SHIMA SEIKI

January 31, 2025

SHIMA SEIKI MFG., LTD.
Representative: Mitsuhiro Shima, President
Code number: 6222
Stock listings: Tokyo Stock Exchange (Prime)

Announcement on the Posting of a Loss on the Valuation of Inventory, Provision of Allowance for Doubtful Accounts, Exchange Loss and Impairment Loss, and Revisions to the Forecast of Financial Results and Dividends

SHIMA SEIKI MFG., LTD. (the "Company") announces that it has posted a loss on the valuation of inventory, provision of allowance for doubtful accounts, exchange loss and impairment loss for the cumulative third quarter of the consolidated fiscal year ending March 2025, and has revised the forecast for the full-year consolidated financial results for the fiscal year ending March 2025, which was announced on May 10, 2024, as follows.
The Company also announces that the year-end dividend forecast for the fiscal year ending March 2025, which was announced on September 20, 2024, has been revised by the board of directors at its meeting held today as follows.

Notes

1. Posting of a loss on the valuation of inventory (cost of sales)

Given the holding status of inventory resulting from a shortage of production materials after the COVID-19 crisis, an increase in the prices of materials, and recent changes in orders received for our products, the Company posted a loss on the valuation of 1,737 million yen for the third quarter of the consolidated fiscal year because, for materials held beyond the predetermined turnover period, the method was adopted of regularly writing down the book value.

2. Posting of provision of allowance for doubtful accounts (selling, general, and administrative expenses)

The management environment surrounding the industries of customers becomes increasingly more severe because of uncertainty about the future of the global economy. Under such a situation, the collection of claims from some customers becomes worse. As a result of the review of collectability risk, the Company posted the provision of an allowance for doubtful accounts of 4,361 million yen for trade receivables and is required to pay particular attention to future collection.

3. Posting of exchange loss (non-operating expenses)

The Company posted an exchange loss of 585 million yen in non-operating expenses as a result of fluctuations in the exchange rate for the cumulative third quarter of the consolidated fiscal year ending March 2025. This is mainly attributable to the revaluation of assets and liabilities denominated in foreign currencies of the Company and overseas consolidated subsidiaries at the end of the relevant third quarter. The above amount represents an exchange loss resulting from the exchange rate at the end of the third quarter of the fiscal year ending March 2025, and it depends on the conditions of the exchange rate.

4. Posting of impairment loss (extraordinary loss)

The Company reviewed the future collectability of its fixed assets, such as production facilities and some consolidated subsidiaries' fixed assets, based on the Accounting Standard for the Impairment of Fixed Assets. As a result of the review, the Company posted an impairment loss of 1,247 million yen for the cumulative third quarter of the consolidated fiscal year ending March 2025.

5. Revision of earnings forecast

(1) Revision of the forecast for the full-year consolidated financial results for the fiscal year ending March 2025 (April 1, 2024－March 31, 2025)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	44,000	1,500	2,200	1,700	Yen 49.25
Revised forecast (B)	32,000	-11,400	-11,200	-13,300	-385.30
Increase or decrease (B-A)	-12,000	-12,900	-13,400	-15,000	—
Percentage change (%)	-27.3	—	—	—	—
<Reference> Previous results (FY2024)	35,910	430	1,018	1,030	29.85

(2) Reasons for the revision

As for the outlook of the full-year financial results, the previous forecast (announced on May 10, 2024) had been unchanged because the future outlook was uncertain because of the business environment in Bangladesh where the political situation was unstable along with the global economic slowdown, and it was difficult to calculate the impact on financial results. Net sales are expected to be below the initially announced forecast because of the delayed recovery in the Bangladesh market and weak capital investments in the main markets of China and Italy. Income is also expected to be largely below the initially announced forecast at the various income levels because of the posting of a loss on the valuation of inventory, provision of the allowance for doubtful accounts, and the impairment loss. Given this, the Company revises the forecast for the full-year consolidated financial results.

6. Revision of dividend forecast

(1) Details of revision to dividend forecast

	Dividend per share (Yen)				
	1st quarter	2nd quarter	3rd quarter	Year-end	Total
Previous forecast (September 20, 2024)	—	—	—	10.00	15.00
Revised forecast	—	—	—	5.00	10.00
Current results	—	5.00	—		
Previous results (FY2024)	—	5.00	—	5.00	10.00

(2) Reasons for the revision of the dividend forecast

The Company sets the return of profits to shareholders as one of the most important managerial tasks and has the basic policy of keeping stable payments of dividends for a long period through continuous business development.

Unfortunately, the Company must revise the year-end dividend forecast of 10 yen per share, which was announced on September 20, 2024, to 5 yen per share because for the fiscal year ending March 2025, a large loss is expected to be recorded as mentioned above. As a result of this, the annual dividend forecast for the fiscal year ending March 2025 is expected to be 10 yen per share, including the paid interim dividend of 5 yen per share.

* The above forecast of financial performance is based on information currently available to the Company, as well as certain assumptions deemed reasonable, and is not intended as a commitment by the Company to achieve such results. The actual results may differ significantly due to various factors.