

**SHIMA SEIKI**



# Annual Results and Forecast

# Company Profile

**Company Name** Shima Seiki Mfg., Ltd. (Stock code: 6222)

**President** Mitsuhiro Shima

**Main Business** Manufacture and sale of computerized flat knitting machines, design systems, and glove and sock knitting machines

**Established** February 4, 1962

**Capital** JPY 14,859.8 million

**Headquarters** Wakayama, Japan

**No. of Employees** 1,931

**URL** <http://www.shimaseiki.com>.



(As of March 31, 2018)

# Key Strengths

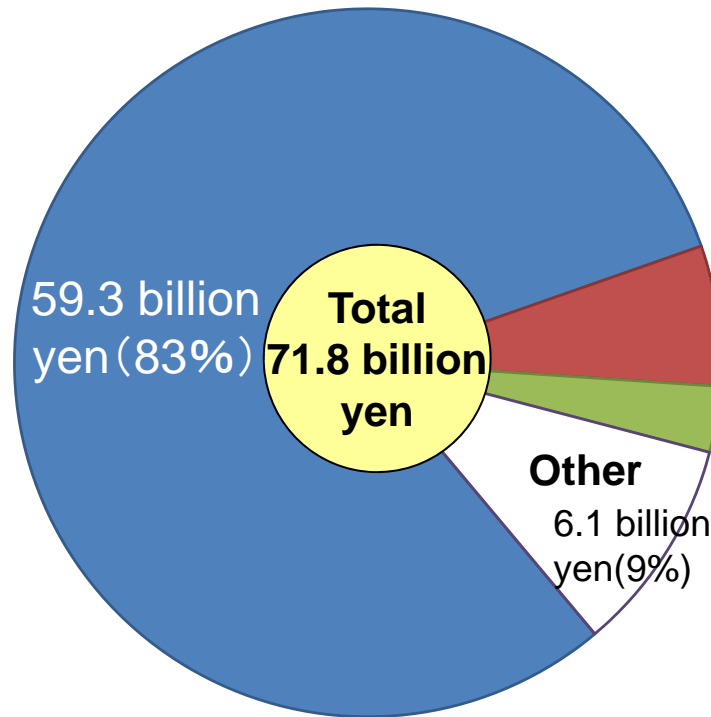
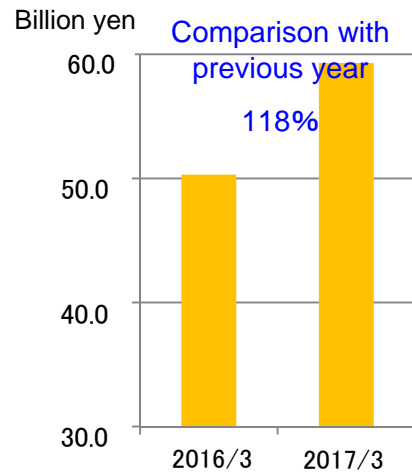
- **Responds to user needs with diverse product specifications**
  - We have a wide variety of computerized flat knitting machines, such as the **SSR** and **SVR**, that feature superior production efficiency and operability. For the advanced models with superb innovative features and creativity, the **WHOLEGARMENT flat knitting machines** can knit entire garments in three dimensions as one entire piece.
- **R&D ⇒ Production ⇒ Sales ⇒ End users, with streamered lined process, we are able to provide proposals to our users for hardware and software products.**
  - Not only the manufacturing and sale of the knitting machines, by utilizing the latest IT, we are able to provide proposals from other sections such as our design center division, offering technical support in the use of design software and machines.
  - With the lineup of the **SDS-ONE APEX3**, a 3D design system, and **P-CAM**, a computerized cutting machine, we can expand to other sectors, such as apparel and industrial materials industry.
- **Technological superiority**
  - A seventy percent in-house production rate makes our technology a competitive edge.

# Business Segments

**Sharp sales growth  
in the flat knitting machine segment**

Terms: Japanese Yen

## Computerized Flat Knitting Machines



## Design Systems

3.9 billion yen (5%)



## Glove and Sock Knitting Machines

2.3 billion yen (3%)

(As of March 31, 2018)  
( ) is the composition ratio.

# Line up of Flat Knitting Machines



## MACH2XS WHOLEGARMENT flat knitting machine

- Features four needle beds with our original SlideNeedle capable of knitting an entire garment in three dimensions in one entire piece.
- Variety of mini-types for small fashion items are also available.



## SIR and SRY

- SIR: Equipped with intarsia carriers, variety of patterns can be created in knitting intarsia garments
- SRY: Two loop presser beds capable of suppress typical stretch characteristics of knitwear, creating unique fabrics with woven effects.
- SRY: This machine is not limited to the apparel industry but can expand into wider usage in other areas such as interior and industrial materials industries.



## SVR and SSR

- SVR: Global standard model with superior productivity
- SSR: Great cost performance

# Annual Results

(Terms: Millions of yen)

	Fiscal year ended March 31, 2018	Comparison with previous year	Fiscal year ended March 31, 2017	
Net sales	71,858	+15.1%	62,432	
Operating income	14,905	+32.4%	11,262	
Ordinary income	15,525	+54.6%	10,043	
Net income attributable to owners of the parent	11,279	+56.7%	7,198	
Currency exchange rates as of March 31, 2018	Exchange rate at the end of the period	Average exchange rate for translation of sales	Exchange rate at the end of the period	Average exchange rate for translation of sales
USD	106.24	110.71	112.19	110.30
EURO	130.52	130.64	119.79	118.91

# Highlights

## Operational Review

[Flat knitting machines] ~**Strong sales mainly in Asian markets**~

- **Bangladesh/ASEAN:** Increased sales of the SSR and SVR computerized flat knitting machines with high knitting efficiency
- **China:** Recorded accelerated introduction of the MACH2XS Wholegarment knitting machine as a result of the conversion into planning and proposal-type/high value-added production and an increase in the use of computerized flat knitting machines for sports shoes
- **Europe:** Increased sales of the SRY and SIR Wholegarment flat knitting machines and high end machines, which make knitting of diverse designs possible, in Italy
- **Middle East/Turkey:** Increased sales due to the rapid recovery after summer when concerns about the political situation weakened
- **Japan:** Decreased sales of computerized flat knitting machines from the previous period

[Design systems] ~**Sales decline due to domestic market slowdown**~

- Positive proposal-based business executed through solutions from the use of the SDS-ONE APEX3 3D virtual simulation design system and expanded the coverage areas for the P-Cam automatic fabric cutting machine

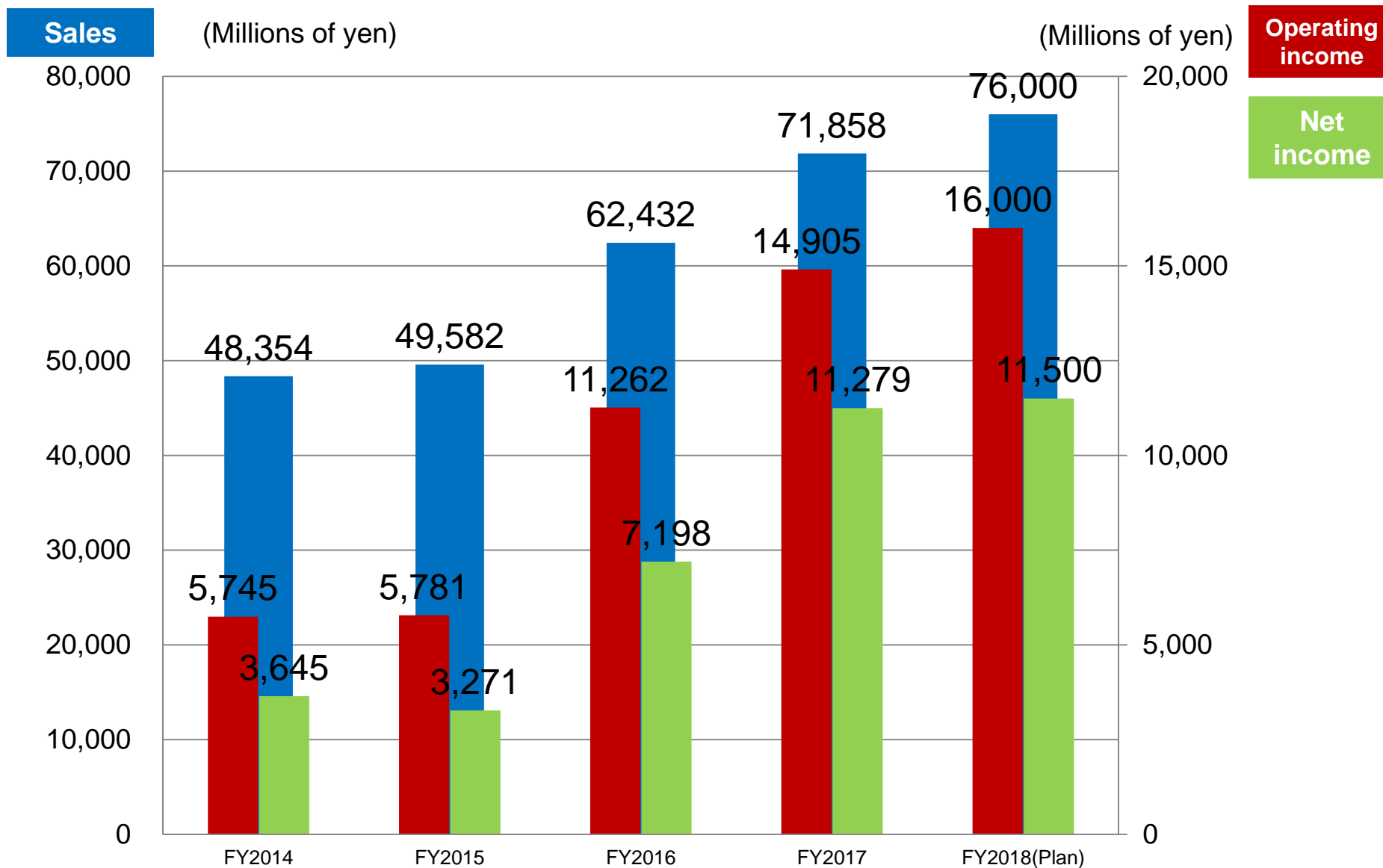
[Globe and sock knitting machines]

- Steadily increased sale as large manufacturers promoted the replacement of equipment

## Income

- **Achieved substantial growth in operating income** because of the sales growth and the high gross margin resulting from the effect of increased production (**46.5%**)
- **Also recorded substantially higher ordinary income and net income attributable to owners of the parent than the actual results for the previous period** due to risk hedges that included exchange contracts despite the negative trend arising from the yen strength toward the end of the year

# Graph for sales, operating income, and net income

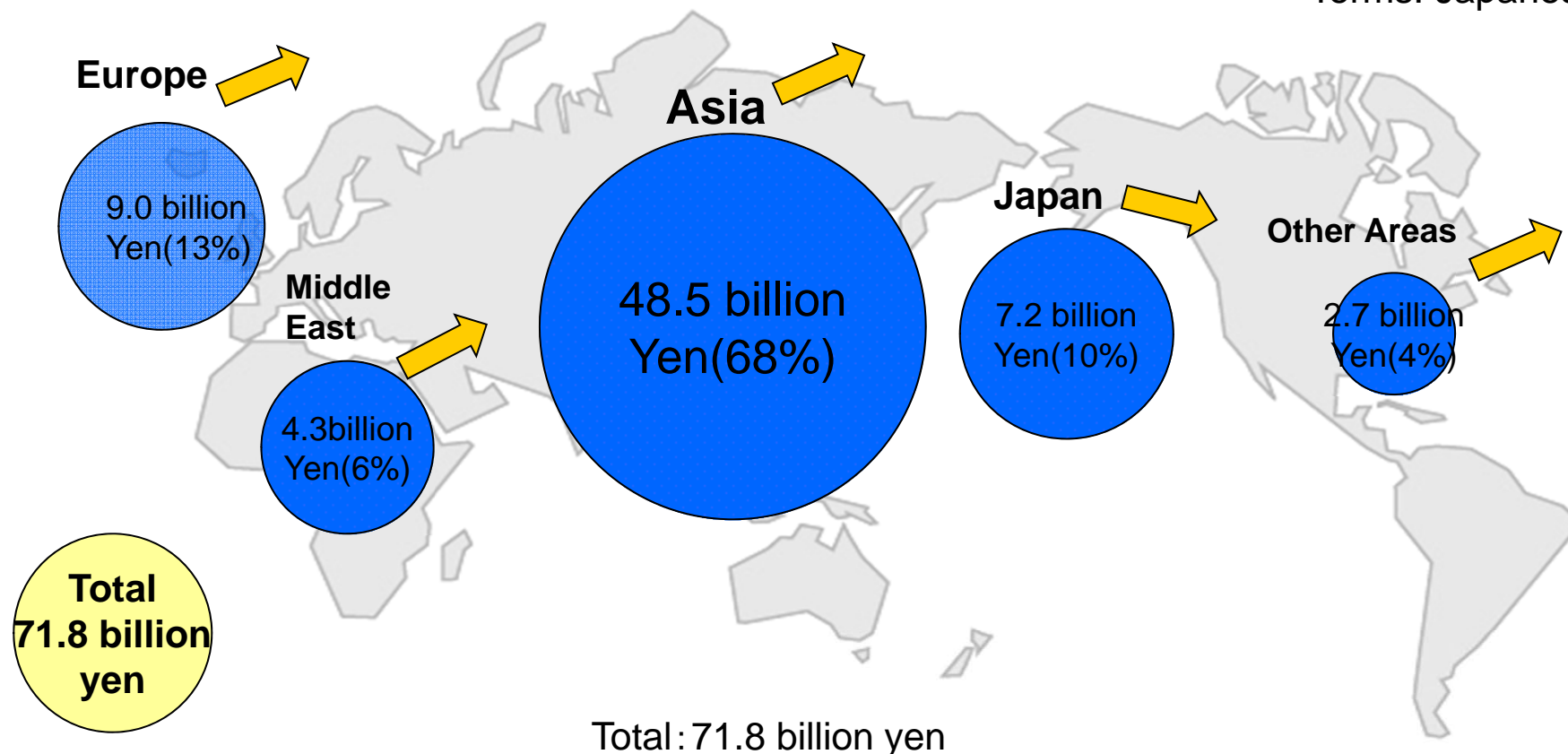




# Sales by Region

Sharp sales growth because of favorable Asian markets

Terms: Japanese Yen



Total: 71.8 billion yen

( ) is the composition ratio.

(As of March 31, 2018)

# Sales by Region

(Terms: Millions of yen)	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017	Comparison with previous year
Japan	7,212 (10%)	7,743 (12%)	(6.9%)
Europe	9,052 (13%)	7,265 (12%)	+24.6%
Asia	48,516 (68%)	41,890 (67%)	+15.8%
Middle East	4,356 (6%)	3,136 (5%)	+38.9%
Other Areas	2,720 (4%)	2,396 (4%)	+13.5%
<b>Total</b>	<b>71,858 (100%)</b>	<b>62,432 (100%)</b>	<b>+15.1%</b>

# Sales and Operating Income by Segment for the Fiscal Year Ending March 31, 2018

(Terms: Millions of yen)

	Net sales	Comparison with previous year	Operating income	Comparison with previous year
Computerized Flat Knitting Machines	59,369	+17.8%	19,423	+28.9%
Design Systems	3,936	(2.1%)	1,165	+16.0%
Glove & Sock Knitting Machines	2,373	+25.7%	475	+29.4%
Other	6,179	+0.6%	105	(81.9%)
Corporate/elimination			(6,264)	—
<b>Total</b>	<b>71,858</b>	<b>+15.1%</b>	<b>14,905</b>	<b>+32.4%</b>

# Efforts for the Period (i)

## Participated in worldwide exhibitions

~Held person exhibitions/seminars in various places~



ISPO MUNICH 2018 (Germany)

Munich

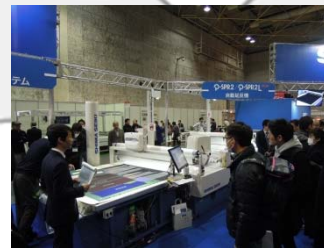
Milan

Istanbul



SHIMA CROSSTEX (Hong Kong)

Hong Kong Held personal exhibitions nationwide



Osaka Sewing Machine Show



PREMIERE VISION NEW YORK 2018 (United States)

New York



Viscom Italia (Italy)



TETAS Private Show (Turkey)



JFW JAPAN CREATION 2018

# Efforts for the Period (ii)

## 55th anniversary commemorative events (November 16–17, 2017)

~Invited domestic and overseas guests and promoted advanced technologies~

- Introduced innovative production using the SDS-ONE APEX3 and Wholegarment as a solution to environmental, social, and economic problems for the fashion industry throughout the world and by setting *sustainability* as the theme
- Held a fashion show where virtual models also appeared on stage
- Exhibited advanced machines and 300 samples to demonstrate the world's highest level of technology
- Unveiled an experimental showroom combining advanced VR technology in virtual showroom

Commemorative website for the 55<sup>th</sup> anniversary of the founding : <http://www.shimaseiki.co.jp/55th/>



# Forecast

## 「Ever Onward 2020」

(Terms: Millions of yen)

	Fiscal year ended March 31, 2019	Comparison with previous year	Fiscal year ended March 31, 2018
Net sales	76,000	+5.8%	71,858
Operating income	16,000	+7.3%	14,905
Ordinary income	16,000	+3.1%	15,525
Net income attributable to owners of the parent	11,500	+2.0%	11,279

Forecast of currency rates for March 2019 105 JPY/USD 130 JPY/EUR  
Sensitivity of operating income where the exchange rates fluctuate by 1 yen:  
370 million yen for the USD, 40 million yen for the EUR

# Sales and Operating Income Forecast by Segment for the Fiscal Year Ending March 31, 2019

## Driving force in the flat knitting machine segment

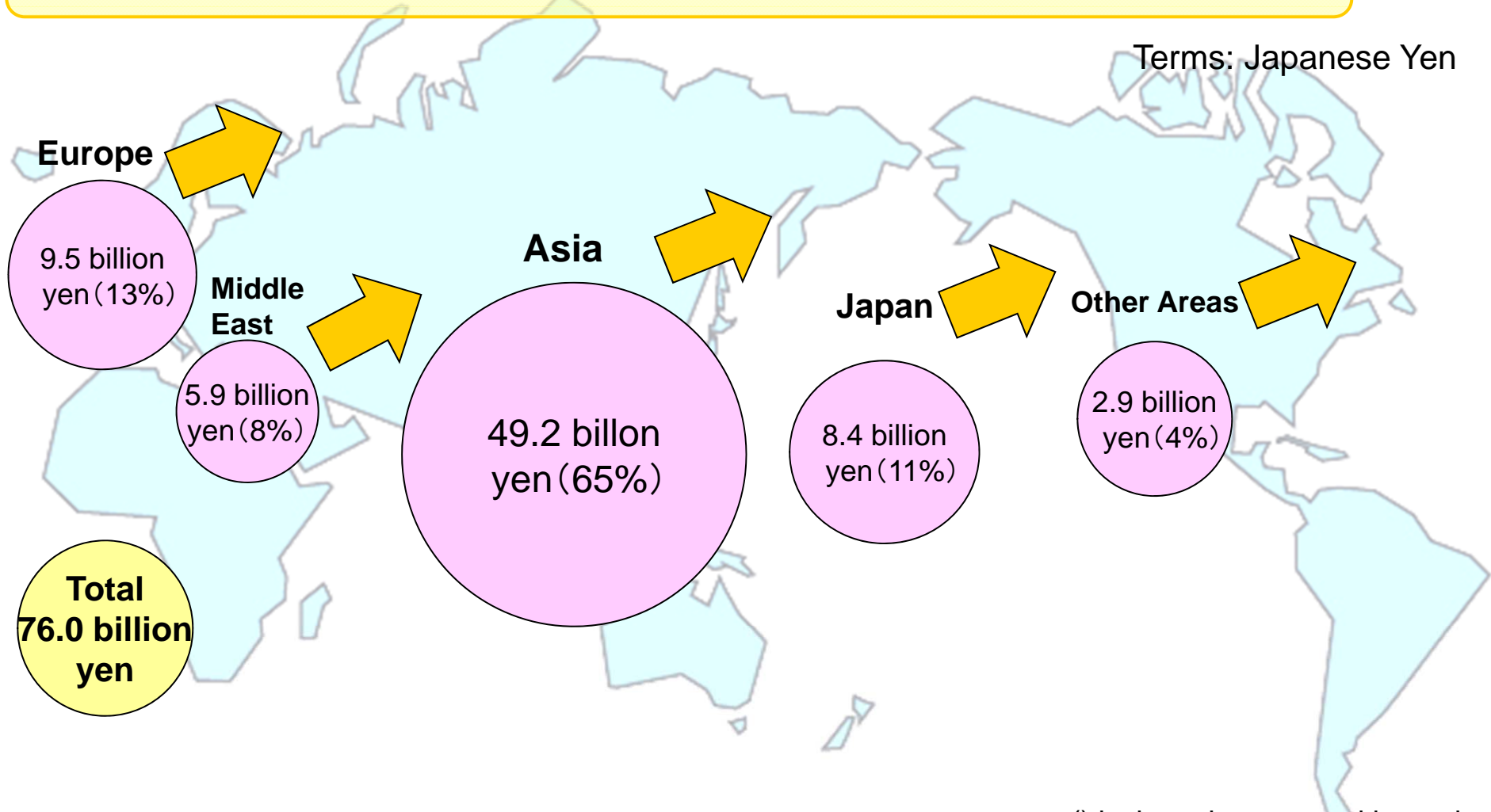
(Terms: Millions of yen)

	Net Sales	Comparison with previous year	Operating Income	Comparison with previous year
	Full-year forecast		Full-year forecast	
Computerized Flat Knitting Machines	62,000	+4.4%	20,173	+3.9%
Design Systems	5,250	+33.4%	1,211	+3.9%
Glove & Sock Knitting Machines	2,500	+5.3%	493	+3.8%
Other	6,250	+1.1%	629	+497.9%
Corporate/elimination			(6,506)	-
<b>Total</b>	<b>76,000</b>	<b>+5.8%</b>	<b>16,000</b>	<b>+7.3%</b>

# Forecast Sales by Region

**Active proposals in regions other than Asian markets**

Terms: Japanese Yen



( ) is the sales composition ratio.



# Medium-Term Management Plan「Ever Onward 2020」

## Priority measures

Four priority measures as our growth strategy are outlined below. We will promote the selection and concentration of our management resources in these areas as we work to enhance corporate value.

### i) Strengthening the flat knitting business

We will further strengthen the flat knitting business by increasing customer satisfaction through innovative marketing strategies by employing Wholegarment solutions.

### ii) Advancing unique business segments

We will advance our differentiation strategy by creating innovative business models that tap into our unique Wholegarment technology. We will also expand flat knitting technology into non-fashion fields and strengthen the automated cutting machine solution business.

### iii) Improving the profit structure

We will achieve sustainable revenue growth and strategic cost reductions by reviewing our fundamental business practices and diversifying revenue sources through enhanced after-sale services and improved operating cash flows.

### iv) Reinforcing the management infrastructure

We will reinforce overall management resources, including the recruiting of creative and diverse personnel, and build a management structure with greater emphasis on CSR.

FY2020	Net Sales	100.0
Consolidated Targets (Terms: Billions of yen)	Operating Income	25.0
	Ordinary Income	25.0
	Net Income	18.0
	R O E	12.0%

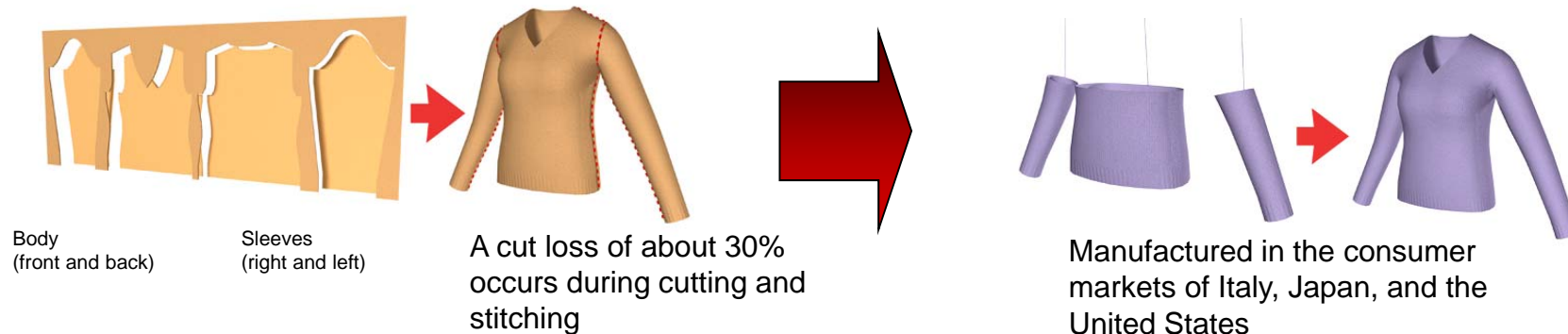
# WHOLEGARMENT®

A type of knit that is easy on the wearer and the environment  
(Energy saving, resource saving)

- 1. Easy on the wearer** Light, attractive silhouettes with no feeling of stiffness
  - 2. Easy on the environment** Reduces cut loss and limits contamination of the atmosphere
- Benefits of knit manufacturing** Responds quickly to reduce inventory losses and can be manufactured in consumer markets

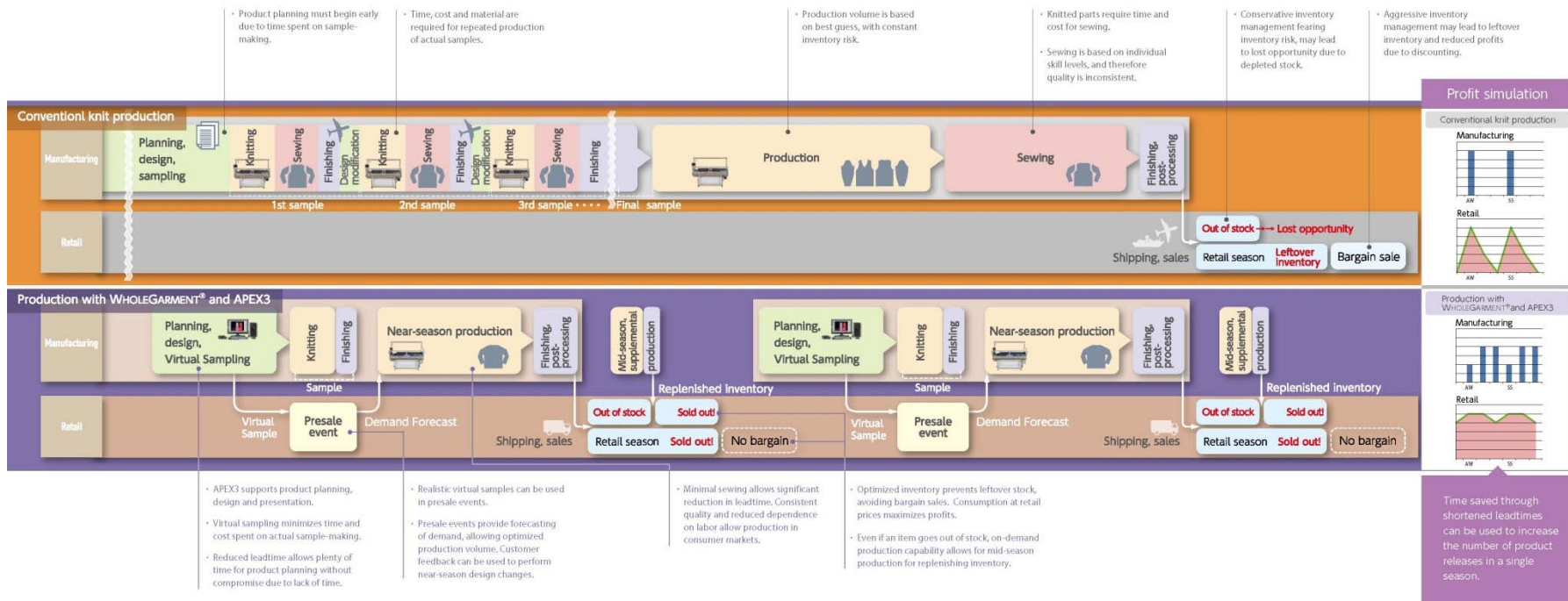
Cut and sewn (Labor-intensive approach)

WHOLEGARMENT® (Knowledge-intensive approach)



# WHOLEGARMENT and APEX3 ~ Revolution in Knit Production and Distribution

WHOLEGARMENT is not just knitwear without seams. It is a completely new category of knitwear based on a rethink of all stages of the knit supply chain from planning and design, production, distribution, marketing and retail sales.

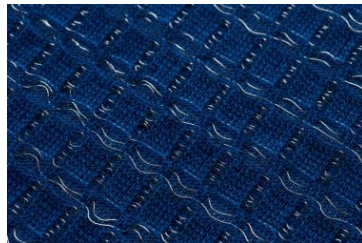


# Develop a new field

The technology for WHOLEGARMENT is applied to various fields, not just the fashion industry. In addition, Shima Seiki's original proposals include both flat knitting and cutting technologies.



3D Shaping



Inlay patterns limit typical stretch characteristics of knitwear



PET Monofilament



Carbon Fiber+Nylon



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

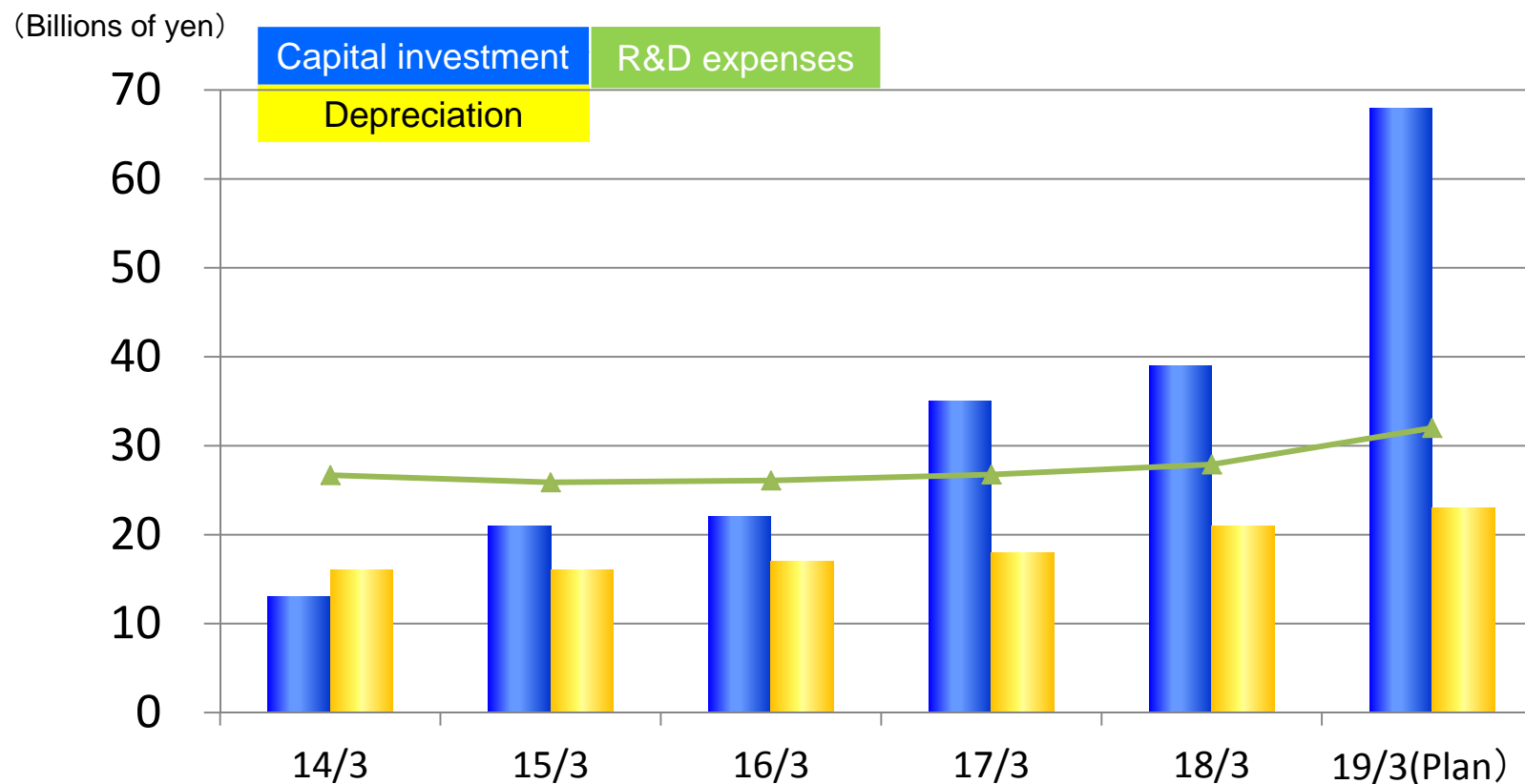


Yarn Unwinding Option



# Capital investment / R&D expenses

FY 2017(2018/3)	Capital investment:	JPY 3.9 billion	Depreciation:	JPY 2.1billion
	R&D expenses:	JPY 2.7billion		
FY 2018(2019/3)	Capital investment:	JPY 6.8 billion	Depreciation:	JPY 2.3 billion
	R&D expenses:	JPY 3.2 billion		



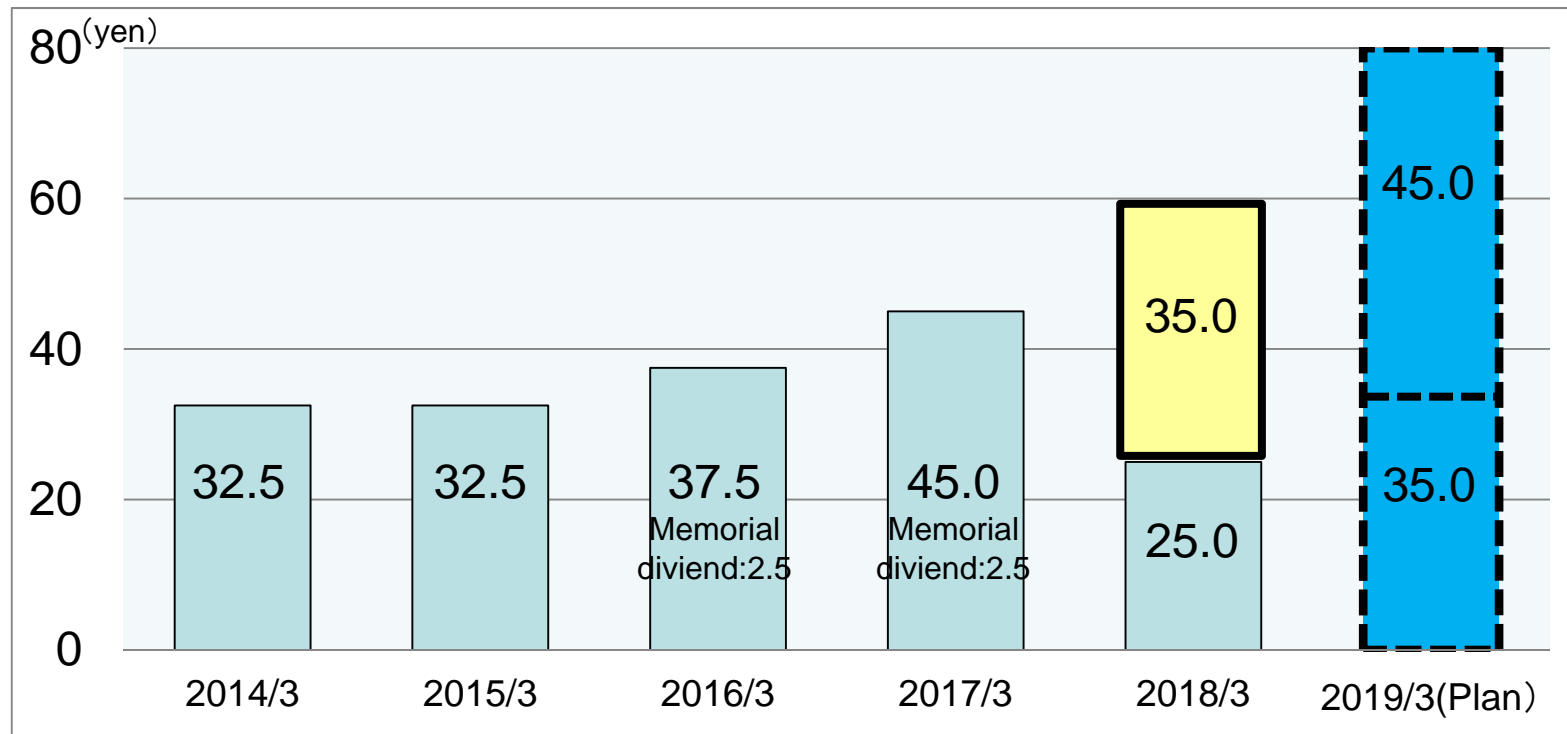
# Dividend


Dividends for the fiscal year ended March 2018 [scheduled]: Year-end dividend of 35.0 yen

Dividends for the fiscal year ending March 2019 [plan]:

Interim dividend of 35.0 yen (up 10 yen from the previous fiscal year)

Year-end dividend of 45.0 yen\_(up 10 yen from the previous fiscal year)





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