

SHIMA SEIKI



Consolidated Results for First Half of FY 2018

Summary of Operating Results for 2Q of the Fiscal Year Ending March 31, 2019

	2Q of the fiscal year ending March 31, 2019	2Q of the fiscal year ended March 31, 2018	Fiscal year ended March 31, 2018
Net Sales	28,197	35,569	71,858
Operating income	4,343	8,060	14,905
Ordinary income	4,628	8,884	15,525
Net income attributable to owners of the parent	3,312	6,529	11,279

Exchange rate (for 2Q)

USD/JPY	113.57	112.73
	109.99	111.18
EUR/JPY	132.14	132.85
	130.22	127.08

Exchange rate at the end of the period
(upper row)

Average exchange rate for translation of
sales (lower row)

Highlights

Overview of segments

[Flat Knitting Machine]

- **China, Vietnam:** Sales of the WHOLEGARMENT flat knitting machine MACH2XS remained solid while sales of computerized flat knitting machines for sports shoes remained weak.
- **Bangladesh:** Sales of computerized flat knitting machines remained weak because of political uncertainty.
- **Europe:** Sales of WHOLEGARMENT flat knitting machines remained solid.
- **Middle East/Turkey:** Sales increased for the first quarter, but orders received remained weak after July.
- **Japan:** Sales of WHOLEGARMENT flat knitting machines remained solid and increased from the previous period.

[Design System]

- Sales of the design system SDS-ONE APEX3 declined due to a sales decline in flat knitting machines.
- The computerized cutting machine P-CAM slightly declined from the previous year despite increased overseas sales.

[Glove and Sock Knitting Machine]

- Sales declined despite advancing replacement of facilities of major manufacturers.

Profits

- Operating income declined 46.1% year-over-year to 4,343 million yen because of a large sales decline despite a slight increase in the gross profit margin.
- Increased selling and administrative expenses (up 0.23 million yen year-over-year) were due to effect of a change in the accounting period of the Italian subsidiary (the expenses for nine months) and an increase in the provision of the reserve for doubtful accounts.

Sales Composition by Segment [Consolidated]

Flat Knitting Machines

21.9 billion yen (78%)



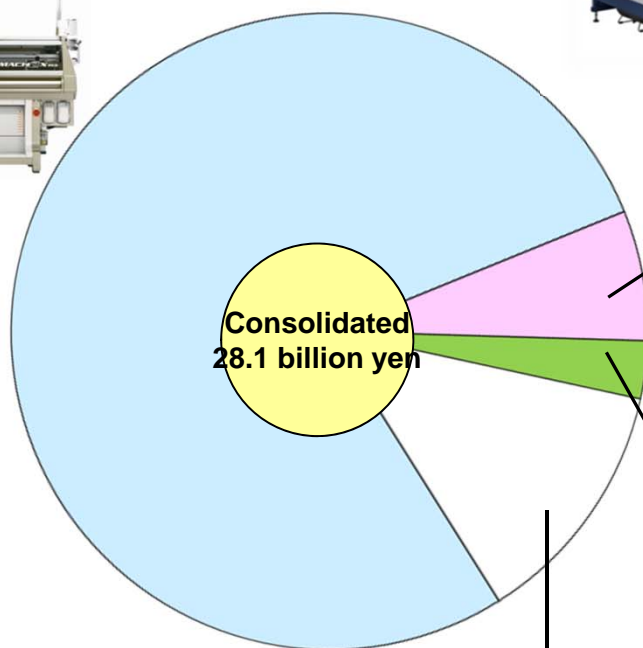
Design Systems
1.8 billion yen (6%)



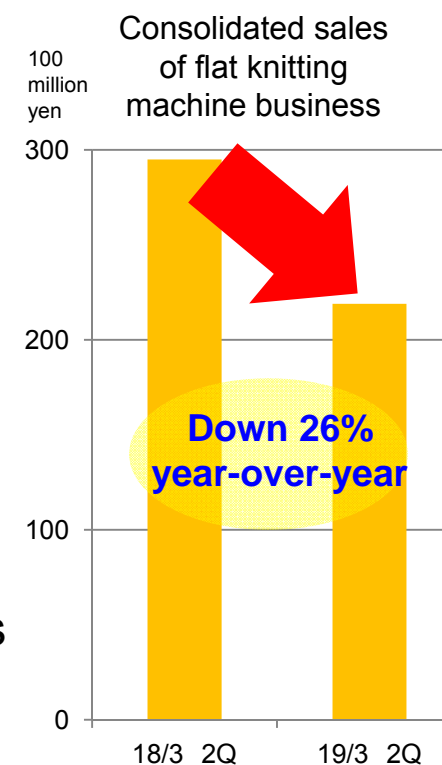
Glove and Sock
Knitting Machines
0.8 billion yen (3%)

Other
3.5 billion yen (13%)

Consolidated
28.1 billion yen



() is the sales composition ratio.



Sales and Operating Income by Segment (Second quarter)

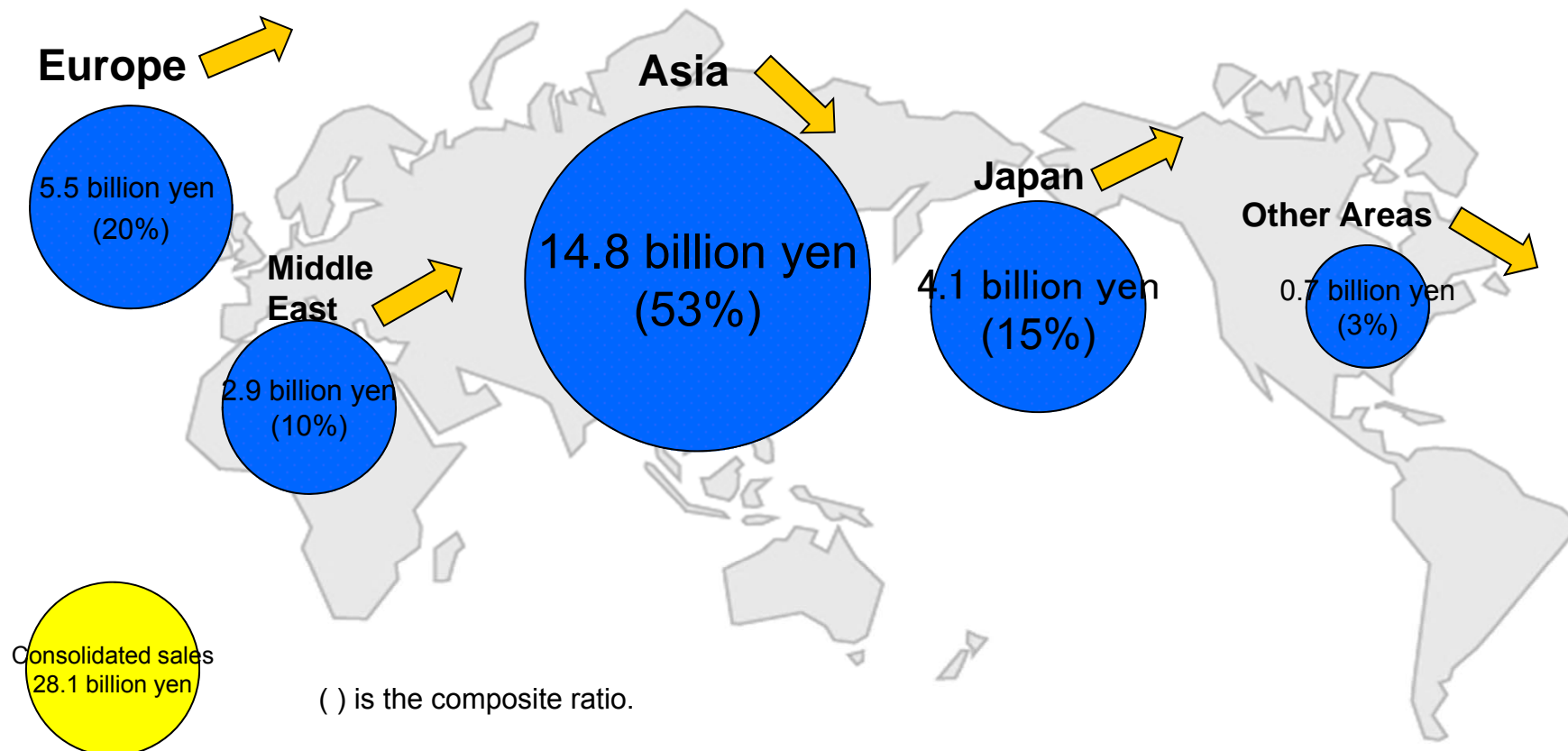
(Terms: Millions of yen)

	Net Sales	Comparison with previous year	Operating income	Comparison with previous year
Computerized Flat Knitting Machines	21,933	(25.8%)	6,278	(36.4%)
Design Systems	1,866	(5.7%)	423	(24.9%)
Glove and Sock Knitting Machines	829	(4.7%)	163	(16.1%)
Other	3,567	+13.3%	650	+67.3%
Corporate elimination			(3,171)	—
Total	28,197	(20.7%)	4,343	(46.1%)

Consolidated Sales and Ratio by Region

**Sales of flat knitting machines, excluding
WHOLEGARMENT, remained weak in Asian market**

Terms: Japanese Yen



Sales by Region (Second quarter)

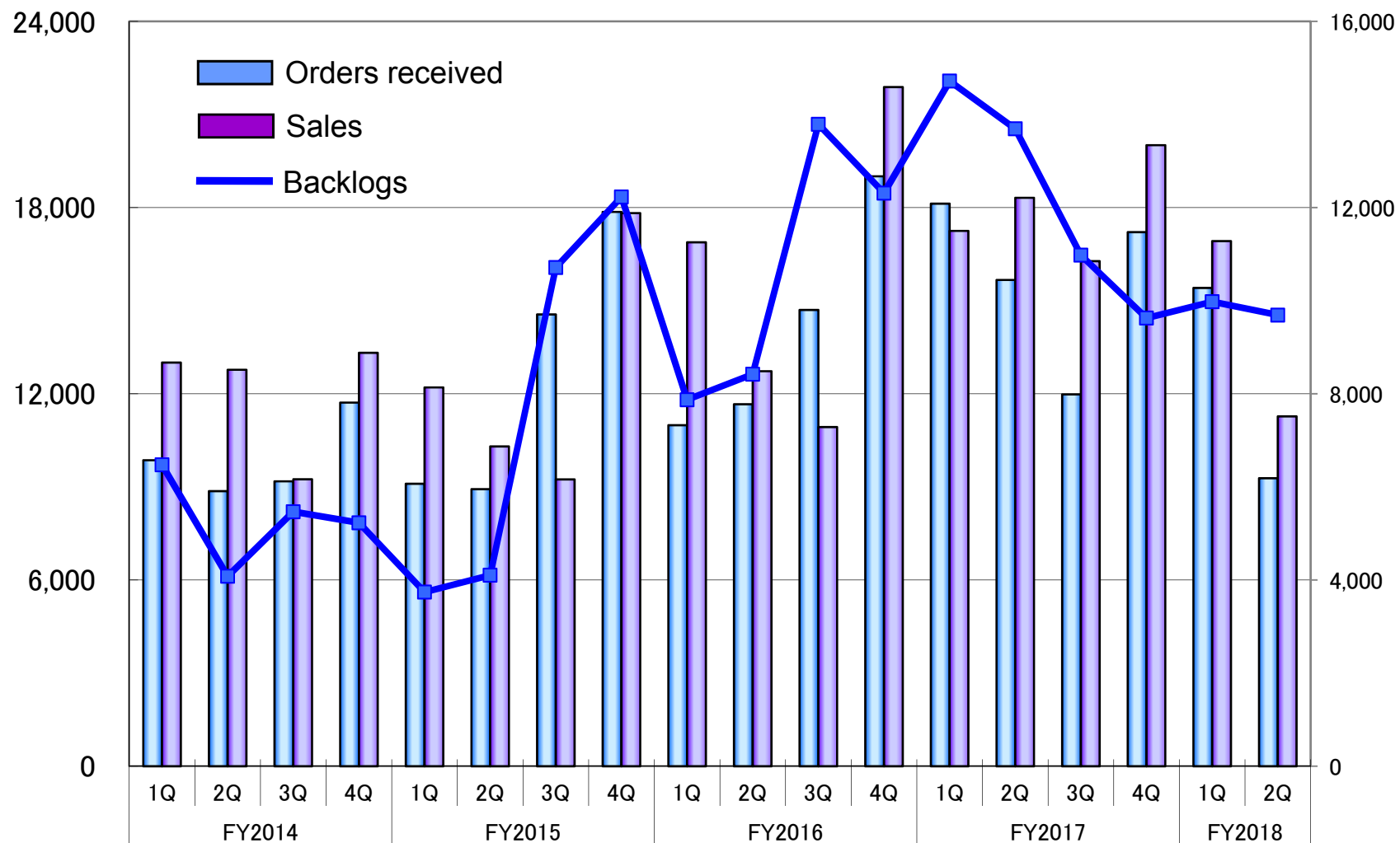
(Terms: Millions of yen)

Area	2Q of the fiscal year ending March 31, 2019	2Q of the fiscal year ending March 31, 2018	Comparison with previous year
Japan	4,132	3,620	+14.1%
Europe	5,550	3,668	+51.3%
Asia	14,855	25,962	(42.8%)
Middle East	2,937	1,147	+155.9%
Other Areas (overseas)	721	1,170	(38.4%)
Total	28,197	35,569	(20.7%)

Trends of Orders Received, Sales, and Backlog [Consolidated]

(Orders received/Sales)
Millions of yen

(Backlog)
Millions of yen



Trend of Operating Results by Quarter [Consolidated]

(Terms: Millions of yen)

	2017/3				2018/3				2019/3	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	16,885	12,730	10,929	21,886	17,251	18,318	16,275	20,013	16,923	11,273
Operating Income	3,791	1,709	899	4,862	3,747	4,313	3,194	3,650	3,307	1,036
Ordinary Income	990	1,320	2,629	5,102	4,181	4,702	3,516	3,125	3,670	957
Net income attributable to owners of the parent	873	810	1,802	3,711	3,048	3,480	2,422	2,328	2,571	740

Orders received	10,989	11,665	14,704	19,011	18,130	15,670	11,982	17,211	15,412	9,280
Backlog	7,873	8,421	13,790	12,312	14,718	13,693	10,979	9,627	9,979	9,691

Challenges for the Current Period

Joined in tradeshows and held personal exhibitions and seminars around the world



PREMIERE VISION PARIS (September)

Paris

Pitti Filati (June)



ITM2018 Istanbul (April)

India International Footwear Fair (August)



Delhi

Dacca

VIETNAM SAIGON TEXTILE & GARMENT (April)



Personal exhibitions in Bangladesh
(April and July)



Preview In SEOUL (September)

Held personal exhibitions nationwide

ITMA ASIA + CITME 2018 (October)

TECHTEXTILE NORTH AMERICA (May)



Brazil Febratex 2018 (August)
The largest textile machinery
exhibition in South America

Argentina SIMATEX (April)

ITMA ASIA+CITME 2018

Holding date: October 15 to 19, 2018 (5 days)

Place: Shanghai, China

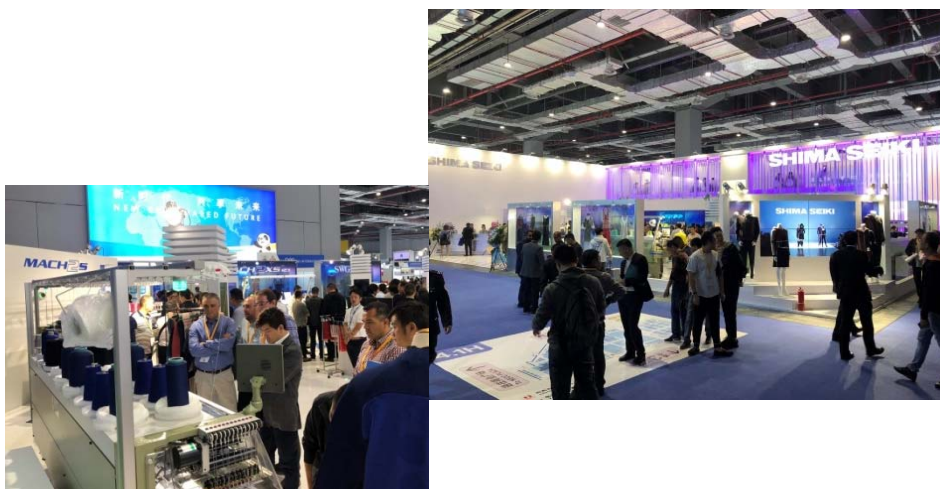
About 2,000 exhibitor companies and 100,000 visitors



Shanghai, China. 15-19 October 2018
www.itmaasia.com | www.citme.com.cn

<Industry trend>

- The apparel industry sought to build a supply chain that manufactures products with a quicker response to demand due to inventory issues and competition with e-commerce.
- Companies, including circular knitting machine manufacturers, focus on computerized flat knitting machines for shoes uppers.



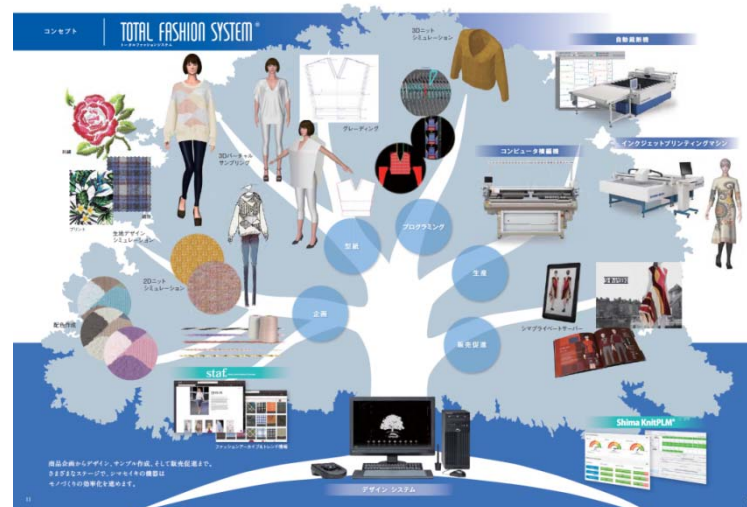
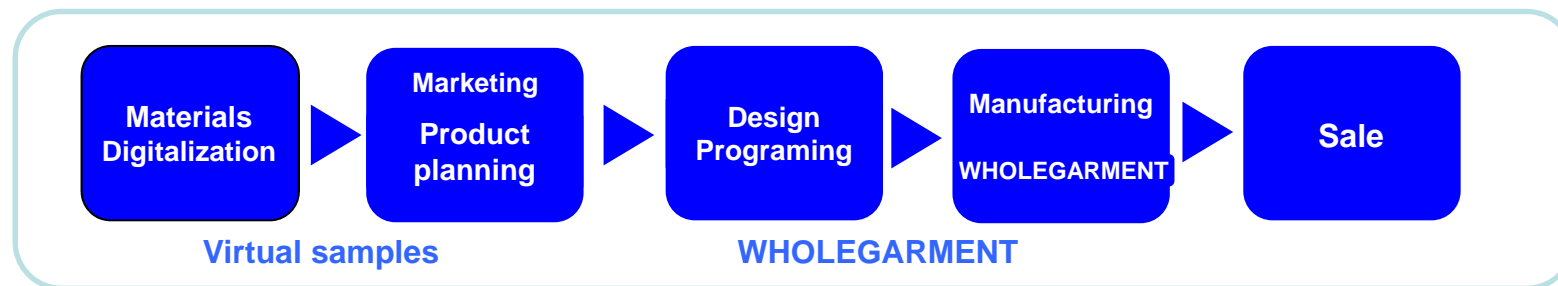
Main machines exhibited:

WHOLEGARMENT flat knitting machines: [MACH2XS](#)
WHOLEGARMENT flat knitting machines: [MACH2S](#)
WHOLEGARMENT flat knitting machines: [SWG-091N2](#)
Computerized flat knitting machines: [SVR123SP](#)
Design systems: [SDS-ONE APEX3](#)
PLM solutions: [Shima KnitPLM](#)

ITMA ASIA+CITME 2018

Proposed manpower saving and automation through **TOTAL FASHION SYSTEM**

<Joint participation in the exhibition with spinning companies> Proposed the Digital Yarn Project, lean and high speed manufacturing through digitalization of yarn



Strengthen follow-up activities to turn inquiries obtained into orders received

Operating Results Forecast for the Fiscal Year Ending March 31, 2019

Downwardly revised operating results forecasts

(Terms: Millions of yen)	Fiscal year ending March 31, 2019 (forecast)	Comparison with the previous year (%)	Fiscal year ended March 31, 2018
Net Sales	58,000	(19.3%)	71,858
Operating income	8,000	(46.3%)	14,905
Ordinary income	8,200	(47.2%)	15,525
Net income attributable to owners of the parent	6,000	(46.8%)	11,279

Assumption of exchange rate for the full-year forecast: 110 JPY/ USD, 130 JPY/EUR
Sensitivity of operating income where the exchange rates fluctuate by 1 yen: 200 million yen for the USD, 30 million yen for the EUR

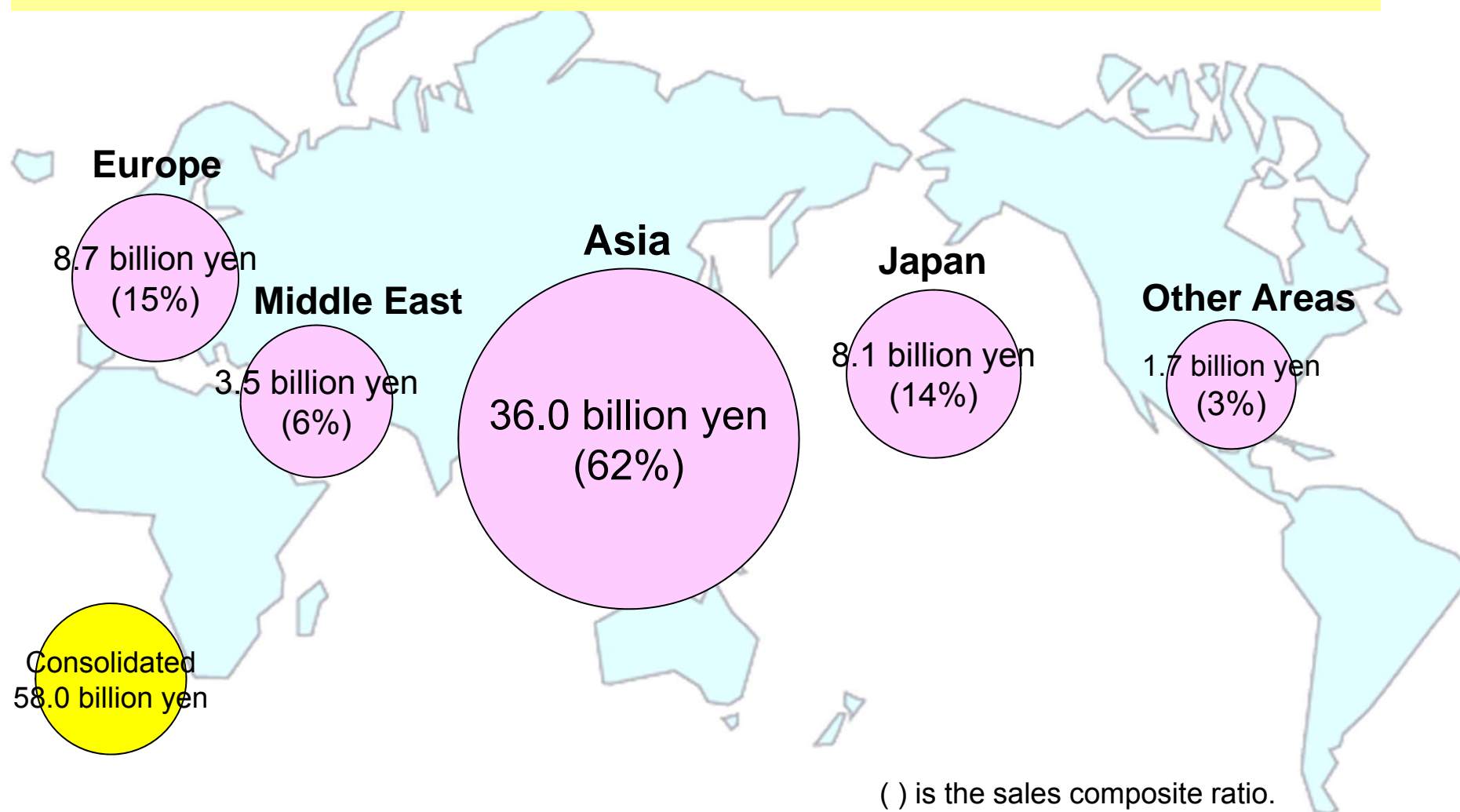
Sales and Operating Income Forecast by Segment (for the Year Ending March 31, 2019)

Substantially revised the forecast for flat knitting machine segment

(Term: Millions of yen)	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Computerized Flat Knitting Machines	44,800	(24.5%)	11,800	(39.2%)
Design Systems	4,600	+16.9%	1,100	(5.6%)
Glove and Sock Knitting Machines	1,900	(19.9%)	360	(24.2%)
Other	6,700	+8.4%	1,100	+945.7%
Corporate elimination			(6,360)	
Total	58,000	(19.3%)	8,000	(46.3%)

Forecast for the Fiscal Year Ending March 31, 2019 [Consolidated] [Sales by Region]

Revised the forecast for Asian and Middle East markets



Trends of R&D Expenses and Capital Investment [Consolidated] (i)

—Toward Achievement of “**Ever Onward 2020**”—
The strategic investment remains unchanged.

The fiscal year ending March 31, 2019 (plan):

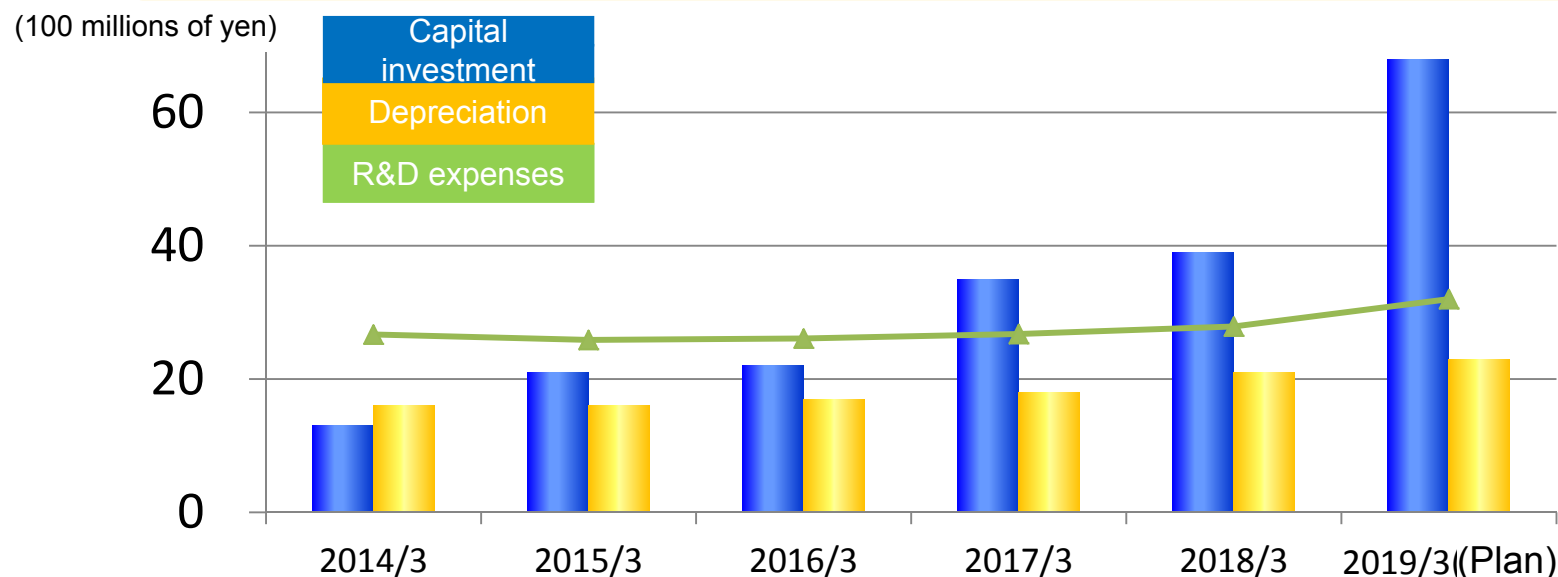
capital investment: JPY 6.8 billion (including leased assets of JPY 3.1 billion)

depreciation: JPY 2.3 billion, R&D expenses: JPY 3.2 billion

2Q of the fiscal year ending March 31, 2019 (actual results):

capital investment: JPY 2.0 billion yen (including leased assets of JPY 0.45 billion)

depreciation: JPY 1.1 billion, R&D expenses: JPY 1.6 billion



Trends of R&D Expenses and Capital Investment (ii)

Constructed a new plant in KAINAN SEIMITSU CO., LTD.
(consolidated subsidiary)

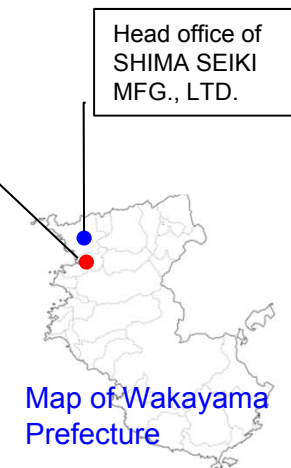
The plant will start operation in December 2018.

We will increase the processing capability of parts for flat knitting machines and computerized cutting machines and promote automation.

We seek to increase production efficiency on a group-wide basis.



Head office: Kainan City, Wakayama
(Next to Wakayama City)



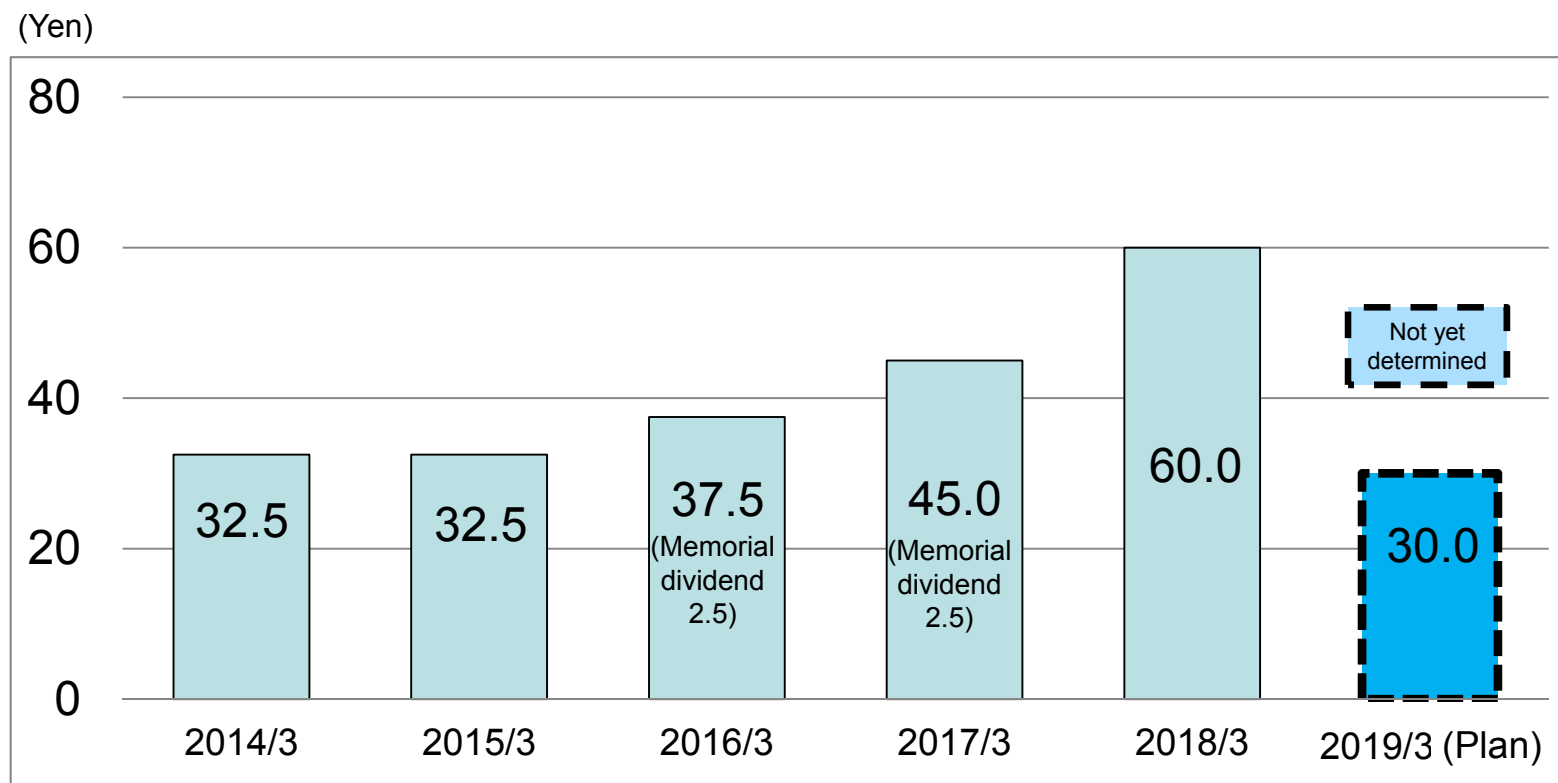
Return to shareholders

Revised expected dividend for the current period

Fiscal year ending March 31, 2019 [Plan]:

Interim dividend: (original) 35.0 yen → 30.0 yen

Year-end dividend: (original) 45.0 yen → Not yet determined



Topics

Shipped the two hundred thousandth computerized flat knitting machine (June)

1978: Shipped the first computerized flat knitting machine
2008: Took 30 years to ship the one-hundred-thousandth machine
2018: Took only 10 years to ship the two-hundred-thousandth machine



SNC (1978)



SSG (2008)



MACH2XS (2018)



Made the absorption-type merger of the consolidated subsidiary TSM Industrial Co., Ltd.



1. Purpose of the merger:

The merger is designed to seek an increase in productivity of the Company group and business efficiency through a merger with the consolidated subsidiary TSM Industrial Co., Ltd., which operates the business including processing parts for the Company's products, integrating manufacturing and management systems and seeking effective utilization of human resources

2. Date of merger: October 1, 2018

Topics



ITMA 2019 (Barcelona)

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

Many companies related with machineries and textile will participate in the exhibition.

A total of 1,600 companies in 46 countries around the world expressed the desire to participate in the exhibition.


Holding date: June 20 to 26, 2019

Place : Barcelona at Fira De Barcelona, Gran Via.

<Last time> ITMA 2015 (Milan)

We introduced the new WHOLEGARMENT flat knitting machine MACH2XS and called attention to the integrated technical assistance of the TOTAL FASHION SYSTEM with the design system SDS-ONE APEX3. Consequently, we were appreciated.





The plans, business result forecasts, and strategy of the Company described herein are based on information available as of the day of the announcement and specific assumptions considered reasonable, and so they may largely differ due to various factors. Please understand this in advance.