

**SHIMA SEIKI**



**Consolidated Results of FY 2018**

# Annual Results

Both net sales and profits largely decreased

(Terms: Millions of yen)	Fiscal year ended March 31, 2019	Comparison with the previous year	Fiscal year ended March 31, 2018
Net sales	51,352	(28.5%)	71,858
Operating income	4,638	(68.9%)	14,905
Ordinary income	4,991	(67.8%)	15,525
Net income attributable to owners of the parent	3,835	(66.0%)	11,279

Currency exchange rate  
as of March 31, 2019

USD
EUR

Exchange rate at the  
end of the period

Average exchange  
rate for translation of  
sales

110.99	110.83
124.56	128.87

Exchange rate at the  
end of the period

Average exchange  
rate for translation of  
sales

106.24	110.71
130.52	130.64



# Highlights

## Operational Review

### [Flat knitting machines]

- Asia: Recorded weak sales due to the effect of the political situation in Bangladesh despite first increased introduction of WHOLEGARMENT flat knitting machines in China.  
Failed to increase sales of computerized flat knitting machines for manufacturing shoes because of fiercer competition.
- Middle East/Turkey: Capital investment after the second quarter weakened from the difficulty for users in raising funds caused by TL depreciation after July.
- Japan: Increased sale of WHOLEGARMENT flat knitting machines in particular.

### [Design systems]

Decreased sale of the SDS-ONE APEX3 apparel design system because of the effect of weak sales of computerized flat knitting machines.

Increased sale of the P-CAM automatic fabric cutting machine in both Japan and overseas.

### [Globe and sock knitting machines]

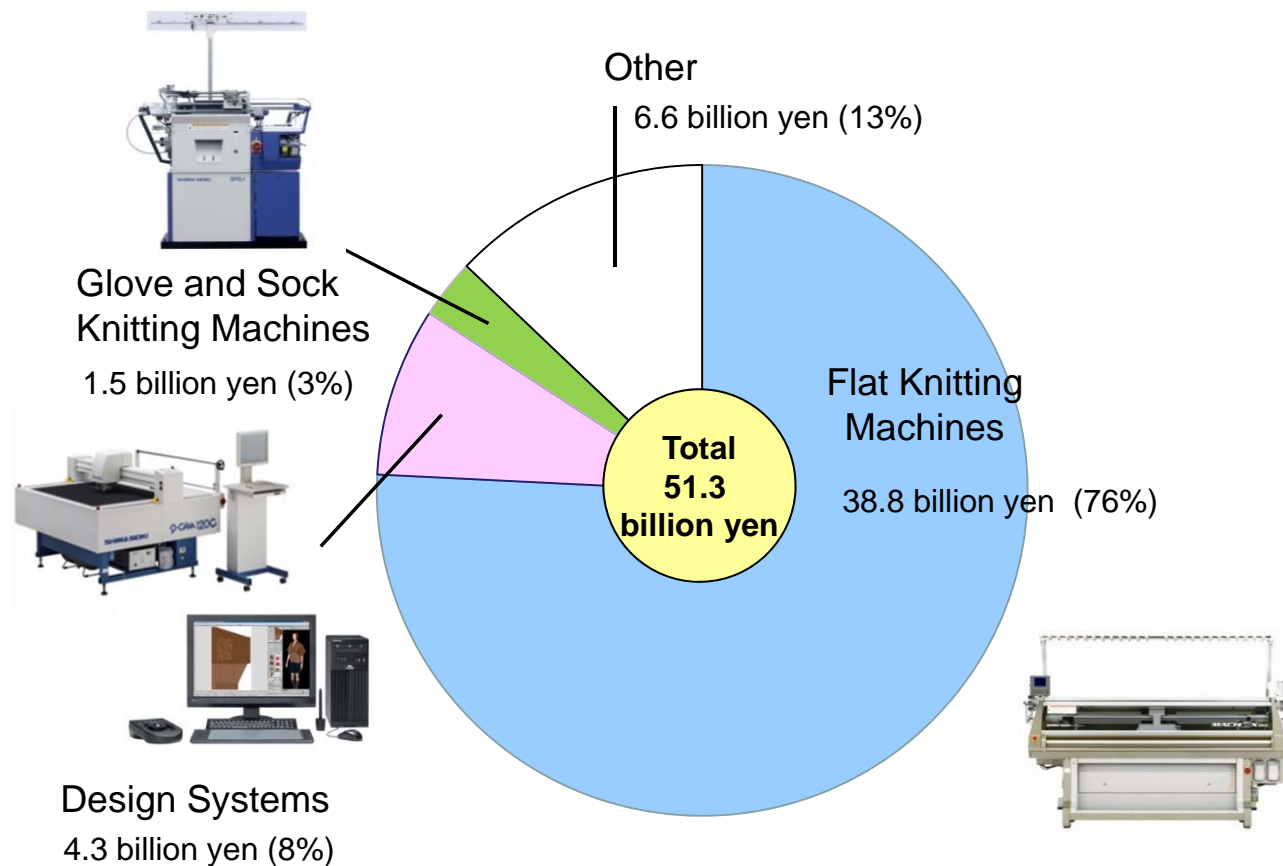
Suffered weak sales because of decreased capital investment of major users.

## Profit

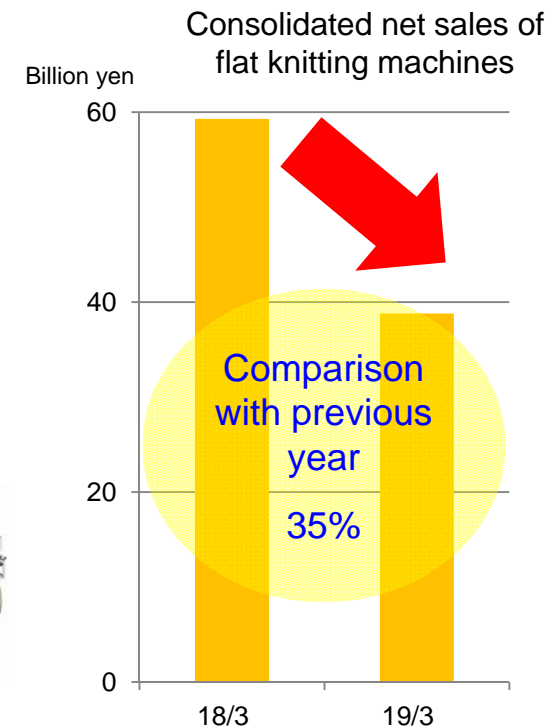
- Decreased gross profit rate because of a sharp sales decline and production adjustment.
- Increased selling and administrative expenses because of an increase in the provision of the allowance for doubtful accounts responding to delays in the payment of some customers .

# Business Segment (consolidated)

Weak sales in flat knitting machines excluding  
WHOLEGARMENT flat knitting machines



( ) is the composition ratio.



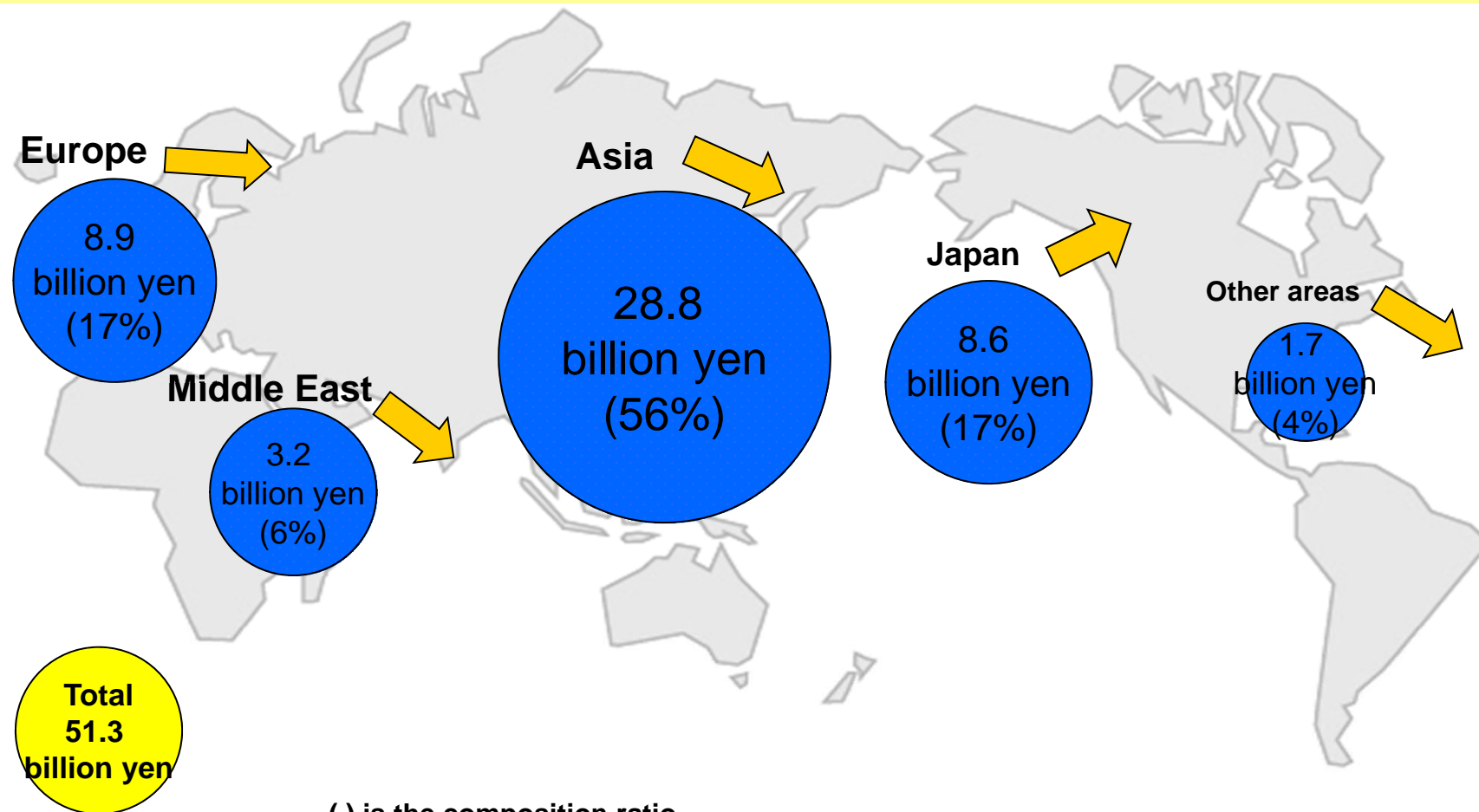
# Net Sales and Operating Income By Segment for the Fiscal Year Ended March 31, 2019

(Terms: Millions of yen)		Net sales	Comparison with previous year	Operating income	Comparison with previous year
Flat Knitting Machines		38,806	(34.6%)	8,767	(54.9%)
Design Systems		4,380	+11.3%	944	(19.0%)
Glove & Sock Knitting Machines		1,555	(34.5%)	237	(50.0%)
Other		6,609	+7.0%	999	+849.8%
Corporate/elimination				(6,309)	—
Total		51,352	(28.5%)	4,638	(68.9%)



# Sales by Region

Weak sales in Asian and the Middle Eastern markets and sales recovery in Japan



# Sales by Region

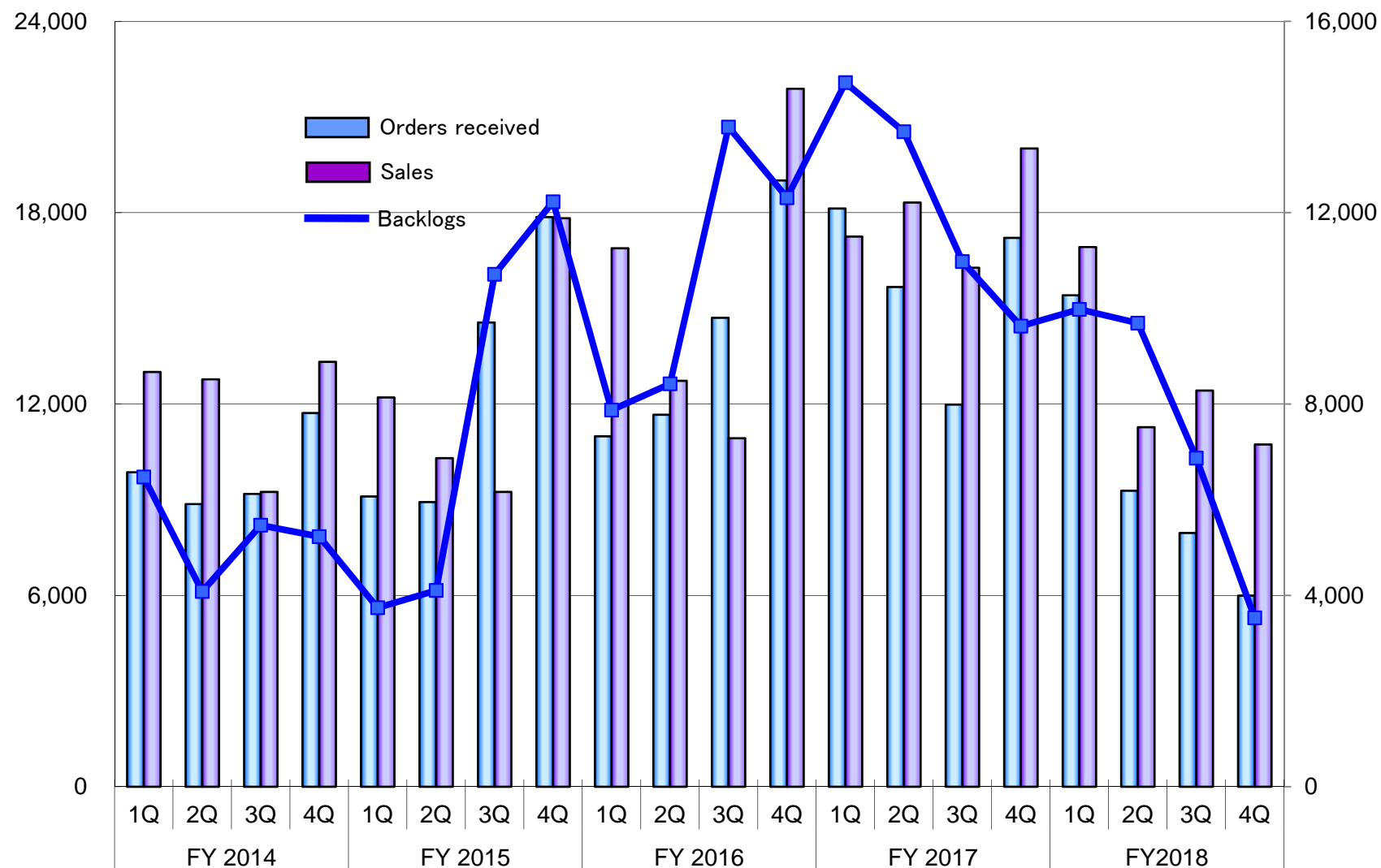
(Terms: Millions of yen)

Region	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Comparison with previous year
Japan	8,603	7,212	+19.3%
Europe	8,959	9,052	(1.0%)
Asia	28,810	48,516	(40.6%)
Middle East	3,227	4,356	(25.9%)
Other Areas (Overseas)	1,751	2,720	(35.6%)
Total	51,352	71,858	(28.5%)

# Developments in Quarterly Orders Received, Sales and Backlogs

(Orders received/Sales) Millions of yen

(Backlog) Millions of yen





# Developments in Quarterly Results

(Terms: Millions of yen)	2018/3				2019/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	17,251	18,318	16,275	20,013	16,923	11,273	12,423	10,732
Operating income	3,747	4,313	3,194	3,650	3,307	1,036	1,257	(962)
Ordinary income	4,181	4,702	3,516	3,125	3,670	957	1,215	(852)
Net income attributable to owners of the parent	3,048	3,480	2,422	2,328	2,571	740	849	(327)

Orders received	18,130	15,670	11,982	17,211	15,412	9,280	7,958	5,994
Backlogs	14,718	13,693	10,979	9,627	9,979	9,691	6,869	3,531

# Efforts for the Period

Participated in worldwide exhibitions  
~Held personal exhibitions/seminars in various places~



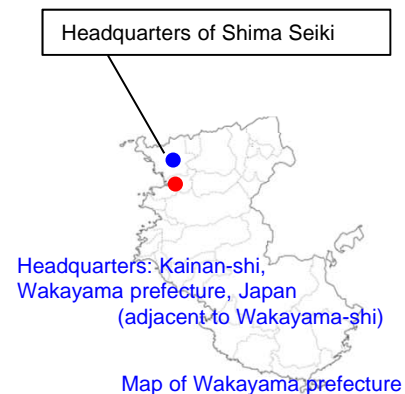
# Effort for the Period

## Constructed a plant in the consolidated subsidiary KAINAN SEIMITSU CO., LTD.

Started operation in December 2018

To improve the quality and accelerate the pace of development

To seek to increase the production efficiency on a group-wide  
(to transfer the component assembly process from the headquarters)





# Forecast

(Terms: Millions of yen)		First half of fiscal year ending March 31, 2020	Comparison with previous year	Fiscal year ending March 31, 2020	Comparison with previous year	Fiscal year ended March 31, 2019
Net sales		23,000	(18.4%)	52,300	+1.8%	51,352
Operating income		400	(90.8%)	4,000	(13.8%)	4,638
Ordinary income		700	(84.9%)	4,400	(11.9%)	4,991
Net income attributable to owners of the parent		600	(81.9%)	3,300	(14.0%)	3,835

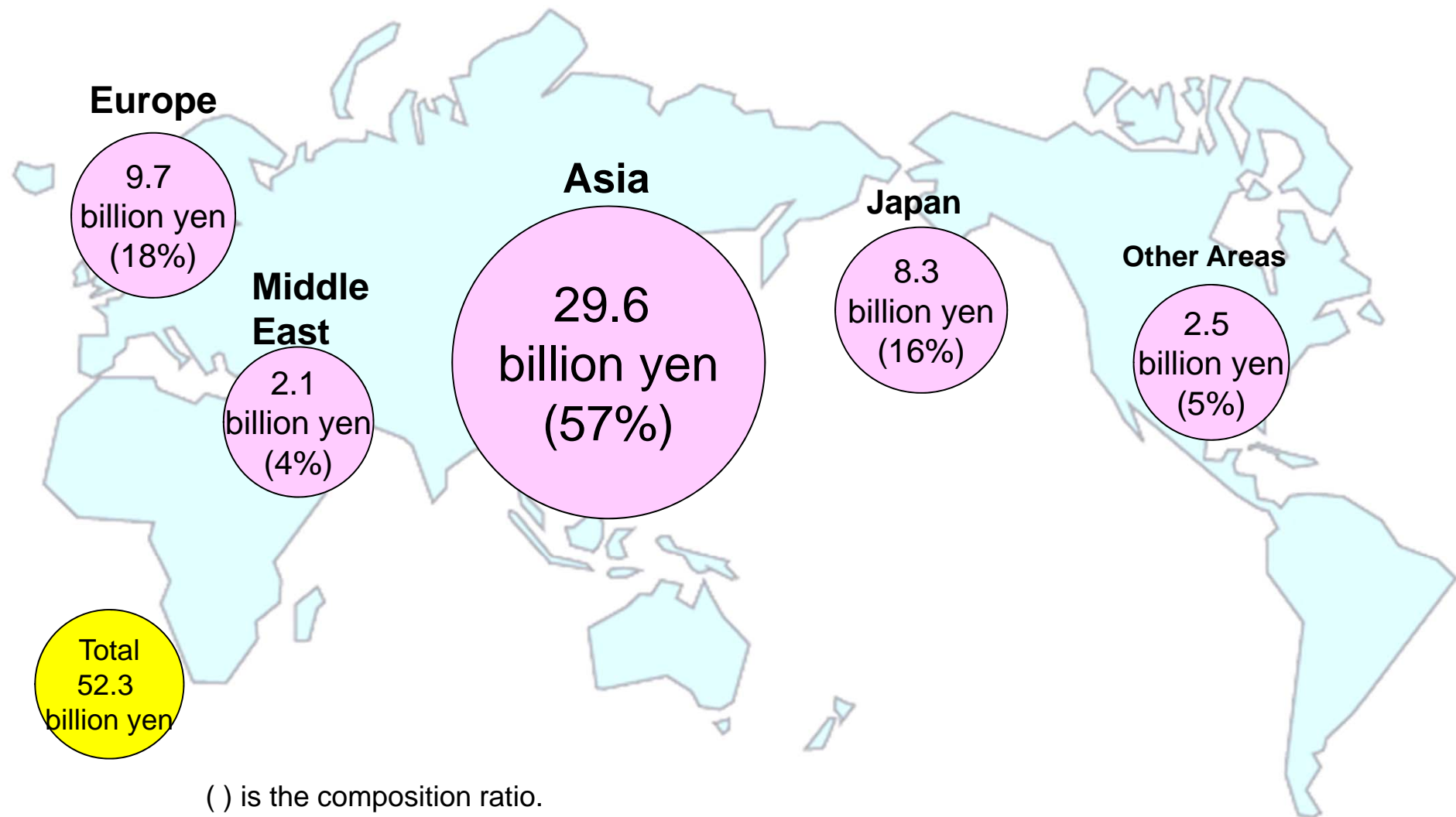
Forecast of currency rates for March 2020: 110 JPY/USD, 125 JPY/EUR  
Sensitivity of operating income where the exchange rates fluctuate by 1 yen: 40 million yen for the USD, 30 million yen for the EUR

# Sales and Operating Income Forecast by Segment for the Fiscal Year Ending March 31, 2020

(Terms: Millions of yen)

	Net sales		Comparison with previous year	Operating income		Comparison with previous year
	First-half forecast	Full-year forecast		First-half forecast	Full-year forecast	
Flat Knitting Machines	16,500	39,300	+1.3%	2,460	8,200	(6.5%)
Design Systems	2,300	4,800	+9.6%	510	1,050	+11.1%
Glove & Sock Knitting Machines	900	1,700	+9.3%	130	250	+5.2%
Other	3,300	6,500	(1.7%)	600	1,000	+0.1%
Corporate/elimination				(3,300)	(6,500)	
Total	23,000	52,300	+1.8%	400	4,000	(13.8%)

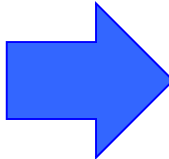
# Forecast Sales by Region





## Revision of the Medium-Term Management Plan “**Ever Onward 2020**” (i)

### Revised targets for the medium-term management plan

(Terms: billions of yen)	Fiscal year ending March 31, 2021 (Initial targets)		Fiscal year ending March 31, 2021 (Revised targets)
Net Sales	100.0 billion yen		65.0 billion yen
Operating Income	25.0 billion yen		10.0 billion yen
Ordinary Income	25.0 billion yen		10.0 billion yen
Net Income	18.0 billion yen		7.0 billion yen
ROE	12%		5.3%

### No change in the main scenario of the medium-term management plan

1. Promote a differentiation strategy and expand our business domains
2. Step up proactive investment toward future growth

## Revision of the Medium-Term Management Plan “**Ever Onward 2020**” (ii)

- There are rapid changes in business environment. Conversion from mass manufacturing has occurred.
- Structural changes are favorable to us

(Terms: billions of yen)		Fiscal year ending March 31, 2021 (Initial targets)	Fiscal year ending March 31, 2021 (Revised targets)	Fiscal year ended March 31, 2019 (Actual results)
Net sales		100.0 billion yen	65.0 billion yen	51.3 billion yen
	Computerized Flat Knitting Machines	81.0 billion yen	50.0 billion yen	38.8 billion yen
	Design Systems	7.5 billion yen	6.0 billion yen	4.3 billion yen
	Glove & Sock Knitting Machines	2.5 billion yen	2.0 billion yen	1.5 billion yen
	Other	9.0 billion yen	7.0 billion yen	6.6 billion yen

## Revision of the guidance on shareholder return

We target a consolidated payout ratio of 25%

We increase the consolidated payout ratio to 30% or more

# Developments in R&D Expenses and Capital Investment

## To maintain strategic investment

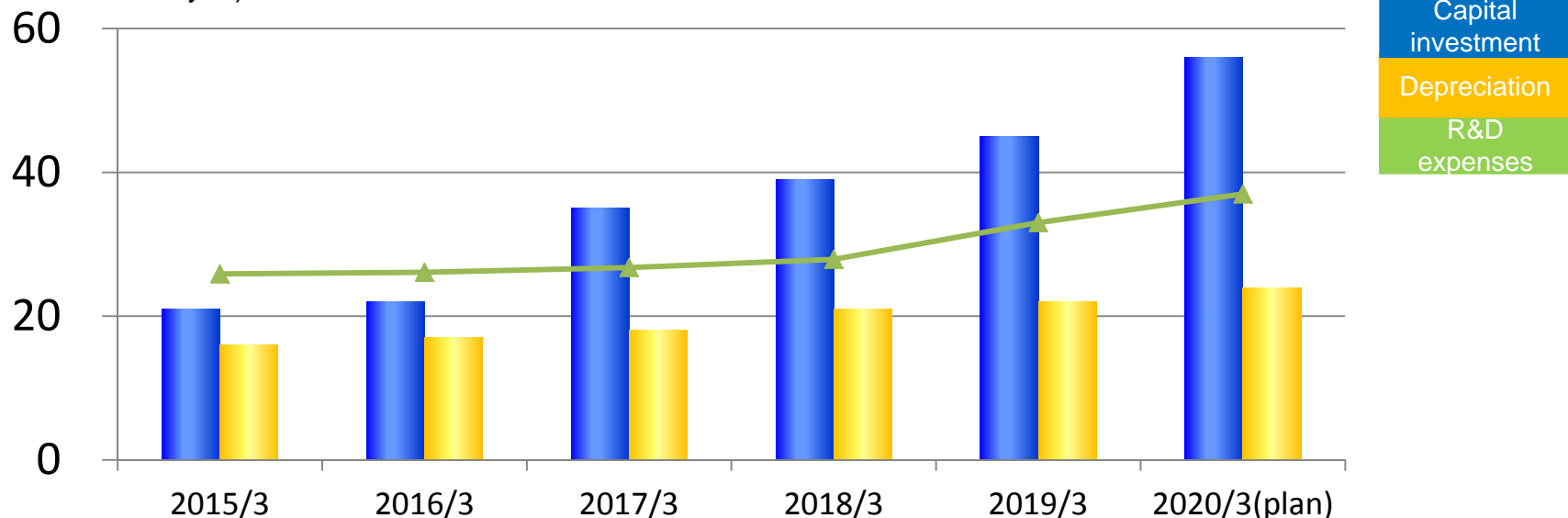
Fiscal year ending March 31, 2020 (Plan) Capital investment: 5.6 billion yen  
(including leased assets of 2.3 billion yen)

Depreciation: 2.4 billion yen, R&D expenses: 3.7 billion yen

Fiscal year ended March 31, 2019 (Actual results) Capital investment:  
4.5 billion yen (including leased assets of 1.3 billion yen)

Depreciation: 2.2 billion yen, R&D expenses: 3.3 billion yen

(Terms: billions of yen)





# Shareholder Returns

1. Fiscal year ended March 31, 2019 [actual results]:

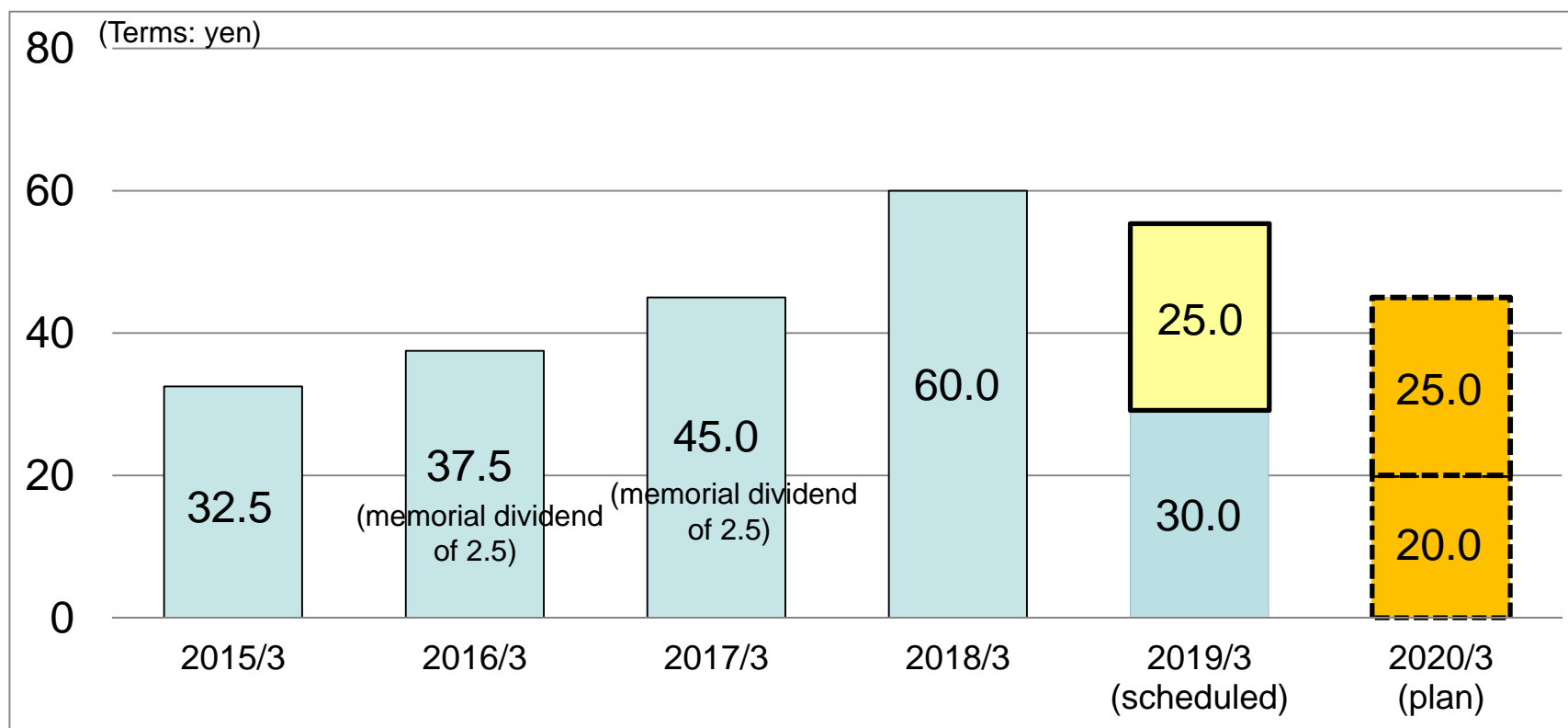
Acquired 1 million treasury shares (2.73% of total issued shares)

2. Fiscal year ended March 31, 2019 [scheduled] :

Year-end dividend of 25.0 yen (Annual dividend of 55.0 yen and payout ratio of 52.1%)

3. Fiscal year ending March 31, 2020 [plan] :

Interim dividend of 20.0 yen and year-end dividend of 25.0 yen (payout ratio of 48.4%)



# Topics

## Shipped the 10,000<sup>th</sup> WHOLEGARMENT flat knitting machine (January)

1995: Exhibited WHOLEGARMENT flat knitting machine at ITMA Milan

2007: Announced MACH2X and largely improved productivity

2015: Announced MACH2XS and equipped the movable sinker device with our products



Inlay dress

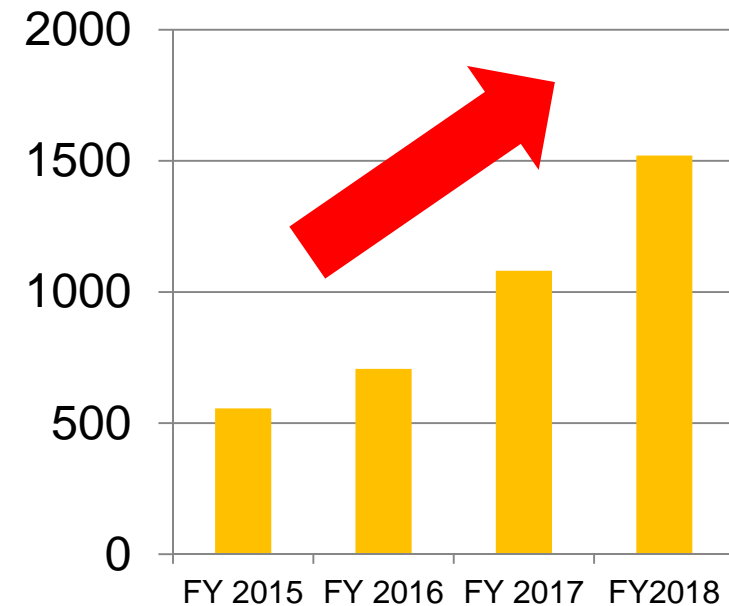


WHOLEGARMENT dress



MACH2XS

Sales volume of  
WHOLEGARMENT flat knitting  
machines



# Efforts for the Next Period



## ITMA 2019 (Barcelona)

***KNITify the World™***  
*Smart Solutions in Textiles*

**To make an appeal to the industry by setting  
“Promotion of knitting in the world” as the theme**

Holding period: June 20-26, 2019

Place: Barcelona at Fira De Barcelona, Gran Via.

Our booth: Hall 8.0 B106

The largest international textile machine exhibition in the world  
(held once every four years)

A total of 1,600 textile-related companies from 46 countries of the world have expressed an interest in sponsoring a booth at the exhibition.

120,000 persons will visit the exhibition from 147 countries in the world.

### <Last time> ITMA 2015 (Milan)

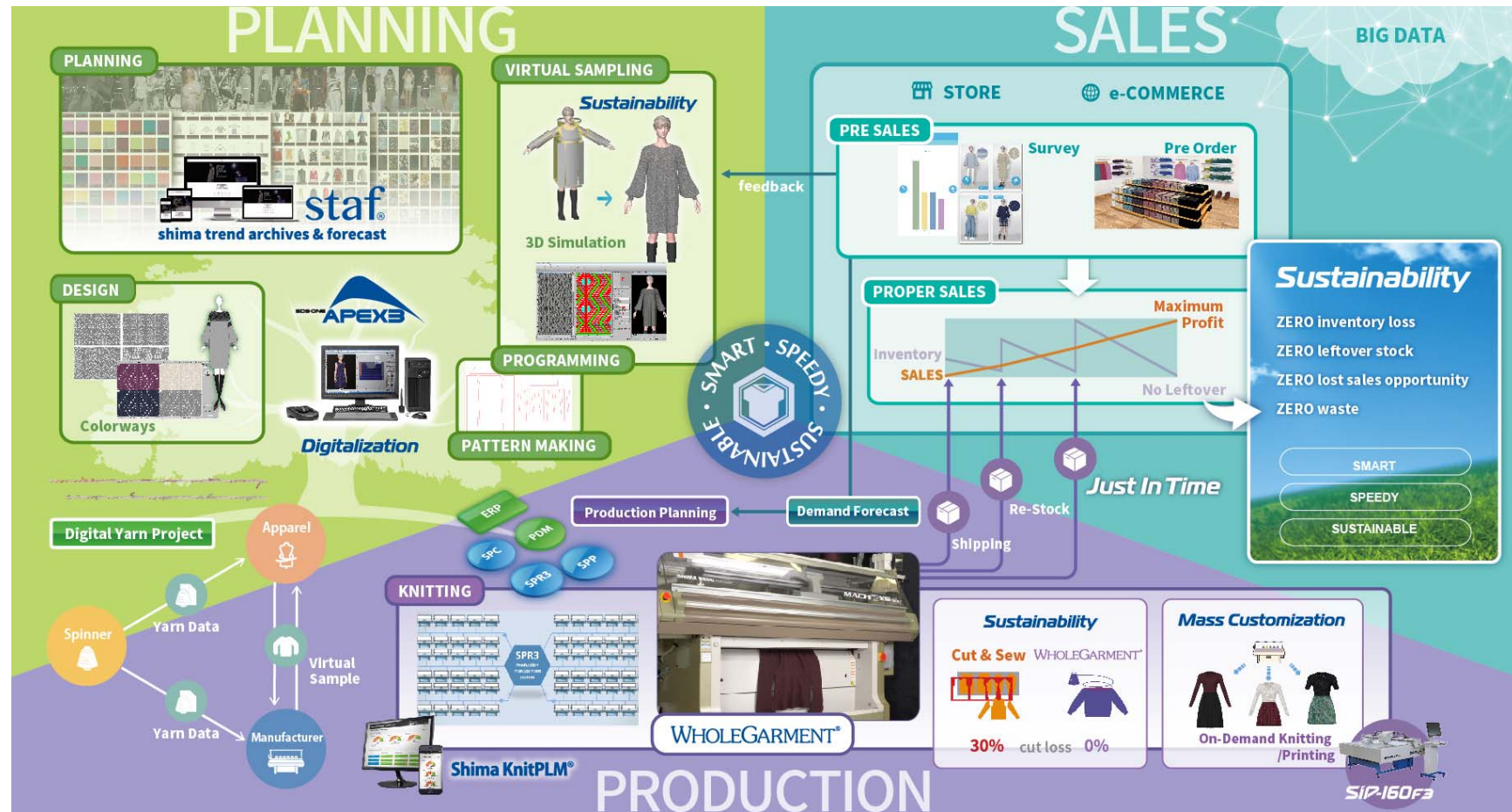
We announced the new model MACH2XS of WHOLEGARMENT flat knitting machine and made an appeal about integrated technical provision of the “Total Fashion System” with the design system the SDS-ONE APEX3 consequently were highly evaluated.





# Sustainability

Our concept of the manufacturing “Total Fashion System” realizes digitalization, mass customization, and sustainability. Intercommunication and close relationships among all processes of planning, manufacturing, and sales with the 3D design systems forms the core makes it possible to realize speedy, smart, and environmentally friendly manufacturing, which causes a revolution in the industry and brings customers success.



# Develop a New Field

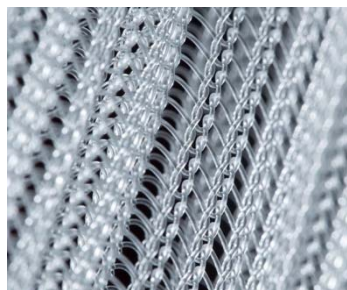
Apply the knitting technology to various fields, not just the fashion industry, to expand demand.



3D shaping



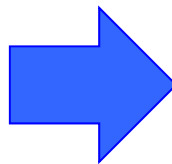
Inlay patterns knitting technology  
(involves inlaying a weft)



PET Monofilament




Carbon fiber preform



Sports, Interiors, Industrial Materials, Medical,  
Wearable, Automotive, Aerospace







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