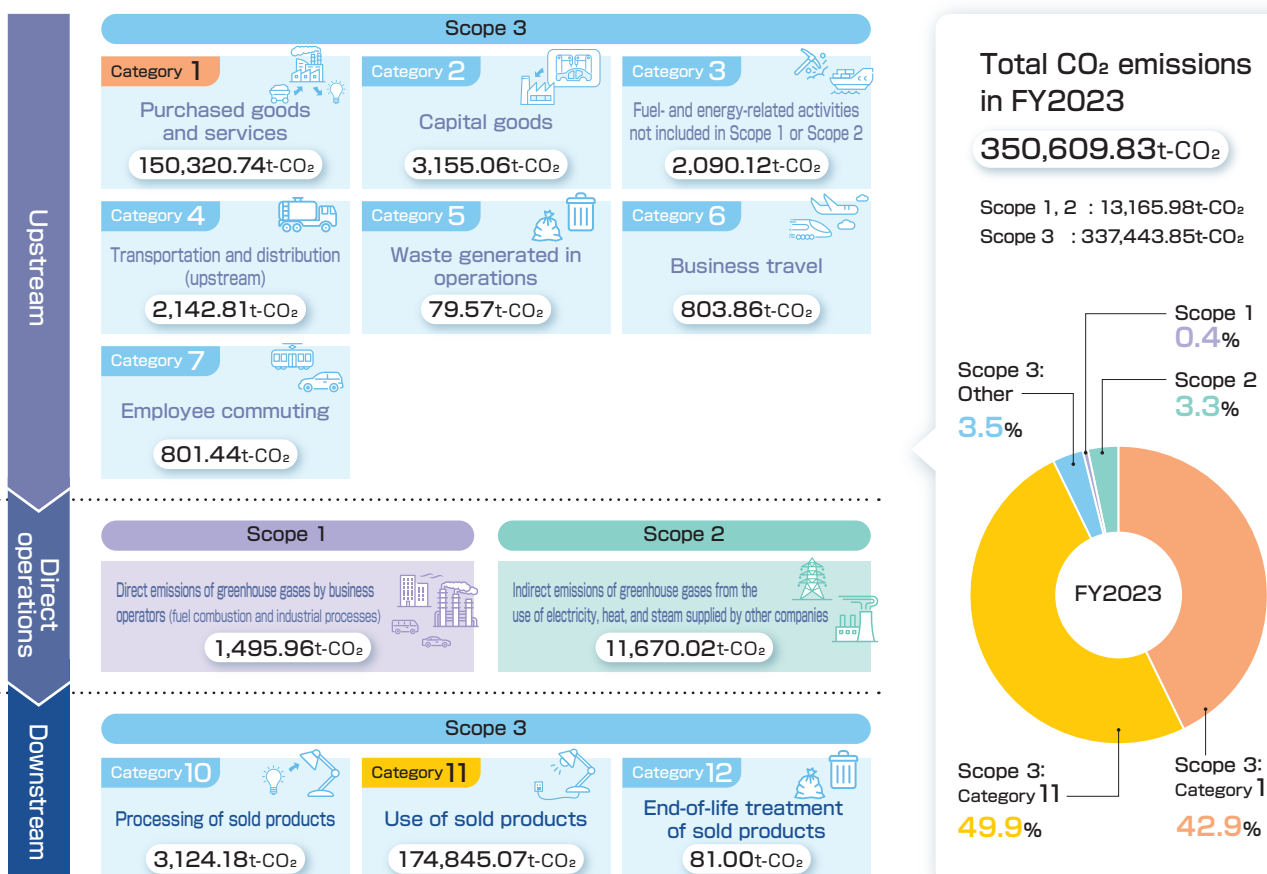
## ● Environmental Management

We acquired third-party certification under ISO 14001 from an external certification body for all corporate operations related to all products we design, manufacture, and sell. Management indicators include reductions of various environmental impacts, factory greening efforts, and the promotion of renewable energy usage as well as the provision of WHOLEGARMENT® flat knitting machines, design systems, and other environmentally-conscious products. We will contribute to global environmental conservation through our business activities.

## Greenhouse Gas Emissions

We are working to reduce greenhouse gas emissions.

With regard to Scopes 1 and 2, we promote the reduction of energy consumption and the introduction of renewable energy. As for Scope 3, we prioritize the reduction of "emissions from purchased goods and services (Category 1)" and "emissions from the use of sold products (Category 11)" with high emission rates, and thereby aim to reduce greenhouse gas emissions throughout the supply chain.



## ● Formulation of a Decarbonization Roadmap

We have formulated a “Decarbonization Roadmap” aimed at reducing Scope 1 and Scope 2 emissions, and have started initiatives involving all employees across all workplaces within the Company. We will vigorously promote decarbonization activities to achieve our target of a 30% reduction in greenhouse gas (Scope 1 and Scope 2) emissions by 2030 (compared to FY2013).

## ● Shift to Renewable Energy

Since 2002, we have implemented large-scale photovoltaic power generation systems, leading the way in promoting the use of renewable energy ahead of other companies. Currently, we have photovoltaic power generation systems operating with a total output of approximately 2,180 kW for the entire Group. Together with our efforts to reduce energy consumption, we are undertaking activities to achieve the target of 30% renewable energy usage by 2030. In the fiscal year ended March 31, 2024, our photovoltaic power generating systems generated 2,156.10 MWh of electricity.



## ● Environmental Education Activities

### Awareness-Raising for All Employees through Internal Newsletters

We share sustainability-related information every month through internal newsletters delivered to all employees. These newsletters cover themes that extend beyond environmental information and lead to sustainable activities. Through environmental education, we will continue to encourage employees to understand the importance of such themes and connect it to their own actions.

### SDGs Training Program for New Employees

At the time of joining the company, starting with the basics of the SDGs, new employees will learn about the significance of SDGs for society and companies, and then about Shima Seiki's SDGs. We aim to develop human resources who will be able to think and implement the SDGs as their own cause and lead Shima Seiki's future.

### Sustainability Training

To offer new employees the opportunity to think about the future of a sustainable apparel and fashion industry, we provide training that allows them to experience the entire process from cotton cultivation to spinning and knitwear production using flat knitting machines.

### Factory Greening

Our belief that “good products come from a good environment” is expressed in our greening activities around our factory and other areas, and we are working on greening the surrounding areas of the premises. We have now made approximately 30% of the site a green area, planting approximately 13,000 trees, exceeding the standards of the Factory Location Act and contributing to CO<sub>2</sub> reduction. We have also provided a portion of the plant site as walkways to create an environment where local residents can enjoy the trees.



# Response to Climate Change

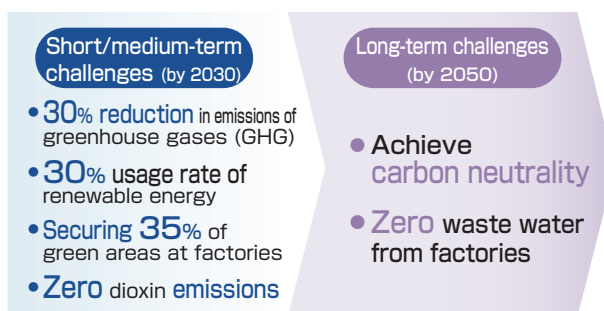
We regard climate change and other global environmental issues as one of our most important management priorities. We recognize that harmony with the global environment affects our activities, survival, and sustainable growth, and we strive to reduce the environmental impact of our business activities. We have identified risks and opportunities related to climate change and are taking action based on the following framework.

## ● Governance

As a company with social responsibilities, we have established the Sustainability Management Division to demonstrate our commitment to ESG and SDGs. Under the overall direction of the President, Representative Director and Executive Officer, this division coordinates the direction of the Company and uniformly disseminates it internally and externally. In addition, we have established a Sustainability Committee, chaired by the President, Representative Director and Executive Officer, and composed of Executive Officers, etc., to consider responses to various issues related to climate change, implement measures, and manage the progress of activities. The Board of Directors receives reports, deliberates, supervises, and makes decisions on important policies and matters.

## ● Strategies

The Company will contribute to reducing the environmental impact of apparel products and other products throughout their life cycles through value-creation activities using our products and services, starting with our knitting technology, WHOLEGARMENT® flat knitting machines, and Total Fashion System® centered on a design system.



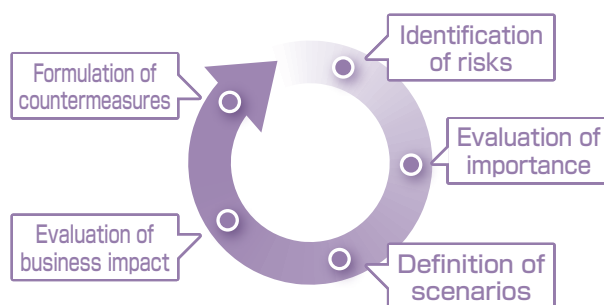
## ● Risk Management

### Identification and evaluation process

The Company will identify social issues related to its business activities, evaluate their importance, verify their validity, and ultimately have them approved by the Board of Directors.

### Management process

The status and progress of response to risks concerning climate change in the Company's businesses are managed by relevant divisions and committees, and regularly monitored by the Sustainability Management Division.



## ● Targets

We conducted a scenario analysis and, based on the results, have set a GHG emission reduction target of net zero for Scope 1 and Scope 2 emissions by 2050 to reduce risks associated with climate change. To achieve the target, we have set a GHG emission reduction target of 30% by 2030 compared to FY2013 levels. For Scope 3, we are in the process of setting specific targets based on information from various initiatives.

Category		Climate change item	Risk	Opportunity	Evaluation	Measures
Transition risks	Policy and legal regulation	Introduction and rise of carbon tax	Increase in procurement costs due to price pass-through of carbon tax	Reduction of the impact on energy procurement costs due to energy saving and early decarbonization response	Medium	Reduce CO <sub>2</sub> emissions in production activities
			Increase in operating costs due to increases in fuel and electricity costs, and other costs			Promote the efficient implementation of renewable energy
		Energy saving, strengthened decarbonization regulations, and the achievement of emission reduction targets	Increase in facility costs due to upgrading to energy-saving and renewable energy-compatible facilities	Reduction of emissions through the promotion of energy saving and renewable energy	Medium	Promote the efficient implementation of renewable energy
			Increase in expenses due to purchase of emission rights for emissions that cannot be reduced			Reduce CO <sub>2</sub> emissions in production activities Further advance measures to eliminate the need to purchase emission rights
		Tighter regulations on recycling and waste with an awareness of the circular economy	Increase in costs due to the use of materials that can be recycled	Lower carbon used in and reduction of emissions from materials thanks to the use of recycled materials	Medium	Efforts to maintain and improve machine performance by using single-material parts, and to reduce prices by using them in multiple parts in larger quantities
			Increase in expenses related to collection, reuse, etc. of materials to be recycled			Improvement of collection and reuse efficiency by using the same type of materials
	Technology	Dissemination of low-carbon emission technologies	Increase in costs due to switching to low-carbon and environmentally-conscious materials	Expansion of opportunities through businesses related to products that contribute to low carbonization and environmental consciousness	Medium	Promote energy-saving design for products
			Increase in costs of R&D for low-carbon materials and technologies	Expansion of business opportunities through early development and provision to the market		Actively collaborate with research institutes and companies to improve production efficiency and create other new technologies
	Market	Changes in consumption behavior due to global warming	Decrease in clothing purchases	Expansion of business profits through the creation of new added value	Large	Propose all-season knitted products with features that go beyond cold protection
		Changes in consumer preferences toward environmental issues	Challenges in the fashion industry affect consumer choice	Creation of new business opportunities adjusted to consumer preferences		Provide new products and services that contribute to the production of knitted products suitable for timely and optimal-volume production
	Reputation	Negative response from stakeholders regarding climate change response	Criticism toward companies not responding to climate change and decline in evaluation of investment decisions	Improvement of corporate evaluation by demonstrating environmental initiatives	Small	Enhance information disclosure and strengthen communication
Physical risks	Acute	Intensification of extreme weather	Reduced manufacturing capacity due to disasters hitting supply chains	Enhancing resilience by dual sourcing and establishing supply chain BCP	Large	Diversify products and parts procurement source (purchase from multiple suppliers)
			Increase in damage such as shutdowns and equipment damage caused by natural disasters	Reduction of restoration costs by strengthening the BCP system and preparing flood prevention measures		Improve drainage facilities to reduce damage from floods Ultimately ensure to pass on technology that allows for consignment production
	Chronic	Increase in average temperature	Increase in cooling costs to maintain the working environment and processing accuracy	Introduction of energy-saving equipment and development of new business areas using materials that are not affected by environmental temperatures	Small	Promote the efficient implementation of renewable energy Research of new materials and processing methods

## Contributing to a Society in Harmony with Nature

### ● Forest Conservation Activities “Shima Seiki Amano no Satoyama”

We have been participating in the “Kigyo no Mori” (corporate forest) project since December 2019, an initiative by Wakayama Prefecture calling for cooperation from companies and organizations in forest conservation within the prefecture. We are engaged in forest conservation activities such as planting and thinning in a 1.91-hectare area in Katsuragi Town, Wakayama Prefecture.

This land consists of areas with artificial forests of cedar and cypress and thickets, as well as streams and swamps that serve as water sources for the surrounding areas. We manage the forest by properly tidying it up by hand and assisting in the renewal of natural trees remaining in the area, to enhance the multifaceted functions of the forest.

With the cooperation of the Katsuragi Town Forestry Cooperative, a total of 126 people have participated in 13 activities so far, including undergrowth clearing. We have planted about 500 trees, including wild cherry, bayberry, Japanese chestnut, and walnut trees.

Through these activities, we engage in environmental conservation and community contribution via forestation, while interacting with local residents and experiencing the beauty of nature.



### Signboard Installation and Commemorative Tree Planting

In November 2023, we invited local residents, forestry cooperative members, and local government officials to hold an unveiling ceremony of our signboard and a commemorative tree planting ceremony. We had postponed the event until now due to the outbreak of COVID-19 immediately after the start of these activities, but we were finally able to hold it four years later.

The signboard was handwritten in calligraphy by President Shima and employees, and the commemorative tree planted was a Gioiko cherry tree, a species of oriental cherry native to Japan. This event renewed our determination to continue our involvement in forestation activities rooted in this area.



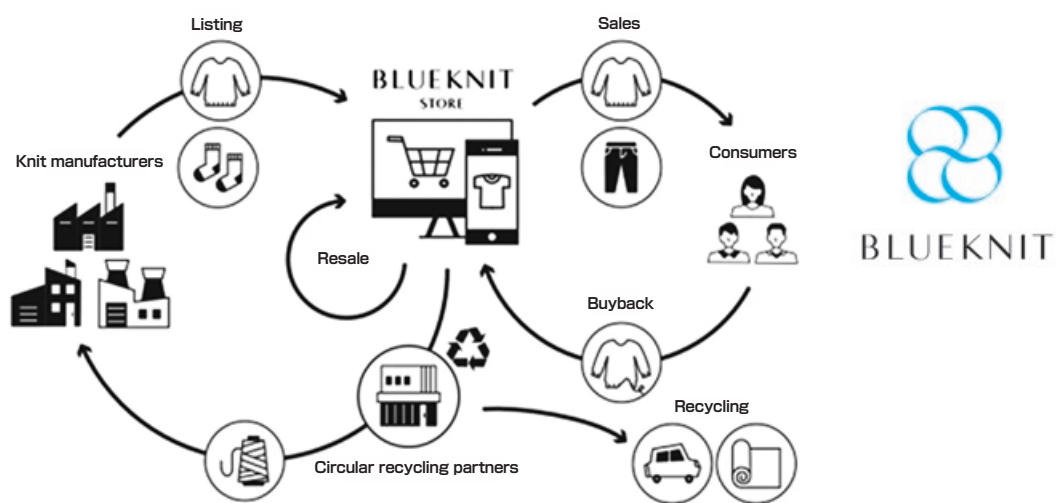
# Contributing to a Circular Society

## ● BLUEKNIT

We launched a platform called “BLUEKNIT” that focuses on “circulating resources” based on four perspectives: consideration for the global environment, being gentle on mind and body, supporting manufacturers, and aiming for an ethical society. Since September 2022, we have been operating “BLUEKNIT store,” an e-commerce mall that offers sustainable Japan-made knitted products.

BLUEKNIT supports the sales of factory brand products from Japanese knitting factories, aiming to revive domestic knit production, which has fallen to about 2%; and contributes to the realization of a circular society by consistently carrying out the processes of manufacturing, selling, buying back, and recycling environmentally-conscious knitted products.

### BLUEKNIT's Circular System



### ① Selection of raw materials

At “BLUEKNIT store,” we select materials with low environmental impact and those that are easy to recycle, such as biodegradable wool and natural fibers, during the product planning stage with knit manufacturers. By choosing materials that are likely to gain value as recycled raw materials from the start, we are able to improve the recirculation rate of recycled products.

### ② Resource conservation in the manufacturing process

We utilize technologies such as WHOLEGARMENT® machines and shaped knitting that produce almost no waste of materials during the manufacturing process.



### ③ Buyback, resale, and recycling

Products with the “BLUEKNIT store” name tag can be bought back at “BLUEKNIT store” after customer use, and products that can be reused are washed, repaired, and then resold.

### ④ Recycling

Products that cannot be resold due to quality issues will be recycled for materials. We have concluded circular recycling partnership agreements with textile manufacturers and are collaborating with them. We at Shima Seiki also directly confirm the subsequent recycling process for materials before proceeding.



# Human Capital

## ● Basic Ideas on Human Capital

We have established our purpose as “well-being for tomorrow through the power of creativity.” Our will to create is at our core. 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.

Under this purpose, we regard our human resources, the source of our “power of creativity,” as essential human capital for the sustainable growth of the Company. To enhance this human capital, we will implement measures such as building an environment where individuals can hone their skills and maximize their potential, and acquiring and developing diverse human resources full of individuality. Through these efforts, we will endeavor to foster a free and open corporate culture where each employee can work vibrantly with hope and pride, continuously taking on the challenge of solving various social issues. In doing so, we strive to grow alongside society as an “indispensable company to society.”



## ● Three Priority Measures

### Measures

#### “Hiring and Developing Human Resources”

Who Will Support the Future of Shima Seiki

#### “Active Participation by Diverse Talents”

Who Create Innovations

#### “Establishing an Internal Environment”

that Generates Job Satisfaction and Provides Peace of Mind for Everyone

### Changes in the Business Environment and Measures

Looking ahead to Shima Seiki’s future and realizing what we want to be, we will strengthen our human resource base by hiring diverse talent, permeating our philosophy, and developing human resources who can learn and act independently. Even within a social environment changing at dizzying speeds—with diversifying business models and consumer behavior and rapid digitalization—we will continue to swiftly solve social issues.

With the intensification of international competitiveness and the increasing complexity of social demands, creating an organization that draws on diversity is becoming increasingly important for sustainable business development and gaining a competitive advantage. The Company recognizes that a diverse set of values and expertise are indispensable for the strengthening of management capabilities and innovations. In order to create new added value through collaboration derived from the utilization of individual abilities, we are focusing on promoting diversity and establishing supportive environments.

Currently, work styles and lifestyles have significantly changed compared to the past, with talent mobility becoming even more active. We are working to create a safe internal environment where each and every one of our employees can work with peace of mind so that they can demonstrate their abilities to the maximum extent. In order to do so, we believe achieving a fulfilling life with a good work-life balance is necessary, and are actively promoting efforts to realize a balance of work and life.

## “Hiring and Developing Human Resources”

### Who Will Support the Future of Shima Seiki

We want to move forward together with people who learn through repeated challenges and failures, and who proactively engage in creating new values. We are promoting human resources recruitment and development by seeking human resources who can act flexibly and swiftly and on their own initiative while staying attuned to the rapidly changing social environment.

## Priority Initiatives

### ● Hiring Diverse Human Resources

We believe that chemical reactions generated from the mixing of various people with different experiences and values, who respect and inspire one another, have a significant impact on organizational development and the creation of new values. We are promoting the diversification of human resources under our basic policy of hiring human resources who can play an active role in our company regardless of age, gender, nationality, and other factors.

### ● Fostering Autonomous Learning Habits in Talent Development

In order for us to respond to a rapidly changing social environment and aim to develop business sustainably, we believe it is important that each and every one of our employees learn autonomously and take on challenges to achieve high goals. To support this individual growth, we have established a comprehensive training system. In terms of utilizing our human resources, we have introduced an internal recruitment system that allows employees to voluntarily take on work they are interested in. In addition, we have introduced an inter-departmental trainee system that allows employees to experience work in other departments for several months. Through these efforts, we are working to create an environment where employees can proactively broaden their range of experience.

## Examples of Activities

### Employment records over the past five years (cumulative)

2020-2024 New graduates and mid-career hires

\* As of the end of September 2024

University graduates (63 persons)		High school graduates (43 persons)		Mid-career hires (43 persons)	
Male	Female	Male	Female	Male	Female
51 persons	12 persons	30 persons	13 persons	36 persons	7 persons

### Hiring and developing IT and DX human resources

- Actively hiring IT and DX human resources who can create new business models
- Programming training has been provided since 2019 to strengthen IT and DX human resources. Department transfers are also implemented based on individual competence.

### Continuous development of next-generation management personnel

We have established requirements for our management leaders, and are actively promoting the development of the next generation of human resources through initiatives such as selective training, etc. At the same time, we identify candidates, devise development measures, and systematize the development process.

### Human resource development programs

We provide rank-specific career training so that each individual can work with goals in mind, as well as basic training for business people and language training to enable employees to demonstrate their abilities in a global enterprise. We also have a support system in place to allow employees to work with peace of mind, providing life-planning training to design careers toward mandatory retirement and reemployment.

### Internal recruitment system / inter-departmental trainee system

In addition to the benefits of seizing opportunities and proactively broadening experiences, through this program, we are also committed to developing employees' interests in work outside their own divisions and cultivating the habit of autonomous learning, considering what is lacking to pursue the work they want to do.

## “Active Participation by Diverse Talents” Who Create Innovations

To ensure competitiveness from a global perspective amid a rapidly changing market, we are striving to build a system that can accept diversity. In the belief that promoting human resources with diverse values and expertise allows us to enhance flexibility and potential for creating new values, we are creating an environment where individual performance can be demonstrated to the maximum extent.

### ● Promoting Diversity & Inclusion (D&I)

We consider diverse values and expertise as essential for strengthening management capabilities and driving innovations. Therefore, we have been actively hiring diverse human resources regardless of gender, nationality, age, or whether they are new graduates or mid-career hires, and promoting them based on their abilities and aptitudes. In addition, we are working to create an environment in which each and every one of our employees can demonstrate their performance to the maximum extent by, for example, establishing an in-house nursery school and promoting working from home. We will continue to further strengthen our efforts to create an environment where employees can respect each other and work vibrantly.

Ratio of female employees **26.2%**

Ratio of female managers **14.6%**

Ratio of mid-career hires **25.2%**

Ratio of foreign employees **0.9%**

Ratio of employees taking childcare leave	Male	<b>80.8%</b>
	Female	<b>100.0%</b>
Average number of days of childcare leave taken	Male	<b>78.4days</b>
	Female	<b>324.3days</b>

#### Initiatives to Promote D&I

##### Promoting Active Participation of Women

We are working to create an environment in which human resource development and flexible work styles can be implemented on an ongoing basis. These efforts include the establishment of a project team for promoting the active participation of women, holding roundtable talks and lectures involving female directors, discussions towards creating an environment friendly to female employees, and providing a forum for direct suggestions to directors.

##### Establishing an In-House Nursery School

In 2017, we established an in-house nursery school called “Shima Kids’ Land” to upgrade our working environment for balancing work and family. As of the end of March 2024, a cumulative total of 164 children of employees have made use of this program.



##### Recruiting Foreign Nationals Toward Globalization

In order to increase international competitiveness, we actively hire foreign nationals and aim to develop a workforce capable of responding to diverse needs and playing an active role on the global stage.

##### Employing People With Disabilities

We are striving to create a work environment where diverse talent can thrive in a variety of roles that are suitable for each person, including production and manufacturing work and work that utilizes programming.

#### Human Resource Strategy TOPIC Program for Finding New Businesses

In our Program for Finding New Businesses which started in 2020, we support employees, mainly of younger generations, taking on challenges to develop various businesses. Under the theme of “solving social issues,” this program has been functioning as a framework to strengthen our solution-based business while fostering independent human resources.

Examples of Activities

Our sustainable material brand “ReMateri<sup>®</sup>” develops and sells “REPAC<sup>®</sup>,” a paper yarn made from recycled paper, primarily milk cartons. REPAC<sup>®</sup> is attracting attention as a high-performance and environmentally-friendly material, offering a smooth texture along with water absorption and deodorizing functions. In June 2024, it was awarded the Wakayama Environmental Award for its innovative approach to enhancing recycling rates through unprecedented applications of recycled paper.



## “Establishing an Internal Environment”

that Generates Job Satisfaction and Provides Peace of Mind for Everyone

We believe that securing employee safety and maintaining and improving their physical and mental health are the sources of our sustainable growth and creation of innovation. Therefore, we prioritize our employees’ work-life balance, striving to cultivate a working environment where everyone can thrive while experiencing job satisfaction and fulfillment in their personal lives.

## ● Health & Safety and Disaster Prevention Initiatives

We have established the Health and Safety Committee; and under the basic policy of “securing safety and health of all employees,” we strive to not only promote the health of employees but also eliminate industrial accidents and commuting accidents through health and safety activities, and improve labor productivity.

For disaster prevention measures, we have established the Disaster Prevention Committee to consider how we can secure the safety of all employees, their families, and relevant persons. In addition, we are working to establish a system that will enable us to resume business operations as quickly as possible in the event of a disaster by formulating a Business Continuity Plan (BCP), for example.

## ● Initiatives to Promote Work-Life Balance

We have established systems that allow employees to select various work styles to strike a balance between work and life. A structure is in place that supports the realization of individual work-life balance, where everyone can utilize systems such as childcare leave, nursing care leave, and reduced working hours as needed.

In addition, we are promoting more efficient work styles and actively working to reduce overtime hours.

### Examples of Activities

#### Promoting Physical and Mental Health

We ensure that health checkups and stress checks are implemented for all employees. Employees are notified of the results directly, and industrial physicians provide face-to-face guidance when necessary.

#### Promoting Paid Leave Usage

In addition to ensuring compliance with the mandatory five-day annual leave, we have established an environment that facilitates taking annual leave, such as by setting company-wide paid leave days and introducing an hourly paid leave system.

#### Employee-Selectable Systems

In response to diversifying work styles, we have established systems under which employees can select their own work styles. These systems include working from home, reinstatement, and shorter working hours for parents with children up to the third grade of elementary school, which exceeds the statutory requirement.

In 2020, there was an open call for new business ventures within the Company, so I decided to draft a business plan, hoping it would be an opportunity to broaden my perspective.

Since starting the new business, I have gradually broadened my horizons as I faced various issues in the world. At the same time, I feel as though my previously fragmented knowledge has started to come together little by little.

I am currently assigned to the Total Design Center, where I work with senior colleagues who give me advice and support about materials and products. I often have opportunities to interact with business partners that I would not normally encounter in

my regular work, so I try to absorb everything I can and apply it to my work.

While we still have a long way to go as a business, I want to continue taking on various challenges going forward so that we can become a pillar of the Company’s business in the future.

**Shinya Iwasaki**  
Chief,  
Total Design Center



# Stakeholder Communication

We believe that communicating with various stakeholders involved with Shima Seiki is essential for understanding and solving social issues. Here, we introduce our initiatives regarding dialogue with each stakeholder group.

## ● Shareholders and Investors

In our IR activities, we intently focus on communication with our shareholders and investors. For shareholders, we consider the General Meeting of Shareholders as an important forum for dialogue. We also issue shareholder newsletters twice a year featuring the latest corporate activities of the fiscal year and business reports from top management. In addition, this Integrated Report includes our financial information as well as non-financial information such as ESG initiatives, presenting our Company's medium- to long-term growth story. For investors, in addition to financial results briefings, we also hold regular IR interviews and online briefings for individual investors to aid in investment decisions concerning our Company. The valuable opinions received from shareholders and investors are fed back internally through the Board of Directors and other meetings, leading to the expansion of information disclosure and improvements in IR activities.

### FY2023 Results

Number of interviews with institutional investors	Approx. 100 per year
Financial results briefings for investors	Twice a year; approx. 80 participants
Online briefings for individual investors	Once a year; approx. 260 participants

## ● Customers

We strive to ensure product quality and management and improve customer satisfaction. To enable safe and secure use of our products, our post-sale support goes beyond just maintenance and inspection, and includes lectures from experienced specialists at training facilities in our headquarters so that everyone can get the most out of our products' functions. We offer various plans tailored to customers' levels, needs, and experiences, from beginner to advanced courses, available in multiple languages including English and Chinese.

We also operate a web portal "SHIMA SEIKI Online Services" that consolidates our web services, including the e-learning system "SHIMANAVI®" and comprehensive customer support website "SHIMA HelpCenter." By combining these services according to customer needs, we contribute to improving their business efficiency and sustainable manufacturing.



## ● Local Community

We operate the "Fusion Museum" as a place where children who will shape the future can learn about the mechanisms and history of machines, discover the fun of manufacturing through feelings of "Why?," awaken their creative power and intellectual curiosity, and nurture their "dreams." This museum introduces the history of numerous knitting machines and knits, from the world's first sock knitting machine to the world's fastest flat knitting machine, sharing the history as a valuable heritage. Additionally, visitors can experience manufacturing items such as scarves and cushion covers by actually using our design systems and hands-on WHOLEGARMENT® flat knitting machines.

Annual visitors in FY2023: Approx. 35,770

## ● Suppliers

We work together with suppliers to engage in responsible procurement activities. With the recognition that raw material and component suppliers are important business partners, we conduct fair and impartial transactions to build partnerships.



Supplier-hosted in-house exhibition

### Procurement Policy Briefing

We hold an annual "Procurement Policy Briefing" for existing suppliers. By communicating and sharing the policies and vision of our business plan, we are working to build relationships of trust and ensure stable procurement in the future.

**Number of participants to Procurement Policy Briefing 2024:**  
Approx. 250 (including online participants)

### In-House Exhibitions and Seminars

We invite suppliers to host product exhibitions and seminars at our premises, leading to information gathering and technological improvement for not only the material procurement departments but also other relevant departments. Additionally, to resolve mutual issues and problems and ensure continuous supply with stable quality, employees from relevant departments visit suppliers and hold technical exchange sessions.

## ● Employees

To provide dialogue opportunities between the president and employees, we have implemented presidential talks at monthly all-hands morning assemblies, during which the president personally delivers a message to employees. Furthermore, to improve vertical and horizontal internal communication, we regularly hold lunch meetings where the president and employees can casually converse over lunch, as well as inter-departmental networking events to build communication beyond departmental boundaries. Through these efforts, we aim to share values, as well as foster a sense of unity and promote smooth business operations.



Lunch meeting with the president

### Basic Information of the Fusion Museum

**Location :** FORTE WAJIMA 3rd floor, 2-1 Honmachi,  
Wakayama City, Wakayama Prefecture

**Opening hours :** 10:00 a.m. to 7:00 p.m.

**Closed :** January 1st to 3rd

**Admission:** Free

**TEL :** +81-73-488-1962



# Governance

## Corporate Governance

### ● Basic Policies and Systems

Shima Seiki recognizes enhancing corporate governance as one of its most critical issues. We will improve management efficiency, soundness, and transparency while conducting management that emphasizes the interests of stakeholders such as shareholders, customers, business partners, and employees. By fully utilizing the functions of the Board of Directors and the Audit and Supervisory Committee, we will strive to build a system that enables proper and efficient corporate governance.

### ● Governance Structure

#### Board of Directors

The Board of Directors consists of eight members, including four outside directors (as of June 26, 2024), and, as a general rule, meets at least once each month, flexibly as needed, to deliberate on matters stipulated by law and important management matters, determine management policies, and supervise the execution of business.

During the fiscal year ended March 31, 2024, the Board of Directors held 12 meetings and implemented one deemed resolution in writing under Article 370 of the Companies Act. The Board of Directors has active discussions regarding resolutions on important management strategies and business policies; status reporting and policy decisions on medium-term management plans and business/sales activities; policy decisions on sustainability; examination of business risks; and reporting on the evaluation of Board of Directors effectiveness and reviews on issues.

#### Audit and Supervisory Committee

The Audit and Supervisory Committee consists of one director who is a Standing Audit and Supervisory Committee Member and two Audit and Supervisory Committee Members (outside directors) with specialized knowledge, such as on legal affairs or finance and accounting. The Committee meets monthly as a general rule and at any time as needed.

During the fiscal year ended March 31, 2024, the Audit and Supervisory Committee held 13 meetings. The members of the Committee have discussions from their professional and objective views, with the agenda including resolutions, deliberations, and reports on significant matters related to audits.

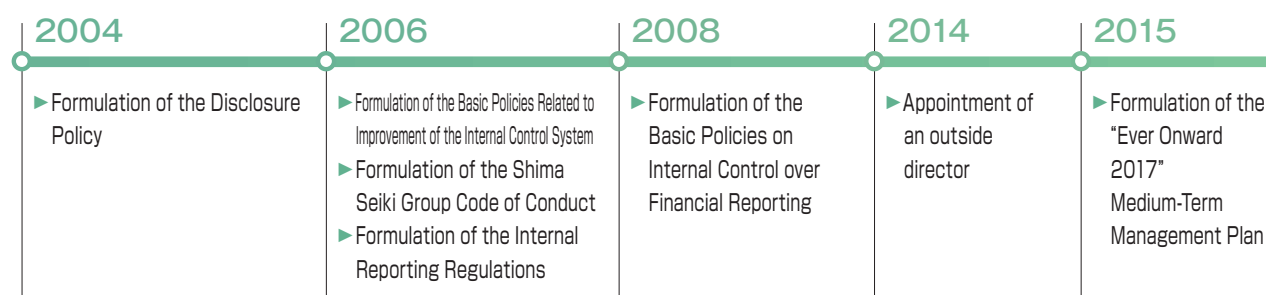
#### Accounting Audits

The Company has appointed Ohtemae Audit Corporation as its accounting auditor. Regular accounting audits and internal control audits of the Company by the auditing firm enhance the effectiveness of the audit system.

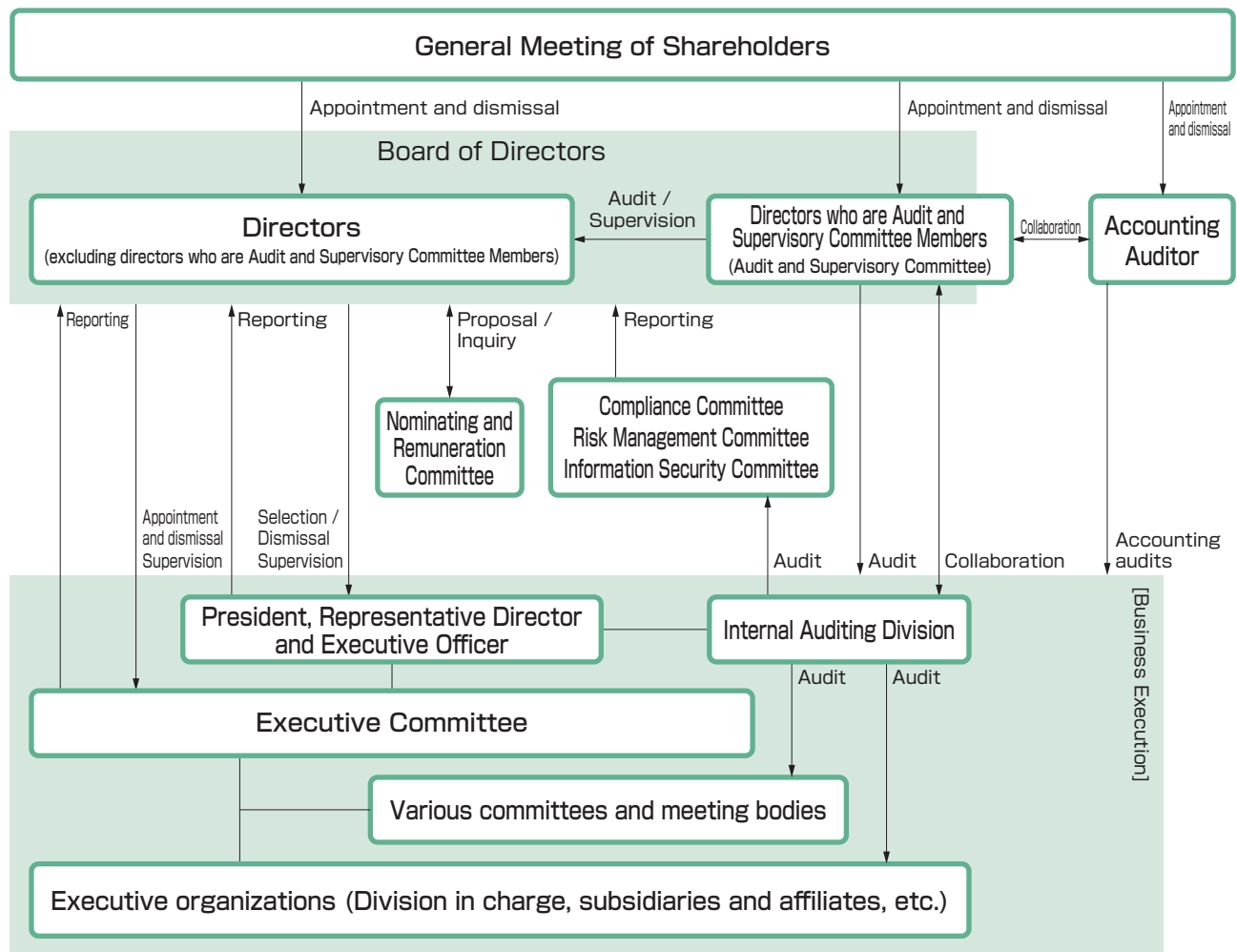
#### Internal Auditing Division

Aiming at enhanced internal control, the Company has established an Internal Auditing Division, consisting of three members, that conducts efficient internal audits and internal control evaluations according to the audit plan. The results are reported to the president and other directors, fed back to relevant divisions, and improvement results are confirmed. Regular meetings are also held with the Audit and Supervisory Committee and the accounting auditor to report on internal audit results and ensure that all parties' opinions and suggestions are reflected in audit operations.

### ● Governance Reforms



## Corporate Governance Organization



2018

- ▶ Formulation of the "Ever Onward 2020" Medium-Term Management Plan
- ▶ Introduction of an executive officer system
- ▶ Establishment of the Nominating and Remuneration Committee

2020

- ▶ Transition to a company with an Audit and Supervisory Committee

2021

- ▶ Formulation of the Corporate Governance Basic Policy
- ▶ Formulation of the "Ever Onward 2023" Medium-Term Management Plan

2022

- ▶ Establishment of the Sustainability Committee

## ● Nominating and Remuneration Committee

As a voluntary advisory body of the Board of Directors, we established the Nominating and Remuneration Committee, which is chaired by an outside director and consists of a majority of outside directors, to ensure the objectivity and transparency of nomination and remuneration. The Nominating and Remuneration Committee deliberates on basic policies and personnel proposals for the appointment and dismissal of directors; succession plan proposals; and basic policies and proposals for directors' remuneration. The Committee then reports its recommendations to the Board of Directors.

The Nominating and Remuneration Committee held three meetings during the fiscal year ended March 31, 2024.

### Activities in FY2023

- The nomination of candidates for directors (excluding directors who are Audit and Supervisory Committee Members) and executive officers
- The appropriateness of remuneration for directors (excluding directors who are Audit and Supervisory Committee Members) and executive officers

#### Policy and Procedures for Appointment and Dismissal of Senior Management and Nomination of Director Candidates by the Board of Directors

For director candidates (excluding directors who are Audit and Supervisory Committee Members), we aim to ensure that the Board of Directors as a whole has a balanced mix of knowledge, experience, capability, and expertise required for directors to effectively fulfill their duties and responsibilities, while maintaining an ideal balance of diversity and appropriate size. Among the directors, independent outside director candidates must meet standards relating to the independence of outside directors and include individuals with management experience. The nomination of director candidates, representative directors, and executive directors is deliberated by the Nominating and Remuneration Committee, and based on their recommendation, decided by resolution of the Board of Directors. For director candidates who are Audit and Supervisory Committee Members, prior consent of the Audit and Supervisory Committee is required. If a director, representative director, or executive director violates laws and ordinances or the Articles of Incorporation, or if there are reasonable grounds to consider them unqualified in a way that damages the Company's corporate value, the Nominating and Remuneration Committee will deliberate on their dismissal or removal.

#### Policy and Procedures for Determination of Remuneration for Senior Management and Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) by the Board of Directors

The remuneration for directors (excluding directors who are Audit and Supervisory Committee Members) is commensurate with each director's role and responsibilities, and the remuneration system is designed to enhance incentives for directors to achieve sustainable growth of our Company and increase corporate value over the medium-to-long-term. Accordingly, directors' remuneration comprises basic remuneration, performance-linked bonuses as short-term incentives based on the business performance of the corresponding fiscal year, and stock options as medium- to long-term incentive remuneration. The remuneration for outside directors is limited to basic remuneration, considering their role and independence. The determination of directors' remuneration is deliberated by the Nominating and Remuneration Committee, and based on their recommendation, decided by resolution of the Board of Directors.

## ● Director Remuneration

### Basic Policy on Director Remuneration

- 1 The remuneration shall be designed to motivate directors to achieve the Company's continuous growth and improve its medium-to-long-term corporate value.
- 2 The remuneration system shall be commensurate with each director's role and responsibilities, and will ensure transparency and objectivity.
- 3 The remuneration shall be designed to contribute to securing talented human resources necessary to enhance corporate value.
- 4 The remuneration system shall be designed to share interests with shareholders.

### Composition of Director Remuneration

The remuneration of executive directors consists of "basic remuneration," "performance-linked bonuses," and "share remuneration-type stock options." With respect to the composition ratio of remuneration, while performance-linked bonuses may not be paid, in principle, they shall not exceed the basic remuneration. The share remuneration-type stock option typically is set at approximately 10 to 20% of the basic remuneration.

Please refer to the "63rd Annual Securities Report" (pages 46 to 47) for details on the remuneration paid to directors.



## Messages from Audit and Supervisory Committee Members

In order to be a company that is trusted by stakeholders, the Shima Seiki Group is working to strengthen its corporate governance with the aim of increasing the transparency of the Board of Directors and the Audit and Supervisory Committee, thereby ensuring their functions are fully performed. We heard from three Audit and Supervisory Committee Members who play a central role in our audit system about the strengths and issues of our governance system and the vision we should aim for.

### Hisahito Totsui

Director (Standing Audit and Supervisory Committee Member)



We have implemented measures to enhance management transparency and objectivity, such as increasing the ratio of outside directors and establishing a Nominating and Remuneration Committee. We have also appointed personnel from our headquarters as directors of our subsidiaries and have thereby created a system that ensures local information gathering and appropriate risk management. Going forward, we will focus on initiatives aimed at further strengthening the Group's governance system, as well as deepening communication with business execution departments, to better understand on-site conditions and improve the effectiveness of audits.

I recognize that Shima Seiki is an innovative company capable of providing effective solutions that go beyond the realm of manufacturing to resolve customers' issues. We will further expand our business domains through collaboration with other companies and open innovation, aiming to become a company that can resolve all kinds of social issues.

### Daisuke Shinkawa

Outside Director (Audit and Supervisory Committee Member)



The Board of Directors needs to further ramp up discussions on the long-term vision and medium- to long-term management strategies, as well as involvement in the progress of the Medium-Term Management Plan, to enhance supervisory functions. As an Audit and Supervisory Committee Member, I will promote a change in awareness of our officers and employees and support appropriate risk-taking, which will help address current issues and contribute to achieving our Medium-Term Management Plan. As a company that always strives to solve social issues, we need to share the social issues we face throughout the Company and create a cycle where each employee thinks independently, acts, analyzes results, and connects those results to future actions. Management's role is to provide guidance, create an enabling environment, and oversee the outcomes. I hope that the entire company will steadily implement these measures, and continue to exist as "an indispensable company to society."

### Sachiko Nomura

Outside Director (Audit and Supervisory Committee Member)



Our Board of Directors is composed of a majority of outside directors, and a structure has been established to reflect the perspectives of stakeholders, including shareholders, in management through active exchanges of opinions, for example. In terms of auditing, the Audit and Supervisory Committee, Internal Auditing Division, and accounting auditor collaborate, including by setting up opportunities for opinion exchange and accompanying business site audits, ensuring timely sharing of issues within the Group. While there are many issues to address, such as securing and developing human resources, collaborating with overseas subsidiaries, and recovering business performance, we will closely monitor and follow up on the efforts made by the executive side to address each issue. Although auditing is often thought of as acting as a brake, I hope to conduct audits that can serve as an accelerator for management by following up on issues and pointing out risks. Shima Seiki is in a position to solve social issues in the apparel industry and contribute to reducing the burden on the global environment. I have high expectations that it will spread its products worldwide and become a company that creates benefits both for its customers and for the planet.

### ● Risk Management

Shima Seiki has identified risks that occur or may occur in the future relating to our operations as a whole and has established "Risk Management Regulations" as a basic framework for implementing appropriate measures to prevent and manage identified risks. With these regulations as our highest standard of risk management, we endeavor to conduct corporate operations properly and smoothly.

The Risk Management Committee, established based on our Risk Management Regulations, specifies and analyzes risks that should be managed company-wide, formulates countermeasures, and constructs a system for continuous risk monitoring. Furthermore, in the event of an unforeseen situation, we have established a crisis management system where a "Crisis Management Headquarters" headed by the president is set up to respond swiftly and appropriately, prevent the expansion of damage, and minimize losses.

### ● Business and Other Risks

Our Group identifies the following major items as risk factors in our business operations that may have an impact on our operating results and financial position. However, these risks do not necessarily encompass all potential risks, and our Group may be affected in the future by unexpected risks and other risks considered immaterial as of now.

Our Group recognizes the possibility of these risks occurring and strives to avoid their occurrence and take appropriate responses should they materialize. It should be noted that any matters about the future among these descriptions are based on the Group's judgment as of the end of the current fiscal year.

#### 1 Fluctuation Risk of the Market Environment and Competitive Situation

Our main customers, Japanese and overseas knitted product manufacturers, may significantly reduce investments in flat knitting machines and other equipment due to factors including changes in consumer lifestyles and consumption patterns, increased environmental awareness including sustainability concerns, stagnant economic activities, and unseasonable weather such as mild winters.

In each business segment our Group operates, customer needs are changing fast, and technological innovations by competitors are advancing rapidly.

Additionally, in terms of material procurement, our Group's business performance and financial position may be affected by factors such as international trade issues, global pandemics disrupting supply chains, and rising fuel costs. (Details are provided in "⑨ Risks Related to Natural Disasters, International Conflicts, Accidents, Spread of Infectious Diseases, Etc. (2) Impact on Production.")

Moreover, as the number of important contracts with customers and business partners increases, differences in interpretations may lead to infringement of other companies' patents or leakage of confidential information, potentially developing into compensation issues that could affect our business performance and financial position. (Details are provided in "⑤ Issues in Intellectual Property Protection Strategy" and "⑧ Information Security Risk.")

If the Company fails to respond appropriately to these environmental changes and loses its competitive edge, it may severely impact the Group's business performance and financial position.

In response to these business risks, we are constantly striving to improve the appeal of our products and services. For example, we proactively propose timely and optimal-volume production corresponding to changes in demand in consumer areas through the use of the WHOLEGARMENT® flat knitting

machines and design systems.

Furthermore, by maintaining close communication with customers and business partners to accurately capture potential needs, we are establishing innovative business models that solve industry issues in apparel and fashion, and promoting the adoption of knitting in non-apparel industries, thereby creating new business value and domains within the Group. The Group's policy is to proactively invest in new business domains (new businesses), and these initiatives will be undertaken through a more rigorous process, including thorough market research and analysis, careful business planning, and setting timeframes for profitability and exit criteria. However, if circumstances differ from predictions and plans do not proceed as expected, it may impact our business performance and financial position.

In the ever-changing business environment, our Group is working as one to fundamentally review our management infrastructure and internal systems, maintaining and enhancing appropriate risk management systems, thereby striving for sustainable enhancement of our Group's corporate value.

## 2 Impact of Social Systems Changes in Business Operation Areas

The apparel industry has seen its supply chain globalize alongside economic globalization. Trade frictions between consumer and producer countries can significantly impact capital investment trends if they develop into trade issues.

The Group is paying close attention to economic measures such as mutual tariff increases and technology export restrictions stemming from US-China trade friction, striving to respond appropriately. However, if new regulations are introduced or existing ones are changed by national governments or international frameworks, it may affect our Group's business performance and financial position. To address this, we are building a system to quickly detect local trends and take immediate action by utilizing our network of local subsidiaries and distribution agencies worldwide.

## 3 Exchange Rate Fluctuations

Our Group's ratio of overseas sales has been around 80%, with transactions conducted in foreign currencies besides Japanese yen. Sudden exchange rate fluctuations may affect our Group's business performance and financial position.

To mitigate this risk, as described in the Notes to Consolidated Financial Statements (Derivative Transactions), our Group hedges risk through forward exchange contracts for foreign currency-denominated trade receivables.

## 4 Credit and Trade Receivables Collection Risk

A large portion of trade receivables is related to the flat knitting machine segment. Due to the industry's unique business practices, where the period from material procurement to product sales can be lengthy, trade receivables collection often extends over a long period. Therefore, our Group has strengthened direct credit management for users in major regions. In the Asian market, global apparel companies and knitted product manufacturers both have continued to engage in large-scale production activities, resulting in an upward trend in transaction amounts per company. To reduce collection risk, our Group implements measures such as liquidation of receivables, collateral setting, promotion of leasing transactions, and coverage through trade insurance. Additionally, flat knitting machines are equipped with a PMS (Password Management System), creating a mechanism that encourages timely payments before the due date. In instances of delayed collections, our Group takes measures such as establishing conservative provision of reserves based on historical collection rates and individual estimates of collectability.

## 5 Issues in Intellectual Property Protection Strategy

Some of our Group's unique technologies and know-how may not be fully or only limitedly protected by intellectual property rights due to a lack of legal compliance awareness among overseas competitors. WHOLEGARMENT® flat knitting machines and other Group products are amalgamations of our advanced technologies. Our Group has established an Intellectual Property Development Team within the Development Headquarters to protect a wide range of technologies, including "flat knitting machine mechanisms and control," "knitting technologies," and "design system-related technologies," with intellectual property rights and differentiate from competitors. However, if counterfeit products circulate due to patent infringement, it could significantly affect the Group's businesses.

On the other hand, while our Group develops products ensuring to avoid infringing on other companies' rights, differences in interpretation may lead to alleged infringement of third-party intellectual property rights, potentially hindering product development and sales or resulting in significant liability for damages. Additionally, the use of third-party intellectual property rights currently licensed to the Group may be suspended in the future, or the terms and conditions may be changed unfavorably, potentially affecting our Group's business performance and financial position.

To address these risks, our Group constantly monitors patent infringements by other companies and utilizes information from local subsidiaries and agents in each country, establishing a system to issue warnings and take legal action when necessary. For the intellectual property of other companies, we conduct thorough investigations and checks at each product development phase. In case of alleged infringement of intellectual property rights by other companies due to differences in interpretation or changes in license terms, we have placed personnel in our internal legal affairs departments capable of negotiating and litigating non-infringement claims and license terms, and work with experienced lawyers to respond appropriately to each case.

## 6 Organizational and Human Resources Risks

Since the start of business, the Company has been highly regarded in the industry for creating things that did not exist in the world and providing products with the highest functionality at economical prices. These are supported by human resources with high expertise, creativity, and uniqueness. While we endeavor to continuously secure and develop such human resources, if the transfer of technology or the securing and development of successors to these personnel do not proceed as planned, or if personnel leave due to retirement or other reasons, it may lead to decreased product development capabilities and quality, potentially affecting the Group's business performance and financial position due to reduced business competitiveness. To address this, we proactively engage in technology transfer for instance through enhanced in-house training for junior employees, encouragement of various skill certifications, and expansion of OJT by experienced employees. Furthermore, in order to build a system that does not overly rely on specific personnel or organizations, we will strengthen cooperation and information sharing between various organizations within our Group and strive to strengthen overall organizational capabilities.

## 7 Product Liability Risk

Under the Shima Seiki Spirit of providing products with the highest functionality at economical prices, our Group has established the Fundamental Quality and Environmental Policies and executes specialized committee activities to improve product quality and customer satisfaction. However, in the event of product defects, compensation for damages and countermeasure costs may affect our Group's business performance and financial position. Our Group has obtained insurance coverage for product liabilities to mitigate this risk.

## 8 Information Security Risk

Information systems are one of the crucial elements for our Group. System malfunctions or deficiencies in information communication systems due to human error, equipment failure, defects in services provided by third parties such as telecommunication carriers, as well as external cyber-attacks, unauthorized access, or computer virus infections, could lead to errors or delays in transaction processing, information leaks, or other failures, potentially affecting our Group's business performance and financial position. We have established an Information Security Policy, stipulating a code of conduct for handling information for all officers and employees, and conduct ongoing awareness-raising activities regarding physical and technical countermeasures for information security through the Information Security Committee.

## 9 Risks Related to Natural Disasters, International Conflicts, Accidents, Spread of Infectious Diseases, Etc.

Natural disasters, including earthquakes, typhoons, and tsunamis, as well as international conflicts, fires, power outages, the spread of infectious diseases (pandemics), and other events may have an impact on our Company's business.

### (1) Impact on Sales

If risks increase in Asia (China, Vietnam and other ASEAN member states, Bangladesh, etc.), which is our major sales area, the European market centered on Italy, and the Middle East market centered on Turkey, it could disrupt normal sales activities, and if prolonged, could significantly impact the Company's business performance. This could also affect users' production activities, potentially increasing the risk of trade receivable collection due to deteriorating cash management by users. (Details are provided in "4 Credit and Trade Receivables Collection Risk.")

### (2) Impact on Production

In terms of production, it is anticipated that prolonged shutdowns of suppliers could lead to components shortages, forcing production cutbacks, which would significantly impact our Company's business performance and financial position. To mitigate this, our Group is implementing measures such as securing emergency inventory and establishing a stable components supply system through purchases from multiple suppliers.

## 10 Overconcentration of Production Bases

Our Company has concentrated our production in Wakayama Prefecture, where the headquarters is located, to achieve efficiency and cost reduction through an integrated system from development to manufacturing. Therefore, in the event of a large-scale earthquake, wind or flood damage, or other natural disasters in or near Wakayama Prefecture, fires and other accidents in our factories, or the spread of infectious diseases in our Company, manufacturing lines could be shut down for an extended period. Given our daily production system, a prolonged shutdown would have a significant impact. To address this, the Company has obtained various insurance coverages and developed business continuity plans to minimize operational shutdown periods, as well as implemented countermeasures, such as seismic retrofitting of buildings, drills assuming emergencies, and introduction of a safety confirmation system, aiming at establishing a system for rapid recovery. However, if a disaster of a scale exceeding the anticipated damage occurs, it may affect the continuity of business activities due to functional stoppage, equipment damage, infrastructure supply suspension, and suspension of public transportation and communication tools.

## 11 Risk Associated with the Spread of Infectious Diseases, Etc.

In the event of a global spread (pandemic) of infectious diseases such as COVID-19, if the spread of infectious diseases is detected within the Company, it may affect the Group's business performance and financial position due to suspension of business activities such as temporary factory shutdowns. The Group established a Crisis Management Headquarters headed by the president, and has put in place a system to minimize the impact on business while prioritizing employee safety by implementing measures such as prohibiting non-essential and non-urgent meetings and business trips, suspending acceptance of factory tours, strengthening preventive measures (thorough daily temperature checks, mask-wearing, hand disinfection, etc.), promoting telework, and providing workplace vaccinations.

## 12 Compliance Risk

In performing business activities, the Group is subject to a wide variety of laws, regulations and rules. Material compliance violations like misconduct, including unintended violations, may lead to deterioration in the public reputation of our Group and a significant impact on business, including suspension of transactions and damages from lawsuits.

To address this, we have established the "Shima Seiki Group Code of Conduct" and strive to comply with it. Additionally, we established the Compliance Committee to strengthen the compliance system, and the Corporate Ethics Helpline as a point of contact for reporting and consulting on legal compliance and corporate ethics, working to prevent the impact of compliance violations from expanding.

## 13 Sustainability-related Risks

Stakeholder interest in ESG-focused management and SDGs is increasing year by year, making measures toward realizing a sustainable society increasingly important in the future.

In terms of the environment, reducing greenhouse gas emissions for a decarbonized society and environmentally-conscious products and services are demanded by customers, suppliers, and society as a whole from the perspective of global climate change measures.

Our Company designs and develops products and services with consideration for reducing environmental impact for customers while complying with requirements in various environment-related regulations based on the operation of an environmental management system. In manufacturing, we are working on electricity consumption reduction to control and reduce CO<sub>2</sub> emissions, reducing waste, as well as promoting recycling and effective use of resources. However, if various laws and regulations are amended or newly established, costs for compliance may increase, potentially affecting the Company's business performance and financial position.

Furthermore, awareness of "business and human rights" for companies operating globally is increasing, and stakeholders are demanding responses to human rights issues as well as conflict minerals and forced labor issues in the supply chain.

The Company has established the Policy on Human Rights and endeavors to realize a comfortable workplace environment where the intrinsic diversity of every person is respected, aiming to respect the human rights of all persons involved in business activities.

However, if appropriate measures are not taken by the Company and in the supply chain, it may affect our Company's business performance and financial position due to suspension of transactions, administrative penalties, loss of our social credibility, and loss of business opportunities.

We will continue to propose sustainable manufacturing through our products and services and solve social issues through our corporate activities.

## Examples of Initiatives Assuming Natural Disaster Risks

### Response to a Possible Earthquake

Considering the impact of a large-scale earthquake to be an important risk, Shima Seiki has formulated a business continuity plan (BCP).

Our basic policy is to "fulfill our social responsibility and ensure social trust in us," prioritizing the safety of employees and stakeholders, and establishing a system that enables us to respond appropriately if issues arise that need to be disclosed to customers.

### Disaster Prevention System

The Disaster Prevention Committee meets monthly to discuss disaster prevention measures and conduct preparedness and awareness-raising activities.

Additionally, in the event of a large-scale disaster or accident, a Crisis Management Headquarters is established to respond swiftly while ensuring the safety of employees, their families, and stakeholders, enabling the Company to resume operations as quickly as possible.

### Disaster Prevention Drills

Shima Seiki conducts disaster prevention drills every year with the aim of confirming initial response, evacuation, and relief. These annual drills assume that a large-scale earthquake has struck, and ensure that employees can take appropriate action without waiting for instructions during an emergency.

Furthermore, critical care training, firefighting drills, and first aid training sessions are regularly conducted to enhance disaster prevention awareness among all employees.

## ● Internal Control System

Regarding the establishment of the internal control system, Shima Seiki is promoting initiatives based on the recognition that it is a requirement for not only compliance with laws and regulations but also for realizing the corporate philosophy and goals through revision of the current overall business operations and construction of a robust corporate structure. To improve internal control effectiveness, we have introduced the "Internal Reporting System (Corporate Ethics Helpline)." Additionally, we have formulated the "Basic Policies Related to Improvement of the Internal Control System" and have conducted pertinent reviews of the content in consideration of such factors as legal revisions, changes in institutional design, and the progress of initiatives.

Furthermore, to ensure that internal controls function effectively, we have established the "Compliance Committee," the "Risk Management Committee," and the "Information Security Committee," endeavoring to reinforce our internal control through the activities of these committees.

Regarding "internal control over financial reporting," from the perspective of protecting investors, we have constructed a system to reasonably ensure the reliability of financial reporting and promote fair and impartial disclosure.

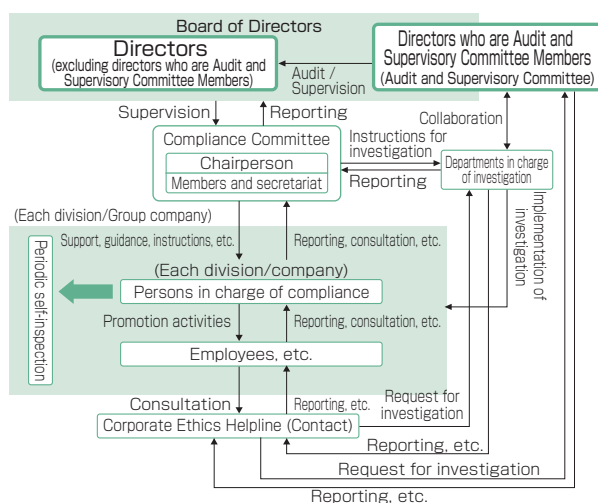
## ● Compliance Structure

Our Group formulated the "Shima Seiki Group Code of Conduct" in October 2006, pledging our resolution to "comply with laws and regulations and corporate ethical standards" in its General Rules. Each and every employee has strived to maintain high ethical standards and act with common sense as a member of society.

To enhance compliance throughout the Group, we set up a "Compliance Committee" that regularly checks the status of compliance and systematically works to establish compliance through training and sharing case studies, thereby improving awareness across the entire company.

In addition, Shima Seiki has introduced a "Corporate Ethics Helpline" as an internal and external point of contact for reporting when employees discover legal violations or other significant matters, or when they experience acts contrary to corporate ethics such as human rights infringement or various forms of harassment. We strive to address and rectify any incidents promptly and prevent recurrence.

### Compliance Organization



## ● Information Security

The Group considers confidential information and corporate assets as important resources and strives to manage them correctly and contribute to society through our business.

### Basic Policy on Information Security

Shima Seiki recognizes the importance of information assets such as "customer personal information, corporate information, trade secrets, and technological development information" handled in business operations, and endeavors to ensure information security by implementing relevant protection measures.

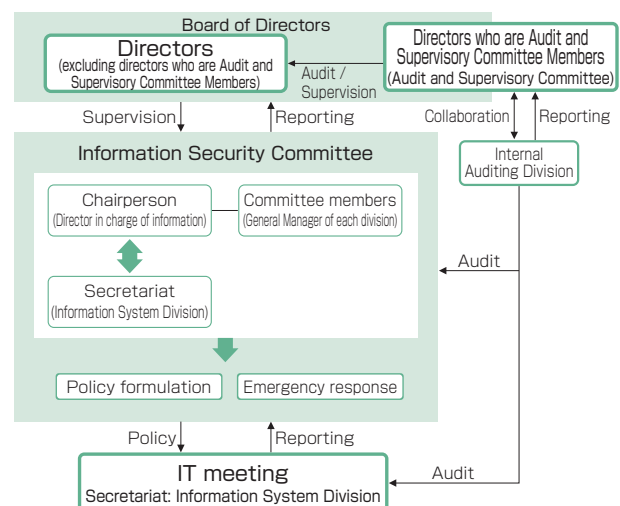
#### 1 Information Security Management

To maintain information assets at a high-security level, Shima Seiki will repeatedly implement information security management through a cycle of "formulation → operation → evaluation → revision."

#### 2 Legal Compliance

In handling information, Shima Seiki will comply with laws, regulations, etc. related to information security and take account of various standards and guidelines stipulated by administrative bodies and others.

### Information Security Organization



# Directors



## Mitsuhiro Shima

President, Representative Director and Executive Officer  
Director of the Sales Headquarters in charge of the Internal Auditing Division and Sustainability Management Division

### <Profile>

Mar. 1987 Joined the Company  
Mar. 1998 General Manager of the System Development Division  
Jun. 2002 Director, General Manager of the System Development Division  
Jun. 2007 Executive Director in charge of the Control System Development Division, Intellectual Property Department and Total Design Center, General Manager of the Graphic System Development Division  
Jun. 2011 Senior Executive Director in charge of the Machinery Production Technology Division and Total Design Center, Director of the Production Headquarters  
Jun. 2012 Executive Vice President in charge of the Corporate Planning Division and Total Design Center, Deputy Director of the Sales Headquarters  
Jun. 2017 President, Representative Director, Director of the Sales Headquarters in charge of the Corporate Planning Division  
Jun. 2018 President, Representative Director and Executive Officer, in charge of the Corporate Planning Division  
Jun. 2024 President, Representative Director and Executive Officer, Director of the Sales Headquarters in charge of the Internal Auditing Division and Sustainability Management Division (current)



## Akihiro Ohtani

Director, Managing Executive Officer  
General Manager of the Production Headquarters in charge of the Development Headquarters

### <Profile>

Aug. 1988 Joined the Company  
Mar. 2018 General Manager of the Production Headquarters  
Jun. 2018 Executive Officer and General Manager of the Production Headquarters  
Jun. 2021 Director, Executive Officer, General Manager of the Production Headquarters in charge of the Development Headquarters  
Jun. 2024 Director, Managing Executive Officer, General Manager of the Production Headquarters in charge of the Development Headquarters and Physical Distribution Division  
Jul. 2024 Director, Managing Executive Officer, General Manager of the Production Headquarters in charge of the Development Headquarters (current)



## Rieko Zamma

Outside Director

### <Profile>

Apr. 1970 Joined Shizuoka Broadcasting System Co., Ltd.  
Jun. 1973 Joined Kobunsha Co., Ltd.  
Jun. 1980 Established Candid, Inc. (Merged with Candid Produce, Inc. in May 2021), CEO  
Jul. 2005 Established Creative Senior, Inc. (now Candid Produce, Inc.), CEO (current)  
Jan. 2009 Established club willbe, a network for grownups, Representative (current)  
Jun. 2016 Director, the Company (current)  
Sep. 2016 Outside Director, Open Up Group Inc. (formerly BeNext-Yumeshin Group Co.) (current)

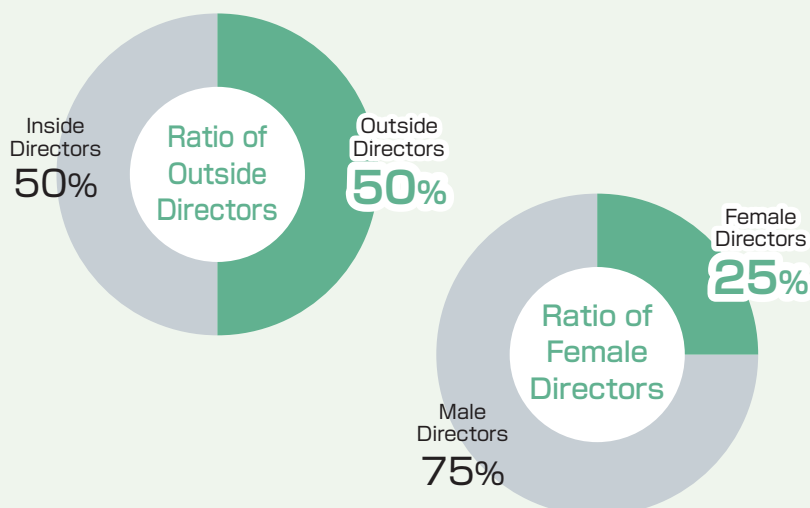


## Hisahito Totsui

Director (Standing Audit and Supervisory Committee Member)

### <Profile>

Mar. 1988 Joined the Company  
Mar. 2008 Deputy General Manager, Internal Auditing Division  
Jun. 2018 Standing Audit & Supervisory Board Member  
Jun. 2020 Director (Standing Audit and Supervisory Committee Member) (current)



### <Skills Matrix of Directors>

	Name	Position (Current)
Directors	Mitsuhiro Shima	President, Representative Director and Executive Officer
	Akihiro Ohtani	Director, Managing Executive Officer
	Shosaku Kitagawa	Director, Managing Executive Officer
	Yoshio Ichiryu	Outside Director
	Rieko Zamma	Outside Director
Audit and Supervisory Committee Members	Hisahito Totsui	Director (Standing Audit and Supervisory Committee Member)
	Daisuke Shinkawa	Outside Director (Audit and Supervisory Committee Member)
	Sachiko Nomura	Outside Director (Audit and Supervisory Committee Member)

●: Knowledge and expertise particularly expected of each person (up to five)



## Shosaku Kitagawa

Director, Managing Executive Officer

General Manager of the Corporate Planning Division in charge of the General Affairs and Personnel Division, Information System Division, Accounting and Finance Division and Administrative Division

### <Profile>

**Mar. 1991** Joined the Company  
**Mar. 2016** General Manager of the Corporate Planning Division  
**Jun. 2018** Executive Officer and General Manager of the Corporate Planning Division  
**Jun. 2021** Director, Executive Officer, General Manager of the Corporate Planning Division in charge of the General Affairs and Personnel Division and Information System Division  
**Jun. 2024** Director, Managing Executive Officer, General Manager of the Corporate Planning Division in charge of the General Affairs and Personnel Division, Information System Division, Accounting and Finance Division and Administrative Division (current)



## Yoshio Ichiryu

Outside Director

### <Profile>

**Apr. 1968** Joined the Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry)  
**Jun. 1993** Director-General, MITI-Kinki Bureau  
**Jun. 1995** Director-General, Machinery and Information Industries Policy, Machinery and Information Industries Bureau  
**Aug. 1996** Director-General for Policy Coordination, Minister's Secretariat  
**Jul. 2000** Established Ichiryu Associates, Inc. President & CEO (current)  
**Feb. 2003** Outside Audit & Supervisory Board Member, SALA Corporation  
**Feb. 2006** Outside Director, SALA Corporation (current)  
**Jun. 2014** Director, the Company (current)  
**Jan. 2023** Established General Incorporated Association Research Organization for Building Japan's Future Representative Director (current)



## Daisuke Shinkawa

Outside Director

(Audit and Supervisory Committee Member)

### <Profile>

**May 1991** Registered as certified public accountant  
**Aug. 1991** Registered as tax attorney  
**Apr. 2002** Established HOKUTO tax accountant office, Partner  
**Jan. 2003** Representative Partner, HOKUTO tax accountant office (current)  
**Jun. 2012** Audit & Supervisory Board Member, the Company  
**Jun. 2016** Outside Director (Audit & Supervisory Committee Member), Kurabo Industries Ltd. (current)  
**Jun. 2020** Director (Audit and Supervisory Committee Member), the Company (current)  
**Jun. 2024** Corporate Auditor, Ozeki Corporation (current)



## Sachiko Nomura

Outside Director

(Audit and Supervisory Committee Member)

### <Profile>

**Apr. 2000** Registered as attorney  
 Joined Dojima Law Office (to present)  
**Apr. 2014** Adjunct Professor, Osaka University Graduate School of Law (current)  
**Jun. 2015** Audit & Supervisory Board Member, the Company  
**Jan. 2018** Outside Director, Kobe Bussan Co., Ltd.  
**Jan. 2018** Outside Corporate Auditor, B&P Co., Ltd. (current)  
**Jun. 2019** Outside Corporate Auditor, Shinobu Foods Products Co., Ltd. (current)  
**Jun. 2020** Director (Audit and Supervisory Committee Member), the Company (current)  
**Jan. 2022** Outside Director (Audit and Supervisory Committee Member), Kobe Bussan Co., Ltd. (current)

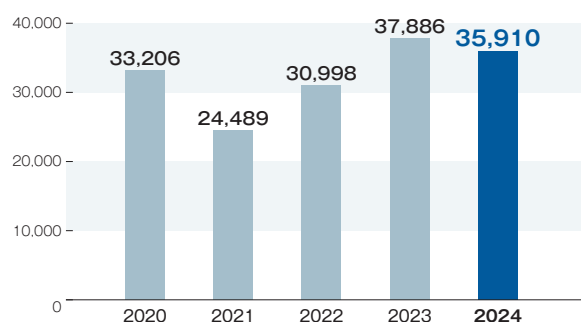
	Attendance in FY2023		Management Strategy Global Marketing	Technology / R&D IT / DX New Business Development	Human Resource Management	Finance and Accounting	Legal Affairs and Internal Control Risk Management	Sustainability
	Board of Directors (Total 12 Meetings)	Audit and Supervisory Committee (Total 13 Meetings)						
	12		●	●	●		●	●
	12		●	●	●		●	●
	11		●	●	●	●	●	
	11		●		●		●	●
	12		●		●		●	●
	12	13				●	●	●
	12	13				●		●
	12	13					●	●

\* The above list does not represent all skills possessed by each person.

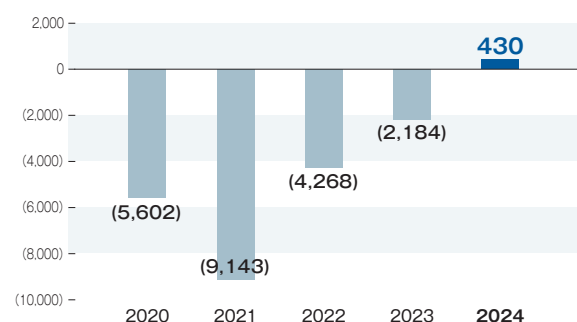
# Financial Highlights

The Company's financial performance over the past five years is as follows.  
(Fiscal years ended March 31)

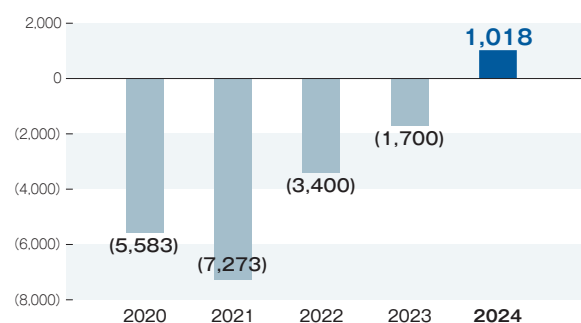
## ● Net Sales (Million yen)



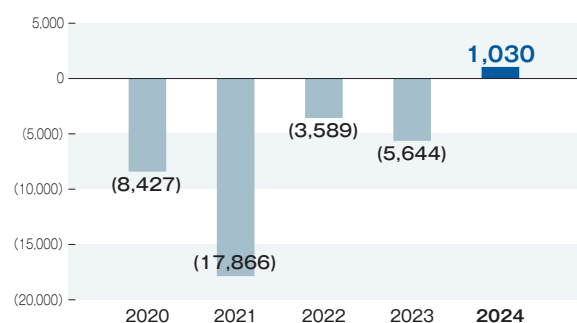
## ● Operating Income (Loss) (Million yen)



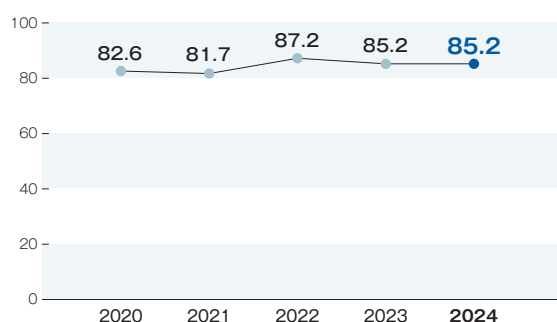
## ● Ordinary Income (Loss) (Million yen)



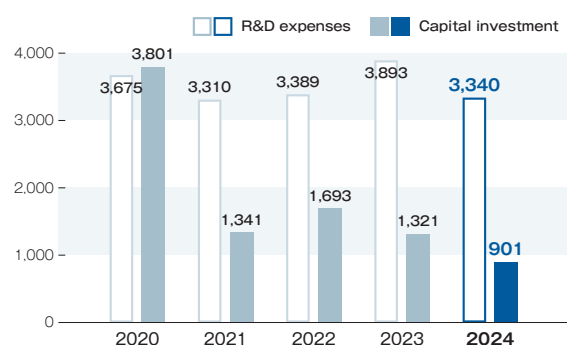
## ● Net Income (Loss) Attributable to Owners of the Parent (Million yen)



## ● Equity Ratio (%)



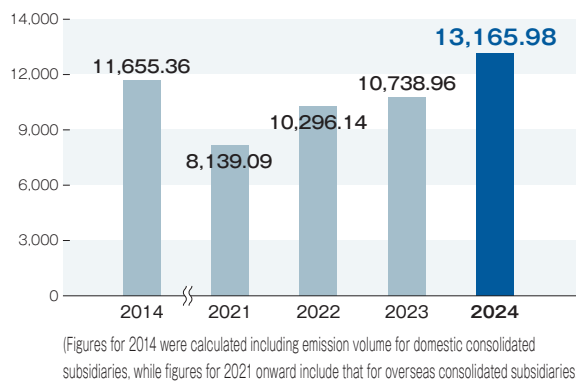
## ● R&D Expenses and Capital Investment (Million yen)



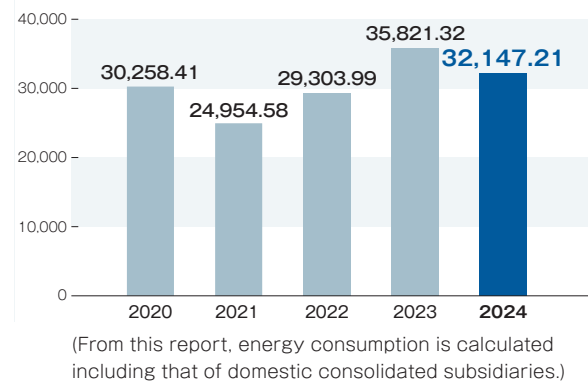
# Non-Financial Highlights

The Company's non-financial results are as follows.  
(Fiscal years ended March 31)

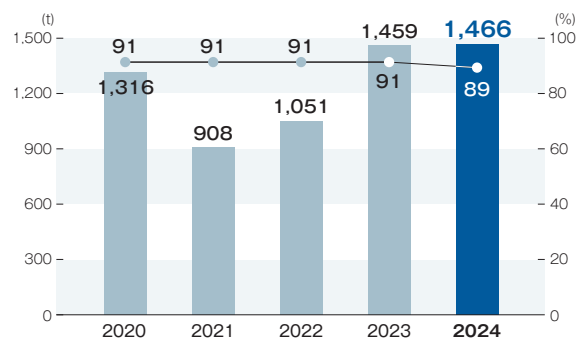
## ◆ Greenhouse Gas Emissions (t-CO<sub>2</sub>) (Scope 1 + Scope 2)



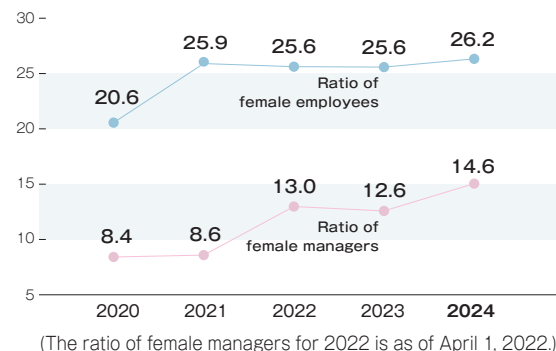
## ◆ Energy Consumption (MWh)



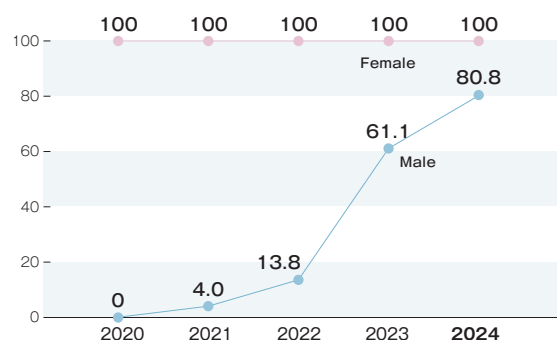
## ◆ Waste Emission Volume (t) and Waste Recycling Rate (%)



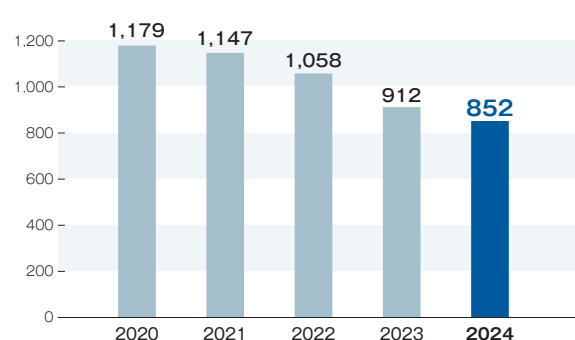
## ◆ Ratio of Female Employees and Female Managers (%)



## ◆ Percentage of Employees Taking Childcare Leave (%)



## ◆ Number of Patents Held (Patents)



# 10-Year Financial Summary

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries  
(Fiscal years ended March 31)

	2015	2016	2017	2018
<b>For the Fiscal Year</b> (Million yen)				
Net sales	48,354	49,582	62,432	71,858
Gross profit	21,865	23,345	29,048	33,438
Operating income (loss)	5,745	5,781	11,262	14,905
Income (loss) before income taxes and minority interests	7,006	4,803	9,979	15,443
Net income (loss) attributable to owners of the parent	3,645	3,271	7,198	11,279
R&D expenses	2,588	2,609	2,676	2,794
Capital investment	2,108	2,128	3,559	3,999
<b>Cash Flows</b> (Million yen)				
Cash flows from operating activities	(1,956)	1,257	6,988	9,397
Cash flows from investing activities	2,287	(2,350)	(1,241)	(4,843)
Cash flows from financing activities	(1,966)	(1,776)	2,470	1,731
<b>At Fiscal Year-End</b> (Million yen)				
Total assets	126,987	126,415	141,931	154,337
Net assets	98,179	98,293	104,879	123,491
<b>Per Share Data</b> (Yen)				
Net income (loss)	106.54	95.61	209.97	316.82
Cash dividends applicable to the year	32.50	37.50	45.00	60.00
Net assets	2,863.49	2,867.00	3,039.66	3,381.85
<b>Financial Indicators</b> (%)				
ROA	3.0	2.6	5.4	7.6
ROE	3.8	3.3	7.1	9.9
Equity ratio	77.2	77.6	73.8	80.0
Overseas sales ratio	84.1	83.5	87.6	90.0

Note: Operating income (loss) has been reclassified, and from the fiscal year ended March 31, 2023, the "gain on reversal of allowance for doubtful accounts" and "gain on reversal of provision for loss on guarantees," which were previously recorded in "non-operating income," have been changed to be excluded from "selling, general and administrative expenses," which is in the same classification as the amount provided for receivables based on transactions. To reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2022 were reclassified.

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# Corporate and Stock Information

## ● Corporate Information (As of March 31, 2024)

Company Name	SHIMA SEIKI MFG., LTD.	Capital	¥14,859,800,000
Headquarters	85 Sakata, Wakayama City, Wakayama 641-8511, Japan Telephone: +81-73-471-0511	Total Number of Employees	1,346 (Consolidated: 1,789)
Date of Establishment	February 4, 1962	URL	<a href="https://www.shimaseiki.com/">https://www.shimaseiki.com/</a>

### Consolidated Subsidiaries

Company Name	Location of Headquarters	Major Business Description
1 SHIMA FINE PRESS CO., LTD.	Wakayama City	Manufacture of parts for the Company's products
2 KAINAN SEIMITSU CO., LTD.	Kainan City, Wakayama	Manufacture of parts for the Company's products
3 TOYOBOSHI KOGYO CO., LTD.	Tadaoka-cho, Senboku-gun, Osaka	Manufacture, sales, exports and imports of textile raw materials, and sales of flat knit products
4 SHIMA SEIKI EUROPE LTD.	United Kingdom	Sales of the Company's products
5 SHIMA SEIKI U.S.A. INC.	U.S.A.	Sales of the Company's products
6 SHIMA SEIKI (HONG KONG) LTD.	China	Sales of the Company's products
7 SHIMA SEIKI ITALIA S.p.A.	Italy	Sales of the Company's products
8 SHIMA SEIKI WIN WIN SHANGHAI LTD.	China	Sales of the Company's products
9 SHIMA SEIKI SPAIN, S.A.U.	Spain	Sales of the Company's products
10 SHIMA SEIKI WIN WIN DONGGUAN LTD.	China	Sales of the Company's products
11 SHIMA SEIKI (THAILAND) CO., LTD.	Thailand	Sales of the Company's products
12 SHIMA SEIKI KOREA INC.	South Korea	Sales of the Company's products

## ● Stock Information (As of March 31, 2024)

### Stock Status

Authorized Common Shares	142,000,000	Stock Listings	Tokyo Stock Exchange (Prime)
Issued Common Shares	35,800,000	Code Number	6222
Number of Shareholders	17,592	General Meeting of Shareholders	Every June

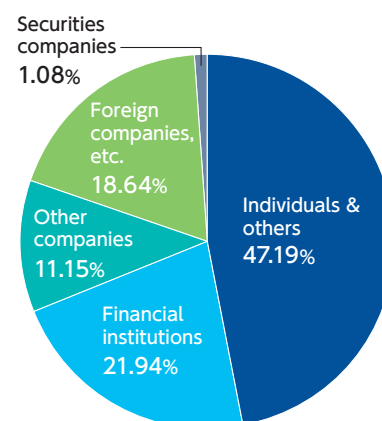
### Status of Major Shareholders

(Rounded down to the nearest thousand shares)

Name	Number of Shares Held (Thousands)	Percentage of Share Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,378	9.79
Wajima Kosan Co., Ltd.	3,001	8.69
The Kiyo Bank, Ltd.	1,387	4.02
Masahiro Shima	1,070	3.10
Mitsuhiro Shima	1,061	3.08
The Bank of Mitsubishi UFJ, Ltd.	880	2.55
Wako LLC	780	2.26
Custody Bank of Japan, Ltd. (Trust Account)	675	1.96
THE BANK OF NEW YORK MELLON 140044	673	1.95
Chikage Umeda	632	1.83

Notes: 1. The Company holds 1,283 thousand shares of treasury stock.  
2. Treasury stock is excluded from the calculation of the percentage of shares held.

### Shareholder Breakdown by Type





SHIMA SEIKI MFG., LTD.  
Wakayama City



4 SHIMA SEIKI EUROPE LTD.  
United Kingdom



12 SHIMA SEIKI KOREA INC.  
South Korea



1 SHIMA FINE PRESS CO., LTD.  
Wakayama City



2 KAINAN SEIMITSU CO., LTD.  
Kainan City, Wakayama



8 SHIMA SEIKI WIN WIN SHANGHAI LTD.  
China



3 TOYOBOSHI KOGYO CO., LTD.  
Tadaoka-cho, Senboku-gun, Osaka



7 SHIMA SEIKI ITALIA S.p.A.  
Italy



6 SHIMA SEIKI (HONG KONG) LTD.  
China



9 SHIMA SEIKI SPAIN, S.A.U.  
Spain



10 SHIMA SEIKI WIN WIN DONGGUAN LTD.  
China



11 SHIMA SEIKI  
(THAILAND) CO., LTD.  
Thailand



5 SHIMA SEIKI U.S.A. INC.  
U.S.A.

WHOLEGARMENT® is the name of a dedicated flat knitting machine equipped with the world's first seam-free knitting technology, SHIMA SEIKI's proprietary technology, and the knitted products created using that flat knitting machine. SHIMA SEIKI, SWG, SWG-XR, MACH2, FIRST, SES, SSR, SVR, SRY, SFG, SPG, SPF, SDS, SDS-ONE, SDS-ONE APEX, APEXFiz, P-CAM, SlideNeedle, i-DYCS, SATC, ReMateri, REPAC, SHIMANAVI, SHIMA Datamall, SHIMA KnitManager, yarnbank, Shimatronic, TOTAL FASHION SYSTEM, TOTAL KNITTING SYSTEM, and WHOLEGARMENT are either registered trademarks or trademarks of SHIMA SEIKI MFG., LTD.

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