

Consolidated Results FY 2019

SHIMA SEIKI MFG., LTD.

MAY 13th, 2020

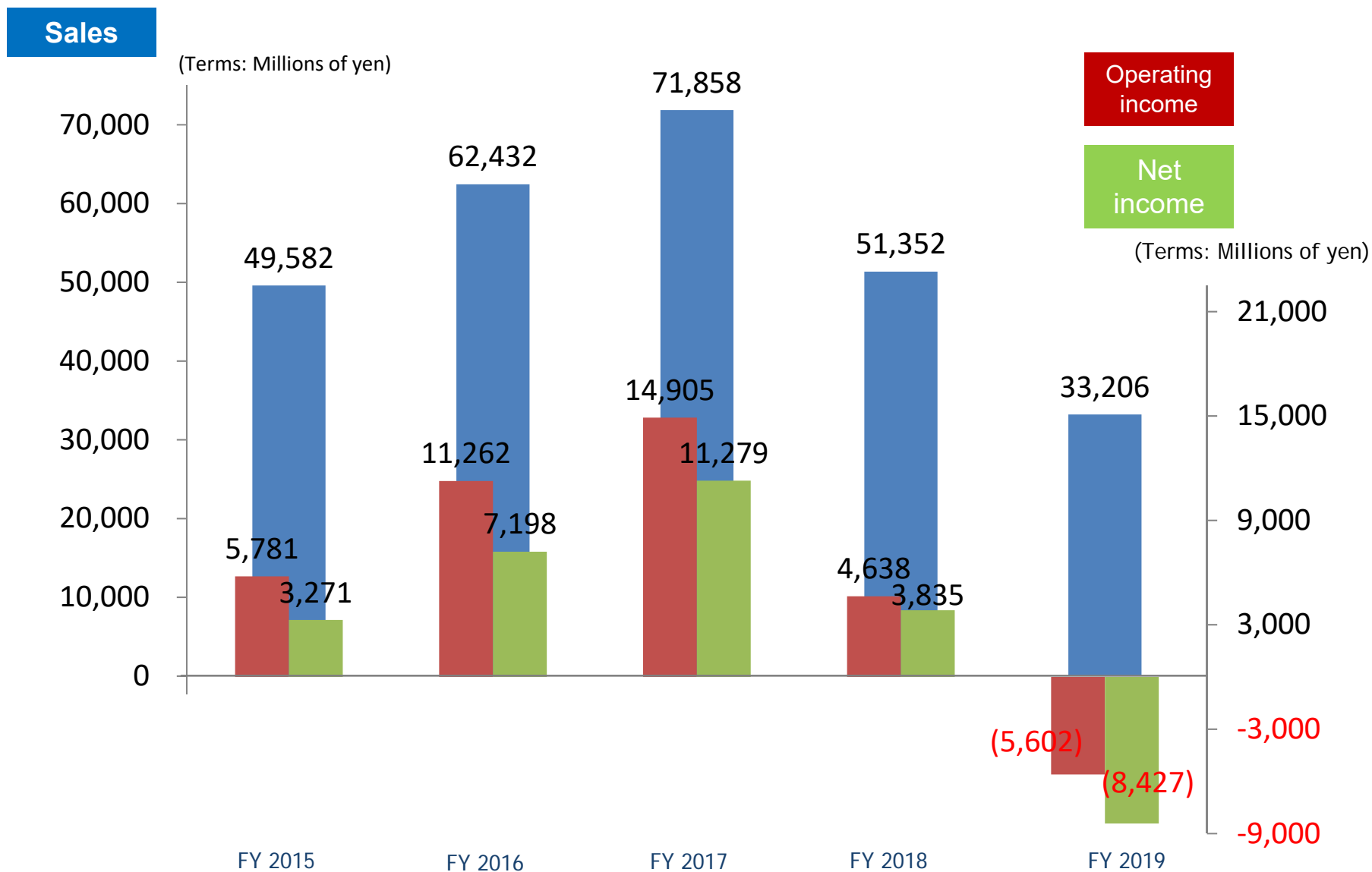
Annual Results

(Terms: Millions of yen)

	Fiscal year ended March 31, 2020	Comparison with the previous year	Fiscal year ended March 31, 2019
Net Sales	33,206	(35.3)	51,352
Operating income	(5,602)	—	4,638
Ordinary Income	(5,583)	—	4,991
Net income Attributable to owners of the parent	(8,427)	—	3,835

Currency exchange rate as of March 31, 2020	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	
USD	108.83	110.99	Exchange rate at the end of the period (upper row)
	108.34	110.83	Average exchange rate for translation of sales (lower row)
EUR	119.55	124.56	
	120.66	128.87	

Graph for sales, operating income, and net income



Highlights①

Operational Review

[Flat knitting machines]

Asia

- Sales of Wholegarment® flat knitting machines in the Chinese market, which had grown in recent years, were weak.
- Weak capital investment was unchanged in Bangladesh and Vietnam, production bases of the volume zone, because of the trade conflict between the U.S. and China.

Middle East

In Turkey, production volume for European apparel increased from the third quarter to the fourth quarter, and the trend for capital investment was toward a recovery. For the full year, however, net sales declined from the previous period.

Europe, U.S., and Japan

Generally, net sales of computerized flat knitting machines declined from the previous period.

In addition to the above, the spreading infection of the novel coronavirus in the fourth quarter forced us to globally suspend the operation of plants and operating activities. This led to weak sales.

Highlights②

Operational Review

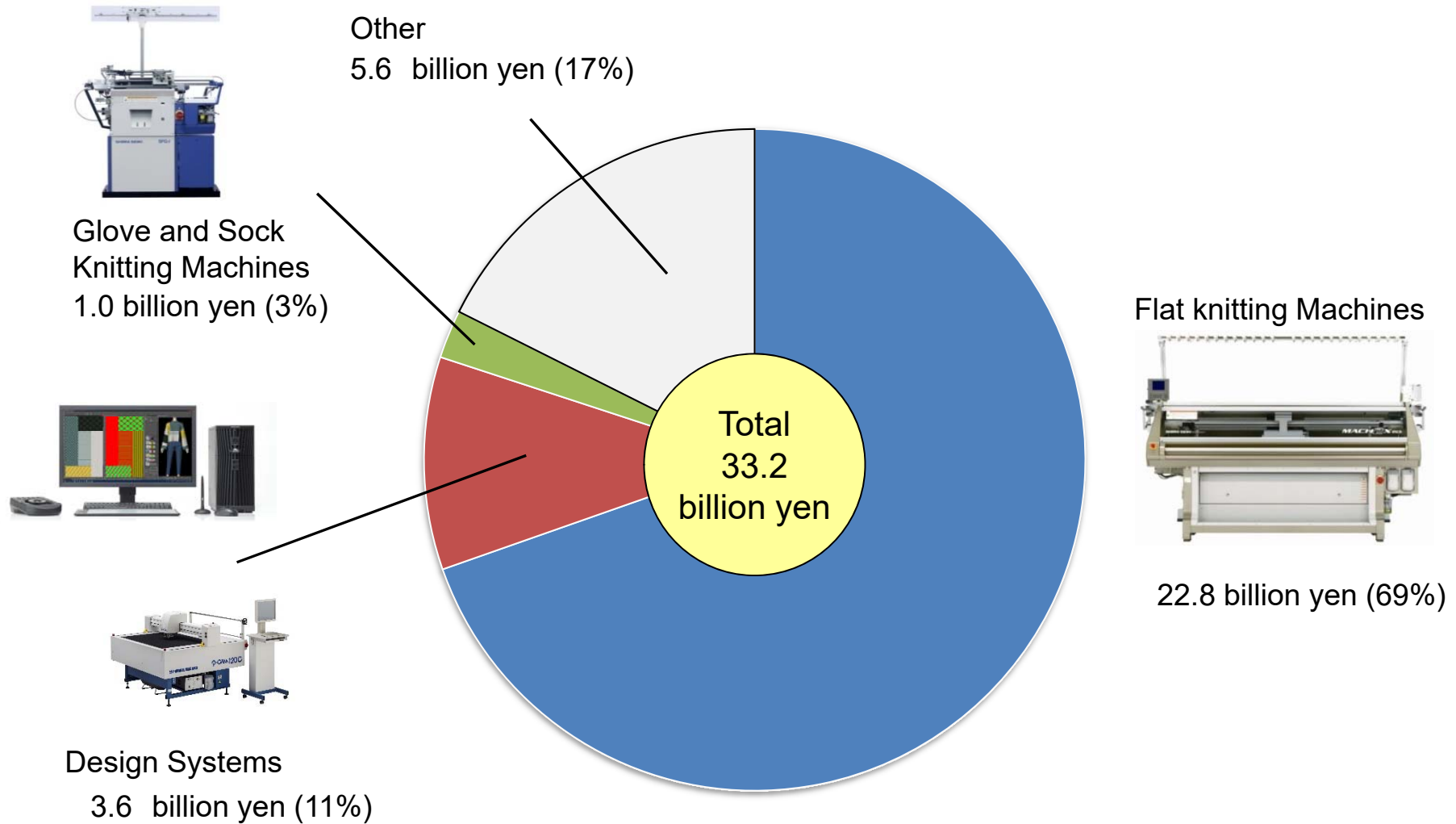
[Design systems]

- Net sales declined along with weak sales of computerized flat knitting machines despite the launch of the new machine type of apparel design system, the SDS-ONE APEX4.
- Sales of the P-CAM automatic fabric cutting machine were also weak because of weaker demand in the textile field of Japan and overseas markets.

Income

- The gross profit rate declined as a result of the large decline in net sales and the production adjustment (35.0%, down 10.1% from the previous period).
- The decline in operating income resulting from the large decline in net sales was not covered by the efforts to control personnel expenses in selling, general and administrative expenses (down 1.3 billion yen from the previous period).
- For non-operating expenses, a loss from the foreign exchange of about 800 million yen was recorded.
- Net loss attributable to owners of the parent largely increased mainly because of the recording of extraordinary losses, including the loss on the revaluation of investments in securities (about 900 million yen) and the reversal of deferred tax assets.

Business Segment [Consolidated]



() is the composition ratio.

Net Sales and Operating Income By Segment for the Fiscal Year Ended March 31, 2020

(Terms: Millions of yen)	Net sales	Comparison with previous year	Operating income	Comparison with previous year
Flat Knitting Machines	22,877	(41.0%)	348	(96.0%)
Design Systems	3,611	(17.6%)	307	(67.4%)
Glove & Sock Knitting Machines	1,054	(32.2%)	(48)	—
Other	5,663	(14.3%)	317	(68.2%)
Corporate/elimination			(6,528)	
Total	33,206	(35.3%)	(5,602)	—

Flat Knitting Machines Segment

Category



Wholegarment® Knitting Machine

- MACH2XS and SWG-N2 sterically knitting the whole wear
- Realizing environment-friendly manufacturing
- Additionally, covering small-type merchandise such as manufacturing of small fashion goods and masks



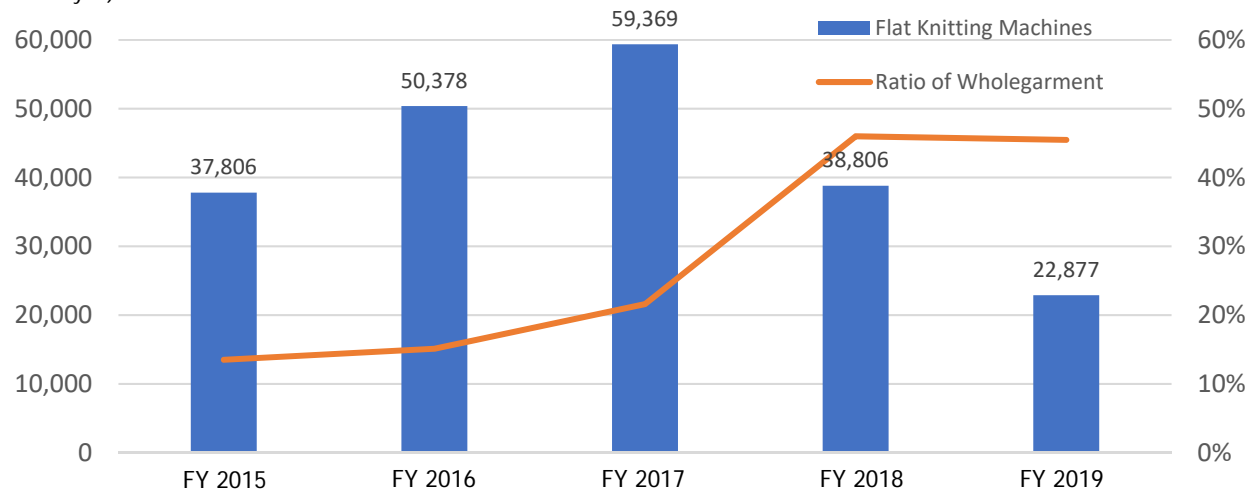
Computerized Flatknitting Machine

- Making wear by knitting the fabric for each part, sewing, and linking
- SRY, N.SIR, and N.SVR SP adding value to knitting fabric
- N.SVR and N.SSR used to manufacture the volume zone for Asia

Increase in ratio of Wholegarment

Developments in net sales of flat knitting machines and ratio of Wholegarment

(Terms: millions of yen)



Design Systems Segment

Category



3D Design system SDS-ONE APEX4

- Installing software specializing in the programming of knitting machines and pattern CAD, as well as textile design, including flat knitting, fabric, print, and circular knitting and simulation

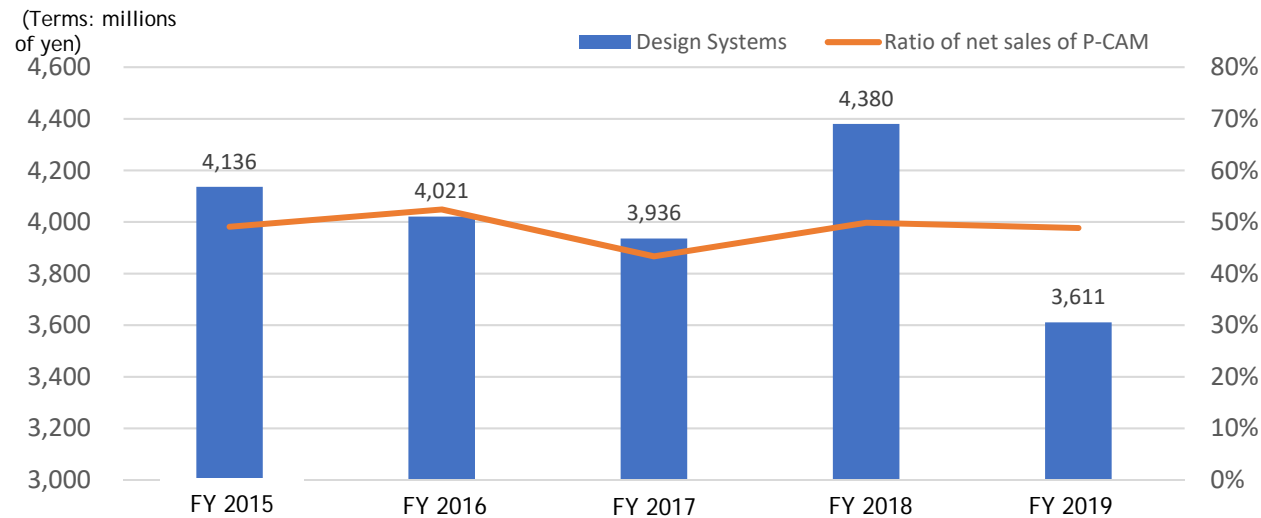


P-CAM Cutting Machines

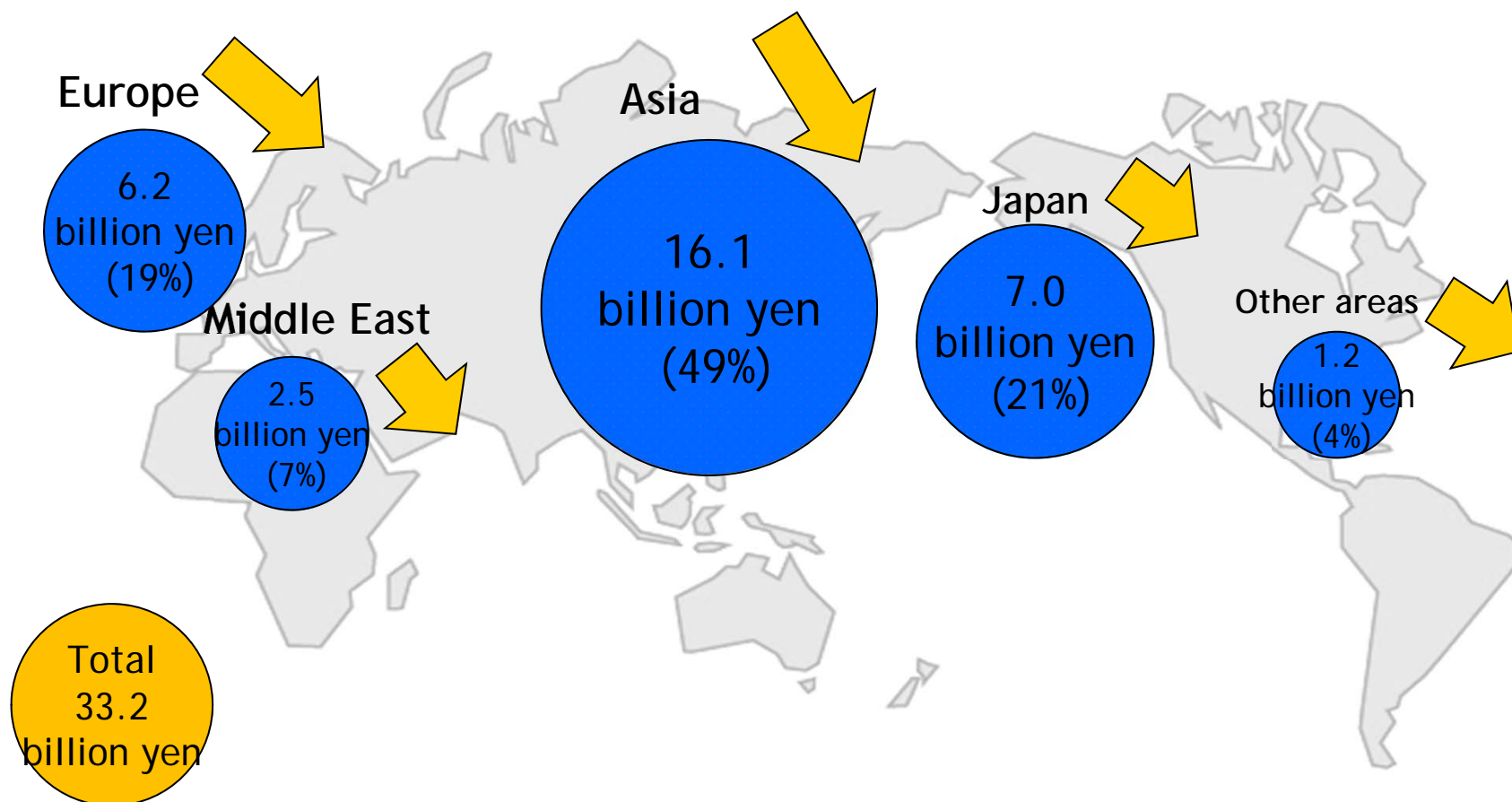
- Providing the automated cutting machine, as well as the spreading, labeling, and pick-up equipment, to save manpower in the processes before and after fabric cutting. Penetration is sought into a variety of industries that include apparel, automobiles, and industrial materials as Shima Cutting Solutions.

Ratio of net sales of P-CAM changes around 50%.

Developments in net sales of Design Systems and ratio of P-CAM



Sales by Region



() is the composition ratio.

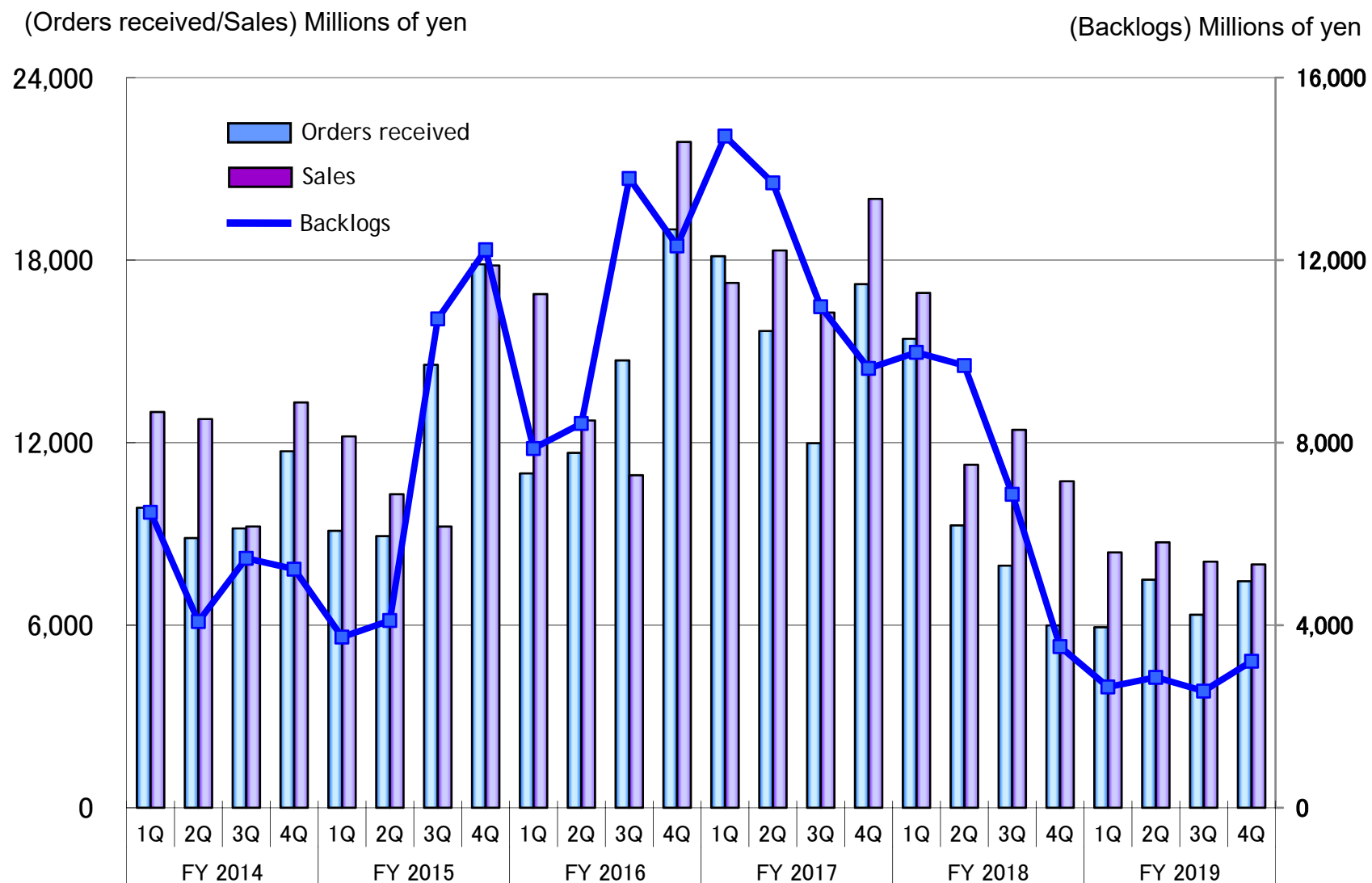
Sales by Region

(Terms: Millions of yen)	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Comparison with previous year
Japan	7,003	8,603	(18.6%)
Europe	6,281	8,959	(29.9%)
Asia	16,180	28,810	(43.8%)
Middle East	2,535	3,227	(21.5%)
Other Areas (Overseas)	1,204	1,751	(31.2%)
Total	33,206	51,352	(35.3%)

*For the major European subsidiary Shimaseiki Italia, the previous consolidated period (fiscal year ended March 2019) was 15 months from January 1, 2018 to March 31, 2019. Net sales from January 1, 2018 to March 31, 2018 of 1,579 million yen is included.

*For three Western subsidiaries Shimaseiki U.S.A., Shimaseiki Europe Ltd., and Shimaseiki Spain S.A.U., the current consolidated period (fiscal year ended March 2020) was 15 months from January 1, 2019 to March 31, 2020. Net sales from January 1, 2019 to March 31, 2019 of 432 million yen is included.

Developments in Quarterly Orders Received, Sales, and Backlogs



Developments in Quarterly Results

(Terms: Millions of yen)

	FY2017				FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	17,251	18,318	16,275	20,013	16,923	11,273	12,423	10,732	8,393	8,724	8,089	7,998
Operating income	3,747	4,313	3,194	3,650	3,307	1,036	1,257	(962)	(872)	(1,838)	(1,145)	(1,746)
Ordinary income	4,181	4,702	3,516	3,125	3,670	957	1,215	(852)	(944)	(1,954)	(963)	(1,721)
Net income attributable to owners of the parent	3,048	3,480	2,422	2,328	2,571	740	849	(327)	(689)	(1,372)	(852)	(5,513)

(Terms: 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	6,345	7,447
Backlogs	14,718	13,693	10,979	9,627	9,979	9,691	6,869	3,531	2,647	2,858	2,558	3,211

Balance Sheet [Consolidated]

Cash and deposits	21,641 million yen at the end of the current period (26,920 million yen at the end of the previous period), down 5,279 million yen from the end of the previous period
Trade accounts receivable	51,248 million yen at the end of the current period (56,784 million yen at the end of the previous period), down 5,535 million yen from the end of the previous period
Inventories	18,410 million yen at the end of the current period (19,288 million yen at the end of the previous period), down 877 million yen from the end of the previous period
Equity Ratio	82.6% (83.5% End of fiscal year ended March 31, 2019)

(Terms: Millions of yen)

	End of fiscal year ended March 31, 2020	End of fiscal year ended March 31, 2019	Increase / decrease
Current assets	89,470	102,854	(13,383)
Fixed assets	41,224	42,292	(1,067)
(Property, plant and equipment)	26,964	25,579	1,384
(Intangible fixed assets)	2,931	3,352	(420)
(Investments and other assets)	11,328	13,361	(2,032)
Total assets	130,695	145,146	(14,451)
Current liabilities	17,292	18,962	(1,669)
Long-term liabilities	5,452	5,017	435
Total liabilities	22,744	23,979	(1,234)
Shareholders' equity	115,761	128,424	(12,663)
Accumulated other comprehensive income	(7,849)	(7,292)	(557)
Equity warrants	25	19	5
Non-controlling interest	14	14	(0)
Total net assets	107,950	121,166	(13,216)
Total liabilities and net assets	130,695	145,146	(14,451)

Statements of Cash Flows [Consolidated]

Cash flows from operating activities

Net cash increase of 3,776 million yen due to a decrease in trade accounts receivable and recording of depreciation and amortization despite recording of net loss before taxes

Cash flows from investing activities

Net cash decrease of 3,085 million yen mainly due to purchases of property, plant and equipment and investments in securities

Cash flows from financing activities

Net cash decrease of 5,555 million yen due to acquisition of treasury shares and payment of cash dividends

Cash and cash equivalents at end of year

Decrease of 5,266 million yen from the end of the previous period

(Terms: Millions of yen)

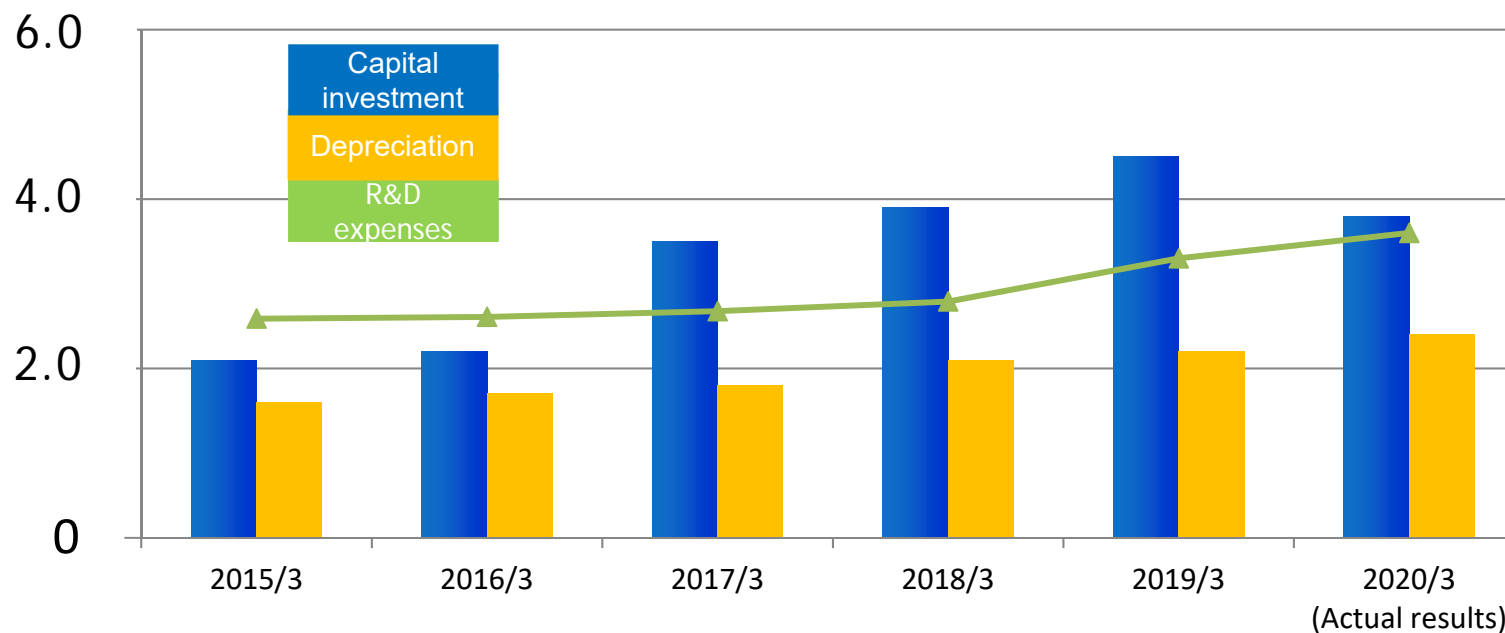
Title of accounts	End of fiscal year ended March 31, 2020	End of fiscal year ended March 31, 2019
Cash flows from operating activities	3,776	9,935
Cash flows from investing activities	(3,085)	(872)
Cash flows from financing activities	(5,555)	(6,540)
Effect of exchange rate changes on cash and cash equivalents	(401)	103
Increase (decrease) in cash and cash equivalents	(5,266)	2,625
Cash and cash equivalents at beginning of year	26,849	24,223
Cash and cash equivalents at end of year	21,582	26,849

Developments in R&D Expenses and Capital Investment

Fiscal year ended March 31, 2020 (Actual results) Capital investment:
3.8 billion yen (including leased assets of 0.9 billion yen)
Depreciation: 2.4 billion yen, R&D expenses: 3.6 billion yen

Major investment projects: Construction of a new plant next to the head office plant (see the next page), acquisition of land adjacent to the head office plant

(Terms: billions of yen)



Actual Results of Capital Investment for the Fiscal Year Ended March 31, 2020

The building for the new plant was constructed next to the head office plant.

The construction was completed in December 2019, and the second phase of the project started in March 2020. It is designed to replace the former plant and increase production capacity of Wholegarment® flat knitting machines.



Head office plant

Shareholder Returns

Fiscal year ended March 31, 2020 [actual results]:

Share buy-back of 1 million shares, Cancellation of Treasury Shares: 800,000 shares (2.19% of its common stock outstanding before the retirement)

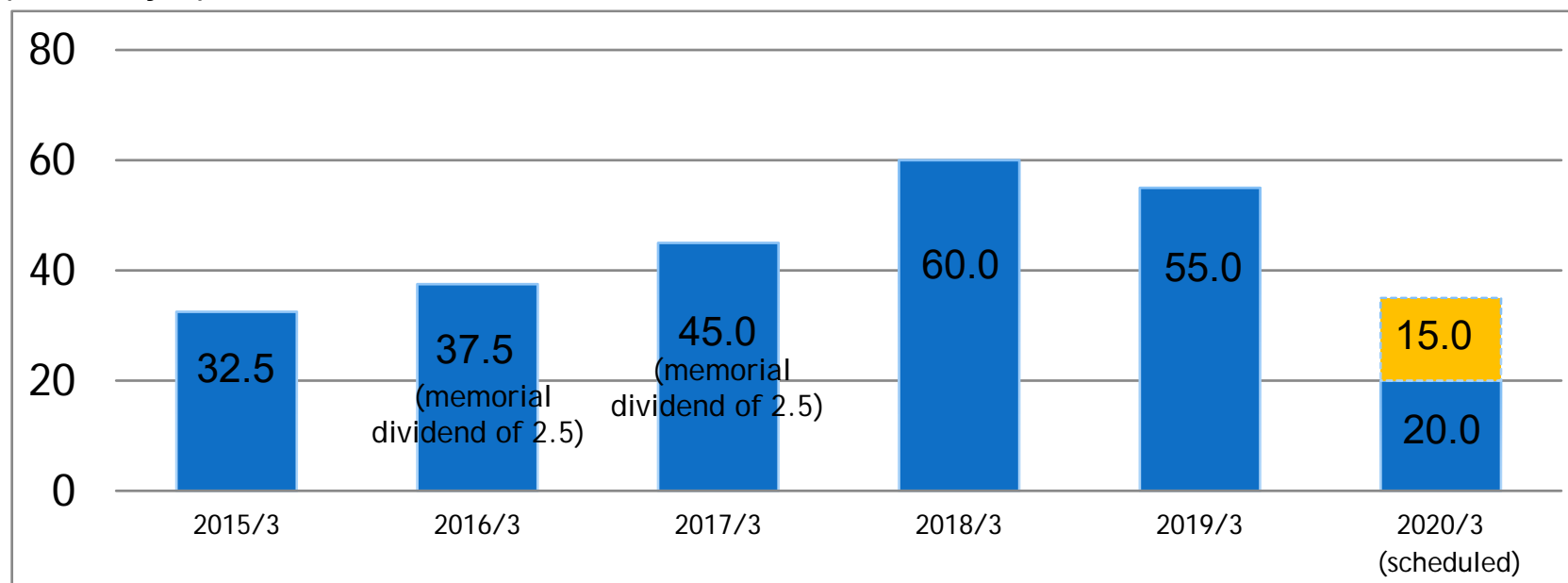
Outstanding shares: 35,800,000 shares

Number of treasury stock: 1,288,926 shares (3.6%)

Fiscal year ended March 31, 2020 [scheduled] :

Interim dividend of 20.0 yen and year-end dividend of 15.0 yen

(Terms of yen)

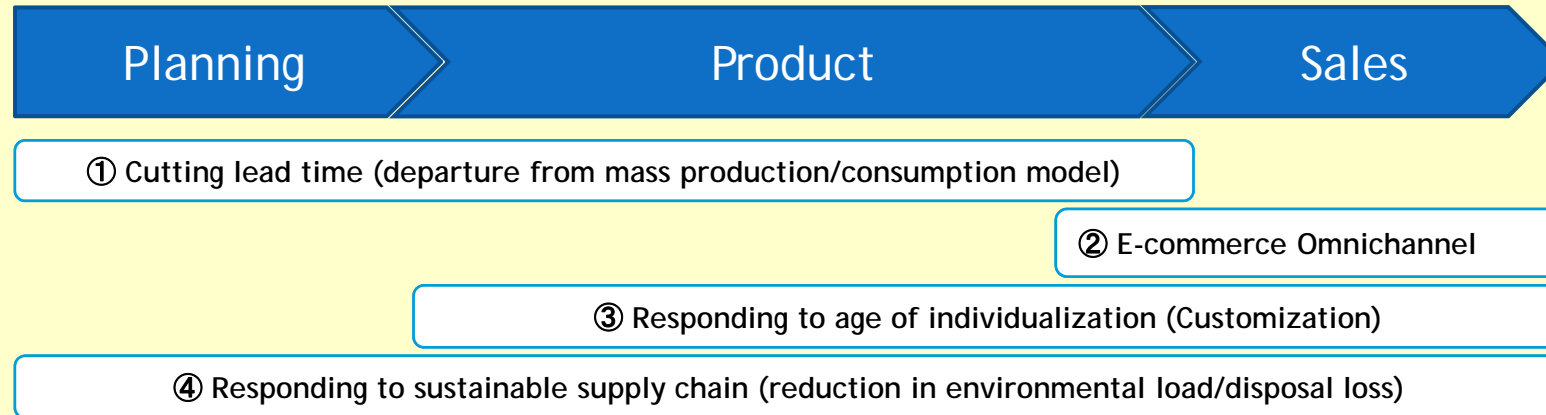


Plan for Financial Results for Fiscal Year Ending March 2021 [Consolidated]

- The plan for financial results for the fiscal year ending March 2021 has not yet been determined as of now because of the spreading infection by the novel coronavirus (COVID-19).
- The apparel industry is expected to experience large changes after the coronavirus shock. We will strengthen the offering of solutions, including Wholegarment® for issues the apparel industry now has (see the next page).
- We will make efforts to prevent the spread of infection by the novel coronavirus and cut fixed costs, such as personnel expenses
 - Set temporary holidays for eight days from May 1 to June 12
 - Continue the reduction in remuneration for directors and executive officers (announced on July 31, 2019)
Representative director, directors with special titles, directors, and Audit and Supervisory Board Members voluntarily give up 30%, 20%, 15% and 10% of monthly officer's remuneration, respectively.
- Necessary investment will be executed, but nonessential investment will be executed after the next fiscal year.
- The dividend will be announced at time of publishing the plan for financial results. The dividend has not yet been determined as of now.

Digitalization and Sustainability

Flow of manufacturing in apparel industry and its issues



Proposal of solution from Shima Seiki: Digitalization and Sustainability

- Limit excess production and stock by using Wholegarment[®] and Design Systems
- Responding to age of individualization (customization)
- Apply virtual samples to e-commerce and use them to estimate demand (SDS-ONE APEX4)
- Support the creation of design by introducing AI to Design Systems (SDS-ONE APEX4)
- Make simulation and product planning more efficient by constructing the platform of threads (digitalizing threads (yarnbank))
- Realize optimum production through PLM (product lifecycle management) (Shima Knit PLM)

MADE 2 FIT™
WITH WHOLEGARMENT®

yarnbank™

Shima KnitPLM®



WHOLEGARMENT®

Apply 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



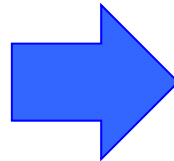
Inlay patterns limit typical stretch characteristics of knitwear



PET Monofilament



Carbon fiber preform



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

Topics-Support for Measures against Novel Coronavirus

Publication of the knitting data of knitted masks

Published the data for knitted Wholegarment[®] masks on the user site on March 19
Provided additional data for knitted masks on March 25

Recorded **more than 300** downloads from users worldwide.

Cooperated in the manufacturing of spare knitted masks for elementary and junior high school students in Wakayama Prefecture to support the prevention of the spread of the infection of the novel coronavirus



Wholegarment knitting machine
(Popular name: Wholegarment mini)



N.SVR SP series



Advantages of Wholegarment®

Features of Wholegarment products



Shoulder
Spatial knitting realizes the shoulder line fitting well to the body and natural wearability.



Body
No stitching connecting front body with rear body makes silhouette simple. Additionally, the pattern includes several grafts and spatial shaping by interweaving darts express beautifully fluid drapes.



Neckline
Knitted neckline and collar make products graceful and sophisticated.



Sides
No stitch in sides resolves coarse feeling of conventional knitted wear.

Wholegarment tags

Please seek Wholegarment products suitable to you at a store with tags attached to products.

*Tags may differ depending on brands or products.



SHIMA SEIKI

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.