

SHIMA SEIKI



**Consolidated Results
for First Half of FY 2019**

Summary of Financial Results for Fiscal Year Ending March 2020 (Second quarter)

(Millions of yen)

	Fiscal year ending March 31, 2020 Second quarter	Fiscal year ended March 31, 2019 Second quarter	Fiscal year ended March 31, 2019
Net sales	17,118	28,197	51,352
Operating income	(2,710)	4,343	4,638
Ordinary income	(2,899)	4,628	4,991
Net income attributable to owners of the parent	(2,061)	3,312	3,835

(Second quarter)
Exchange rate (JPY)

USD/JPY	107.92	113.57
	108.78	109.99
EUR/JPY	118.02	132.14
	120.87	130.22

Exchange rate at the end of the
period (Upper level)

Average exchange rate used for
translation of sales (Lower level)

Highlights

Overview of segments

[Flat Knitting Machine]

- **Asia** Capital investment remained weak in major areas, including China, Bangladesh, and Vietnam. Weakened investment confidence spread to the WHOLEGARMENT® flat knitting machines, and sales of the machines were below those for the previous fiscal year.
- **Europe** Sales remained weak in the major producer market of Italy.
- **Middle East/Turkey** Capital investment remained continuously weak due to monetary tightening.
- **Japan** Net sales was flat over the same period of the previous fiscal year.

[Design system]

- Net sales of the design system SDS-ONE APEX3 were flat over the same period compared to the previous fiscal year in Japan while they declined in overseas markets due to decreased sales of flat knitting machines.
- The P-CAM series automatic fabric cutting machine increased sales in overseas, but all sales slightly decreased from the previous fiscal year.

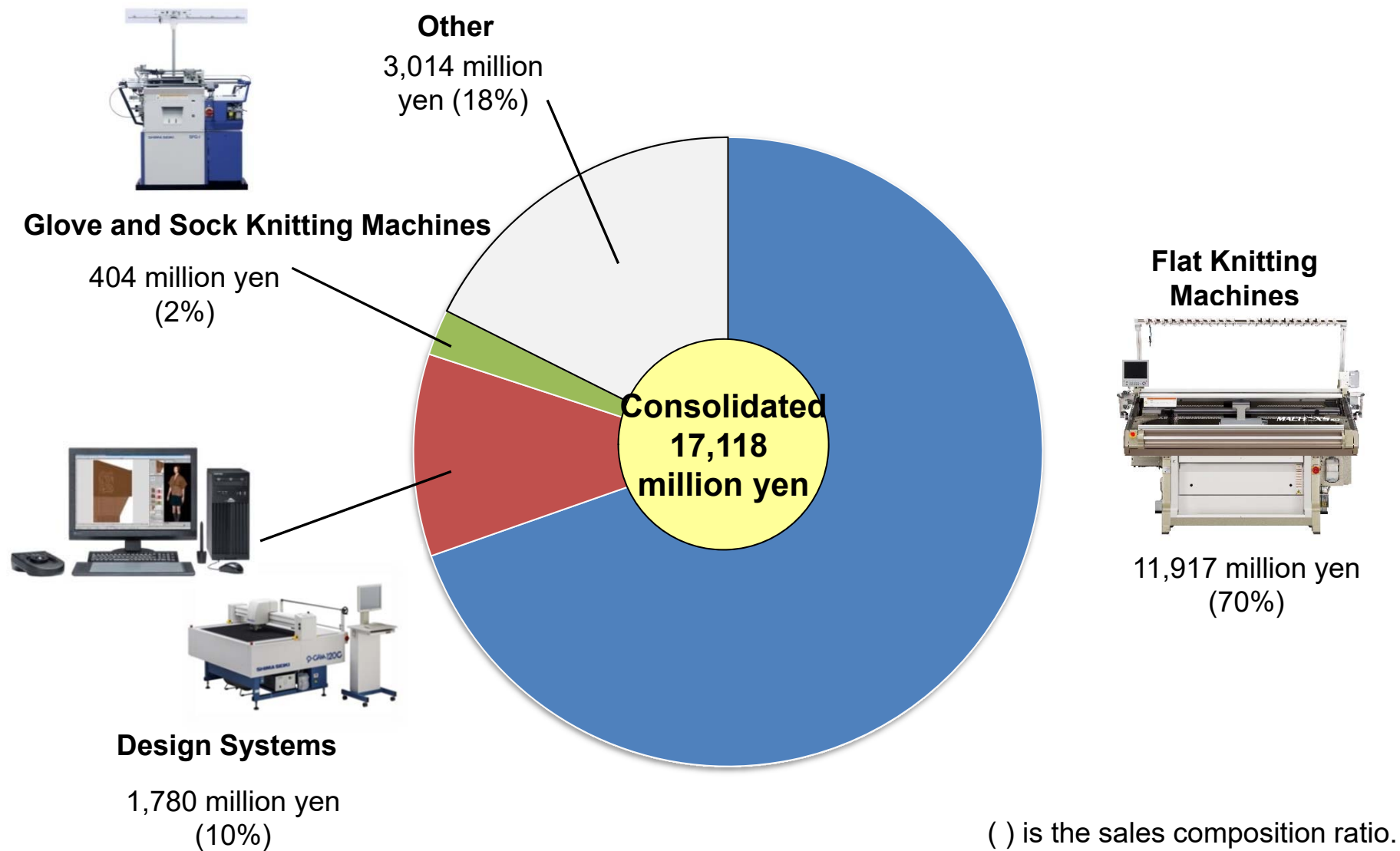
[Glove and Sock Knitting Machine]

- Net sales declined because of the delayed replacement of production equipment of large manufacturers.

Profits

- Gross profit margin largely declined because of the decrease in unit selling prices and capacity utilization of plants. In selling and administrative expenses, the provision for allowance for doubtful accounts (730 million yen) and ITMA related expenses (200 million yen) were recorded, and development test and research expenses increased by 250 million yen.
- In non-operating expenses, a loss of 542 million yen was recorded for foreign exchange.

Sales Composition by Segment [Consolidated]

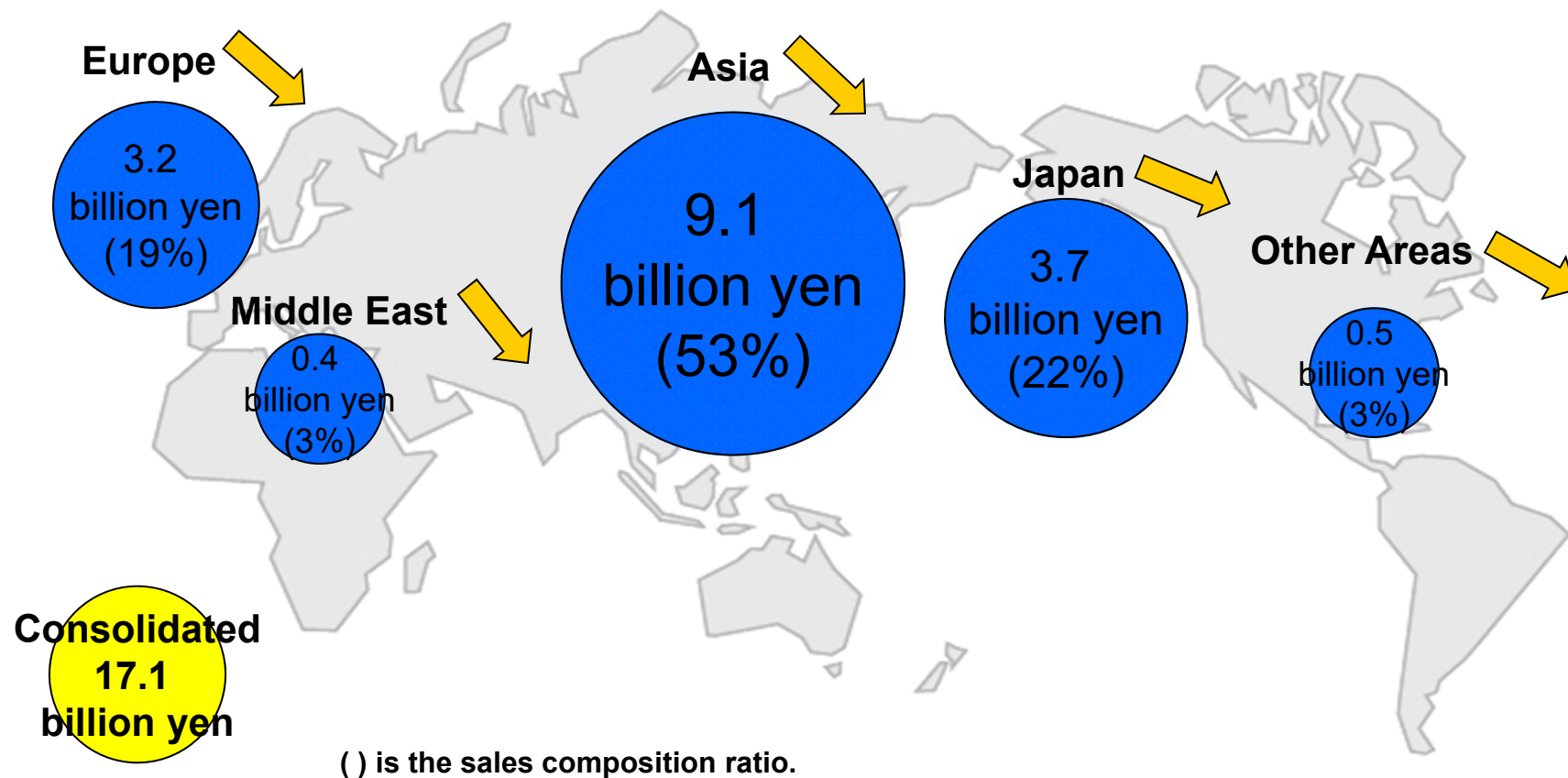


Sales and Operating Income by Segment (Second quarter)

	(Millions of yen)		(Millions of yen)	
	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Flat Knitting Machines	11,917	(45.7)	152	(97.6)
Design Systems	1,780	(4.6)	33	(92.2)
Glove and Sock Knitting Machines	404	(51.2)	(34)	-
Other	3,014	(15.5)	355	(45.3)
Corporate elimination			(3,217)	-
Total	17,118	(39.3)	(2,710)	-

Sales Composition by Region [Consolidated]

Asia and Middle East markets remained weak.



Sales by Region (Second quarter)

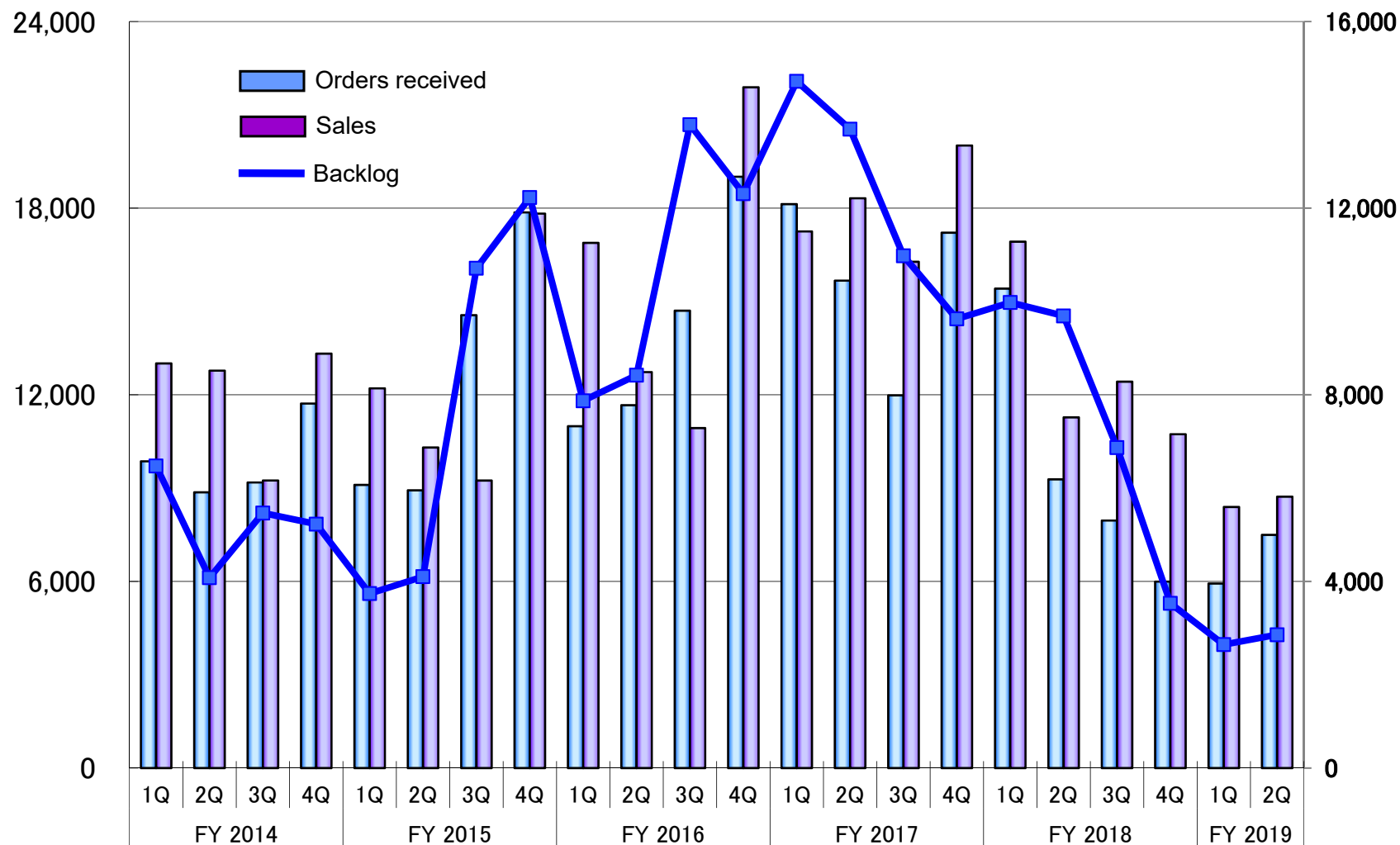
(Millions of yen)

Region	Current period	Previous period	Comparison with previous year (%)
Japan	3,715	4,132	(10.1)
Europe	3,232	5,550	(41.8)
Asia	9,121	14,855	(38.6)
Middle East	464	2,937	(84.2)
Other Areas	584	721	(19.0)
Total	17,118	28,197	(39.3)

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]

(Millions of yen)	2018/3				2019/3				2020/3	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	17,251	18,318	16,275	20,013	16,923	11,273	12,423	10,732	8,393	8,724
Operating income	3,747	4,313	3,194	3,650	3,307	1,036	1,257	(962)	(872)	(1,838)
Ordinary income	4,181	4,702	3,516	3,125	3,670	957	1,215	(852)	(944)	(1,954)
Net income attributable to owners of the parent	3,048	3,480	2,422	2,328	2,571	740	849	(327)	(689)	(1,372)

(Millions of yen)

Orders received	18,130	15,670	11,982	17,211	15,412	9,280	7,958	5,994	5,934	7,495
Backlog	14,718	13,693	10,979	9,627	9,979	9,691	6,869	3,531	2,647	2,858

Balance Sheet [Consolidated]

(Millions of yen)

Title of accounts	Fiscal year ending March 31, 2020 Second quarter	End of fiscal year ended March 31, 2019	Title of accounts	Fiscal year ending March 31, 2020 Second quarter	End of fiscal year ended March 31, 2019
(Current assets)	95,735	102,854	(Current liabilities)	17,252	18,962
Cash and deposits	25,534	26,920	Trade accounts and notes payable	1,651	2,484
Trade accounts receivable	52,891	56,784	Electrically recorded monetary claims	373	520
Inventories	18,487	19,288	Short-term loans payable	8,633	8,879
Other	1,346	1,854	Other	6,592	7,078
Allowance for doubtful accounts	(2,523)	(1,993)	(Long-term liabilities)	4,974	5,017
			(Total liabilities)	22,227	23,979
(Fixed assets)	43,392	42,292	(Shareholders' equity)	125,474	128,424
Property, plant and equipment	26,101	25,579	(Accumulated other comprehensive income)	(8,614)	(7,292)
Intangible fixed assets	3,089	3,352	(Equity warrants)	25	19
Investments and other assets	14,201	13,361	(Non-controlling interest)	14	14
			(Total net assets)	116,900	121,166
Total assets	139,127	145,146	Total liabilities and net assets	139,127	145,146

Statements of Cash Flows [Consolidated]

(Millions of yen)

Title of accounts	Fiscal year ending March 31, 2020 Second quarter	Fiscal year ended March 31, 2019 Second quarter
Cash flows from operating activities	1,743	4,757
Cash flows from investing activities	(1,491)	(1,859)
Cash flows from financing activities	(1,279)	(1,596)
Effect of exchange rate changes on cash and cash equivalents	(381)	293
Increase (decrease) in cash and cash equivalents	(1,408)	1,594
Cash and cash equivalents at beginning of year	26,849	24,223
Cash and cash equivalents at end of year	25,440	25,818

Plan for Operating Results Forecast for the Fiscal Year Ending March 31, 2020 [Consolidated]

Downwardly revised operating results forecasts

	(Millions of yen)			(Millions of yen)
	Fiscal year ending March 31, 2020 (Revised plan)	Comparison with the previous year (%)	Fiscal year ending March 31, 2020 (Initial plan)	Fiscal year ended March 31, 2019
Net sales	40,000	(22.1)	52,300	51,352
Operating income	(3,600)	-	4,000	4,638
Ordinary income	(3,500)	-	4,400	4,991
Net income attributable to owners of the parent	(2,400)	-	3,300	3,835

Assumption of exchange rate for the full-year forecast: 105 JPY/ USD, 115 JPY/EUR

Sensitivity of operating income where the exchange rates fluctuate by 1 yen: 39 million yen for the USD, 2 million yen for the EUR

Plan for Sales and Operating Income Forecast by Segment [Consolidated]

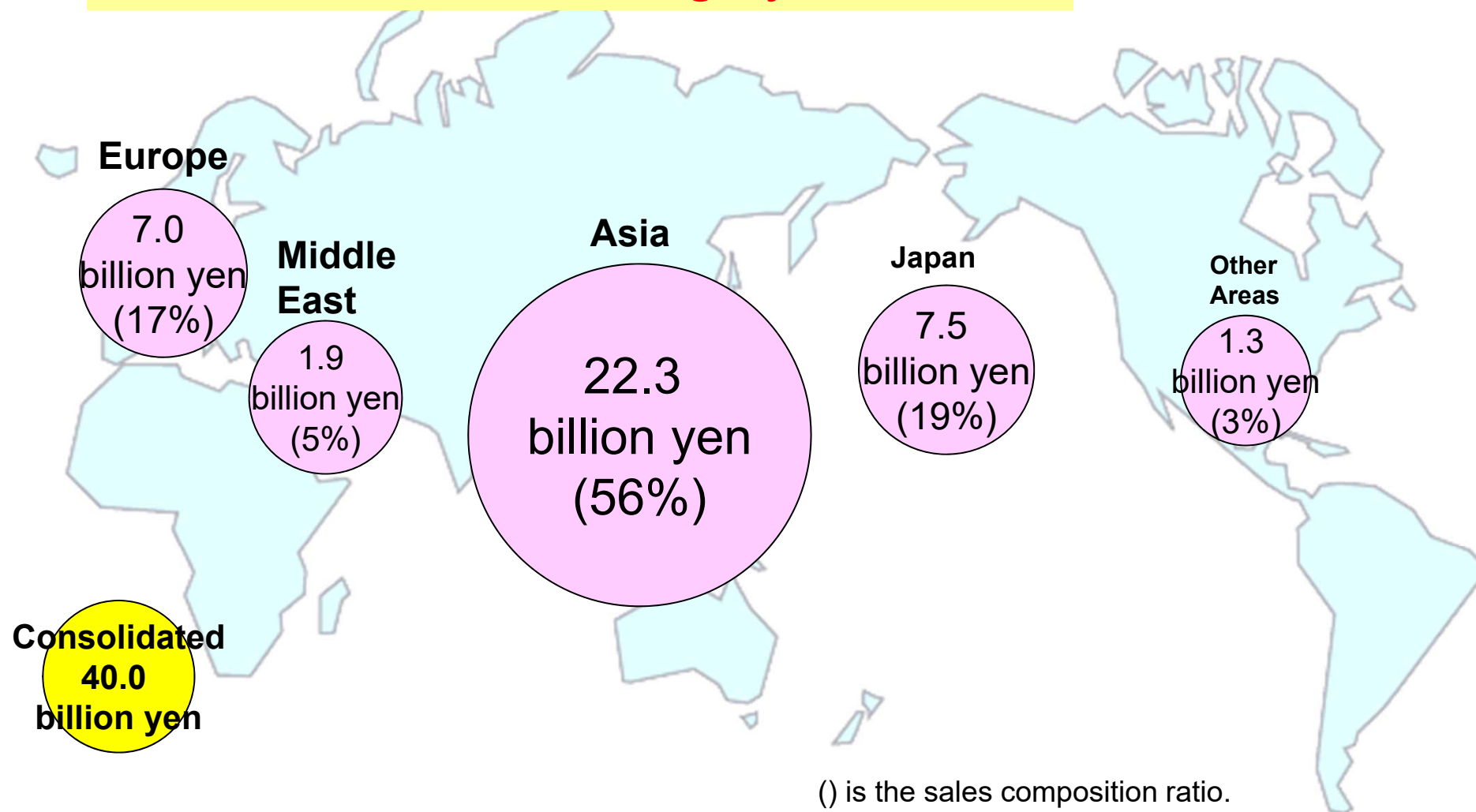
Largely revised the forecast of flat knitting machine segment

(Millions of yen)

	Net sales	Comparison with the previous year (%)	Operating income	Comparison with the previous year (%)
Computerized Flat Knitting Machines	28,680	(26.1)	1,700	(80.6)
Design Systems	3,850	(12.1)	250	(73.5)
Glove and Sock Knitting Machines	1,250	(19.6)	30	(87.4)
Other	6,220	(5.9)	720	(27.9)
Corporate elimination			(6,300)	
Total	40,000	(22.1)	(3,600)	-

Plan for Sales by Region [Consolidated]

Forecast for Asia largely revised



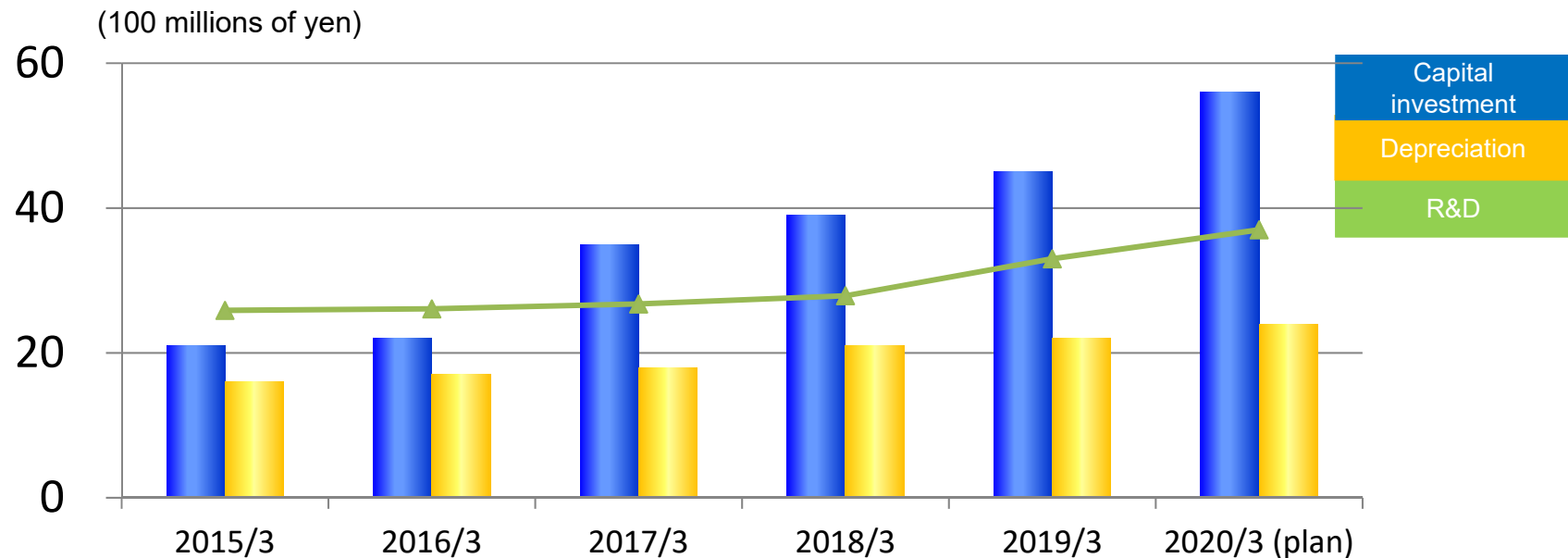
Trends of R&D Expenses and Capital Investment [Consolidated]

Fiscal year ending March 31, 2020 (Plan)

Capital investment of JPY 5.6 billion (including leased assets of JPY 2.3 billion), depreciation and amortization of JPY 2.4 billion, R&D of JPY 3.7 billion

Fiscal year ending March 31, 2020 (Actual results for second quarter)

Capital investment of JPY 1.8 billion (including leased assets of JPY 0.5 billion), depreciation and amortization of JPY 1.2 billion, R&D of JPY 1.8 billion



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

The building for the new plant will be constructed at the head office plant.

It will be completed in December 2019. The building is designed to increase the production capacity of the WHOLEGARMENT® flat knitting machines.



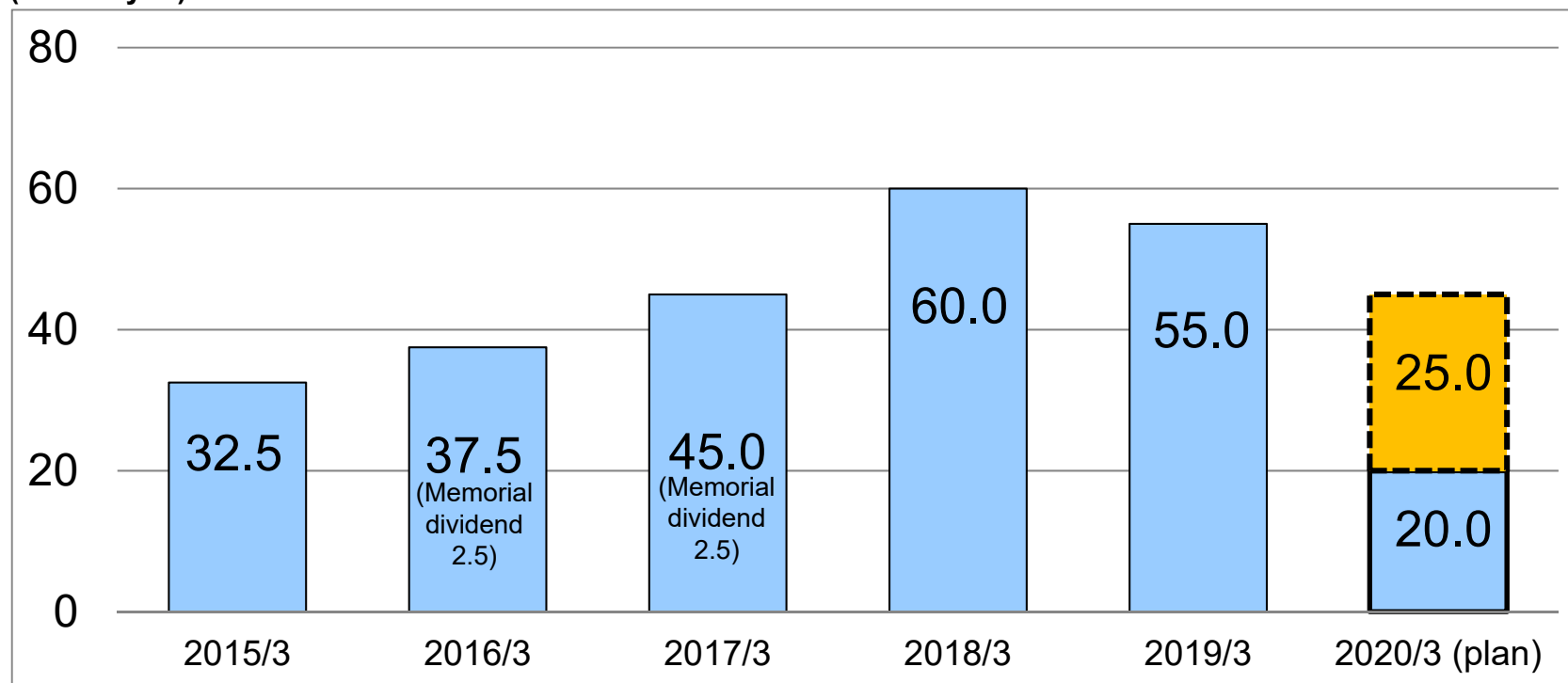
Head office plant

Return to Shareholders

1. Acquired one million treasury stocks (2.82% of total stocks issued (excluding treasury stocks)
(published on October 31)

2. Fiscal year ending March 31, 2020 [Plan]
Paid interim dividend of 20.0 yen and plan to pay year-end dividend of 25.0 yen.

(Terms: yen)



Topics



ITMA 2019 (Barcelona)

KNITify the World™
Smart Solutions in Textiles

To make an appeal to the industry by setting
“KNITify the World” as the theme

Holding period: June 20-26, 2019

The largest international textile machine exhibition in the world (held once every four years) where 1,717 textile-related companies from 45 countries around the world have set up booths at the exhibition. More than 105,000 persons visited the exhibition from 137 countries.



Environment surrounding Apparel Industry and Our Direction

▪ Digitalization and sustainability

Environment surrounding apparel manufacturers

Sustainable responses to supply chain

Cutting lead time

E-commerce Omnichannel

Customization



- Limit excess production and stock by using WHOLEGARMENT® and Design Systems

- Apply virtual samples to e-commerce and use them to estimate demand

- Support the creation of design by introducing AI to Design Systems

- Make simulation and product planning more efficient by constructing the platform of threads (digitalizing threads)

- Realize optimum production through PLM (product lifecycle management)

Proposals from SHIMA SEIKI



WHOLEGARMENT®



MADE 2 FIT™
WITH WHOLEGARMENT®



Shima KnitPLM®

Develop New Fields

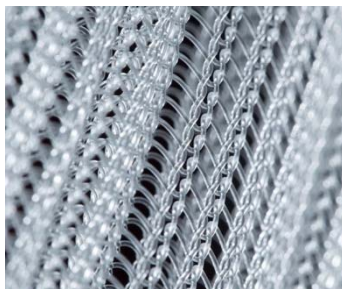
Apply the knitting technology to various fields, not just fashion where the materials create the shape, which is characteristic of flat knitted products, to expand demand.



3D shaping



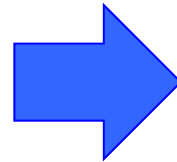
Inlay patterns limit typical stretch characteristics of knitwear



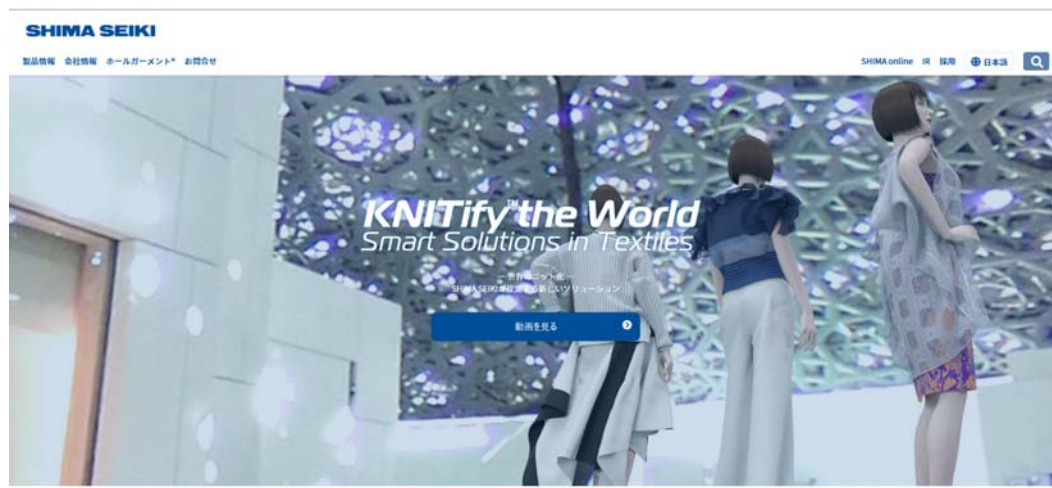
PET Monofilament



Carbon fiber preform



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



The website has been redesigned.

The plans, business result forecasts, and strategies of the Company as described herein are based on information available as of the day of the announcement (October 31) with specific assumptions considered reasonable; consequently, they may largely differ due to a variety of different factors. Please understand this in advance.