Financial Results for 1st Quarter FY2020

SHIMA SEIKI MFG., LTD.

August, 2020

Summary of Operating Results for 1Q of the Fiscal Year Ending March 31, 2021
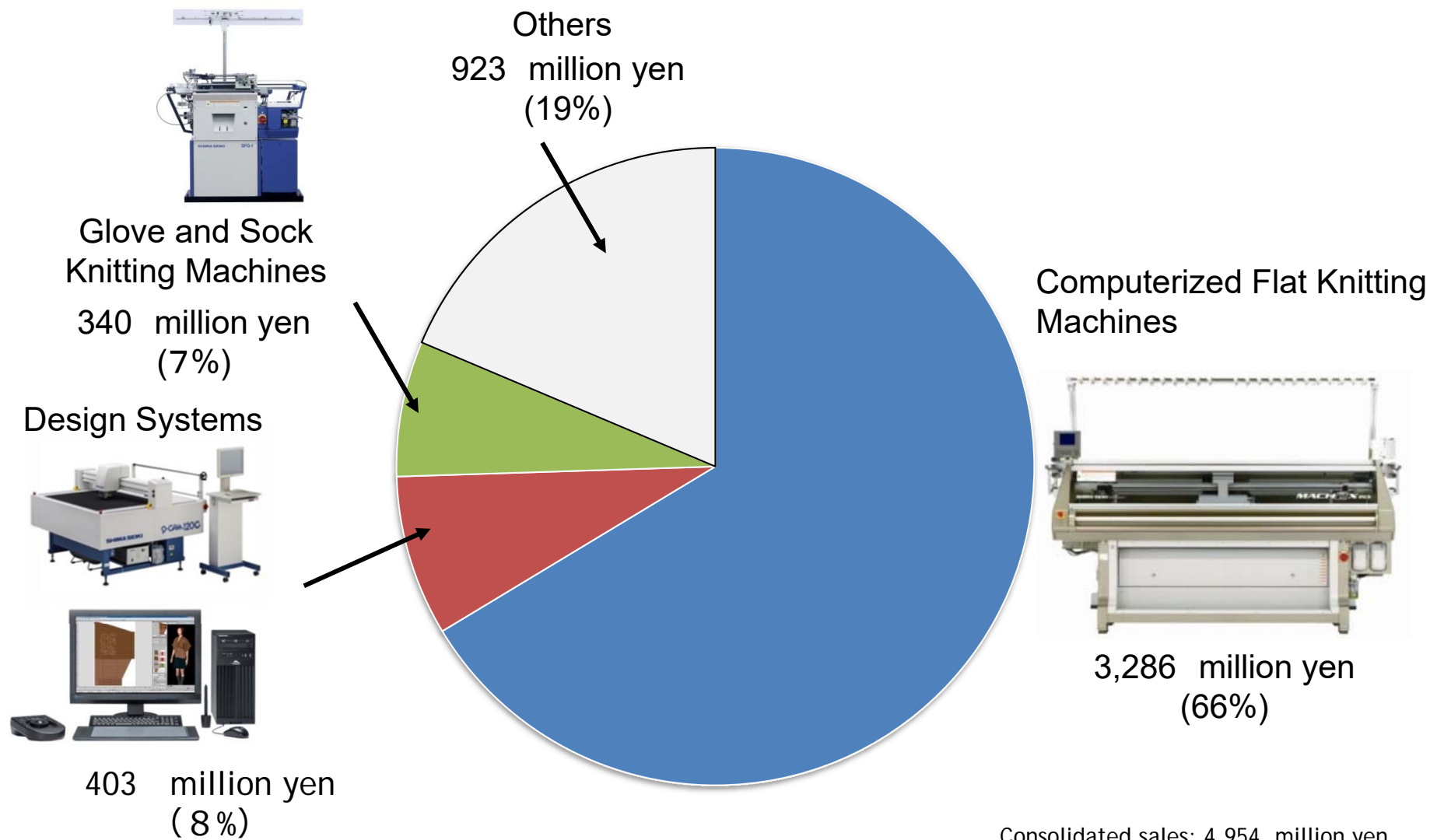
(Terms: Millions of yen)

	FY2020 1Q	FY2019 1Q	FY2019
Net Sales	4,954	8,393	33,206
Operating income	(1,970)	(872)	(5,602)
Ordinary income	(1,414)	(944)	(5,583)
Net income attributable to owners of the parent	(1,463)	(689)	(8,427)

Exchange rate (for 1Q)

	FY2020 1Q	FY2019 1Q
USD/JPY	107.74	107.79
	107.95	110.35
EUR/JPY	121.08	122.49
	118.54	123.86

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

Average exchange rate for translation of sales (lower row)

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Business Segment

Others
923　million yen
(19%)

Glove and Sock
Knitting Machines

340　million yen
(7%)

Design Systems

403　million yen
（8%）

Computerized Flat Knitting
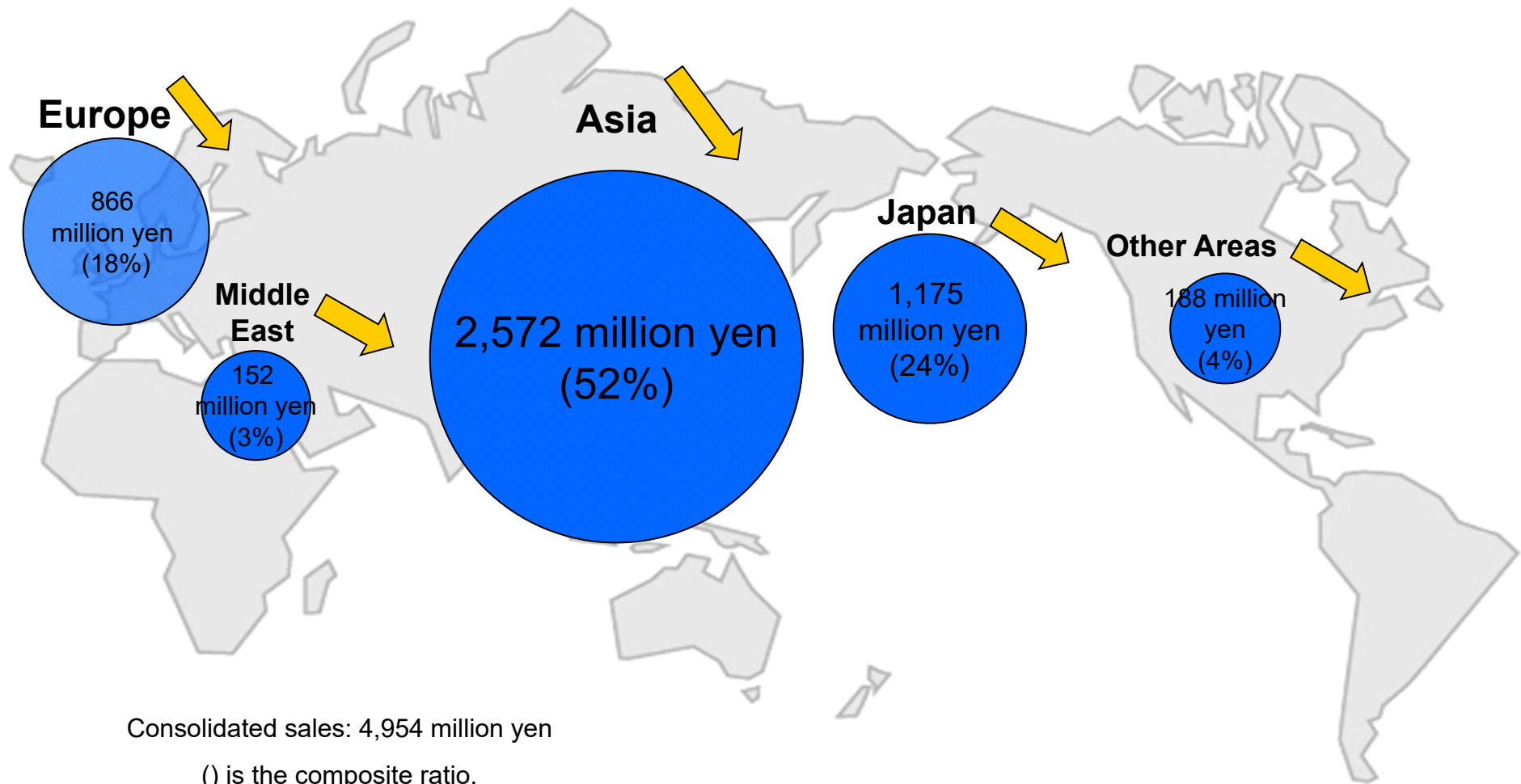Machines

3,286　million yen
(66%)

Consolidated sales: 4,954　million yen

（) is the composition ratio.

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Sales and Operating Income by Segment (1st Quarter)

(Terms: Millions of yen)	Net Sales	Comparison with previous year(%)	Operating income	Comparison with previous year(%)
Computerized Flat Knitting Machines	3,286	(44.4)	(418)	–
Design Systems	403	(43.3)	13	194.3
Glove & Sock Knitting Machines	340	71.1	(63)	–
Other	923	(41.3)	(36)	–
Corporate elimination			(1,465)	
Total	4,954	(41.0)	(1,970)	–

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Consolidated Sales and Ratio by Region

Europe
866 million yen (18%)

Middle East
152 million yen (3%)

Asia
2,572 million yen (52%)

Japan
1,175 million yen (24%)

Other Areas
188 million yen (4%)

Consolidated sales: 4,954 million yen

() is the composite ratio.

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Consolidated Sales by Region (1st Quarter)

(Terms: Millions of yen)

Area	FY2020 1Q	FY2019 1Q	Comparison with previous year (%)
Japan	1,175	1,563	(24.8)
Europe	866	1,724	(49.8)
Asia	2,572	4,657	(44.8)
Middle East	152	204	(25.3)
Other Areas (overseas)	188	243	(22.7)
Total	4,954	8,393	(41.0)

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

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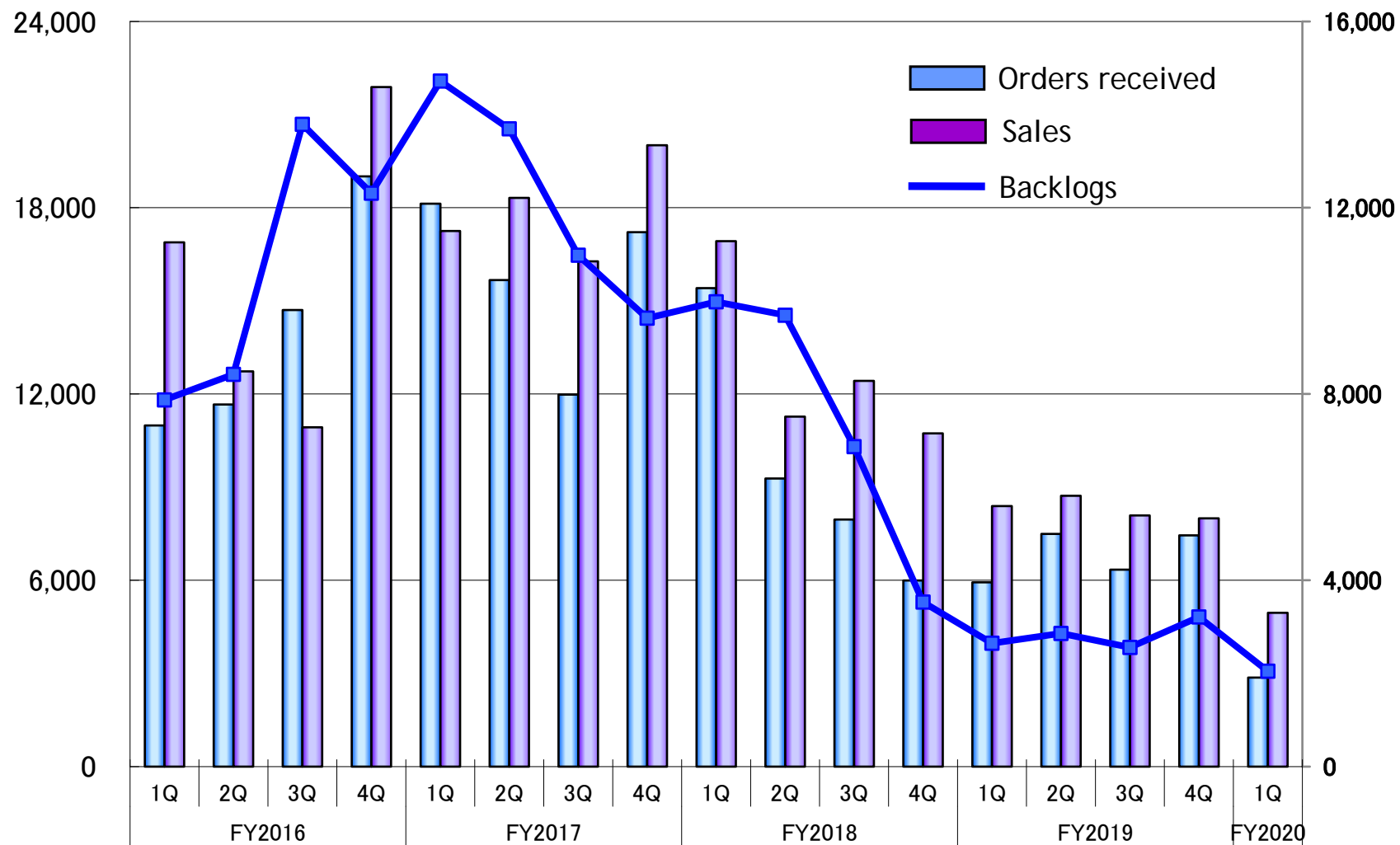
Trend of Operating Results by Quarter [Consolidated]

(Terms: Millions of yen)	2019/3				2020/3				2021/3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net Sales	16,923	11,273	12,423	10,732	8,393	8,724	8,089	7,998	4,954
Operating Income	3,307	1,036	1,257	(962)	(872)	(1,838)	(1,145)	(1,746)	(1,970)
Ordinary Income	3,670	957	1,215	(852)	(944)	(1,954)	(963)	(1,721)	(1,414)
Net income attributable to owners of the parent	2,571	740	849	(327)	(689)	(1,372)	(852)	(5,513)	(1,463)

(Terms: Millions of yen)

|	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Orders received	15,412	9,280	7,958	5,994	5,934	7,495	6,345	7,447	2,868
Backlog	9,979	9,691	6,869	3,531	2,647	2,858	2,558	3,211	2,048

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Forecast

(Terms: Millions of yen)

	First half of fiscal year ending March 31, 2021	Comparison with previous year	Fiscal year ended March 31, 2020
Net sales	9,700	（43.3%）	51,352
Operating income	（4,100）	－	4,638
Ordinary income	（3,100）	－	4,991
Net income attributable to owners of the parent	（3,200）	－	3,835

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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)
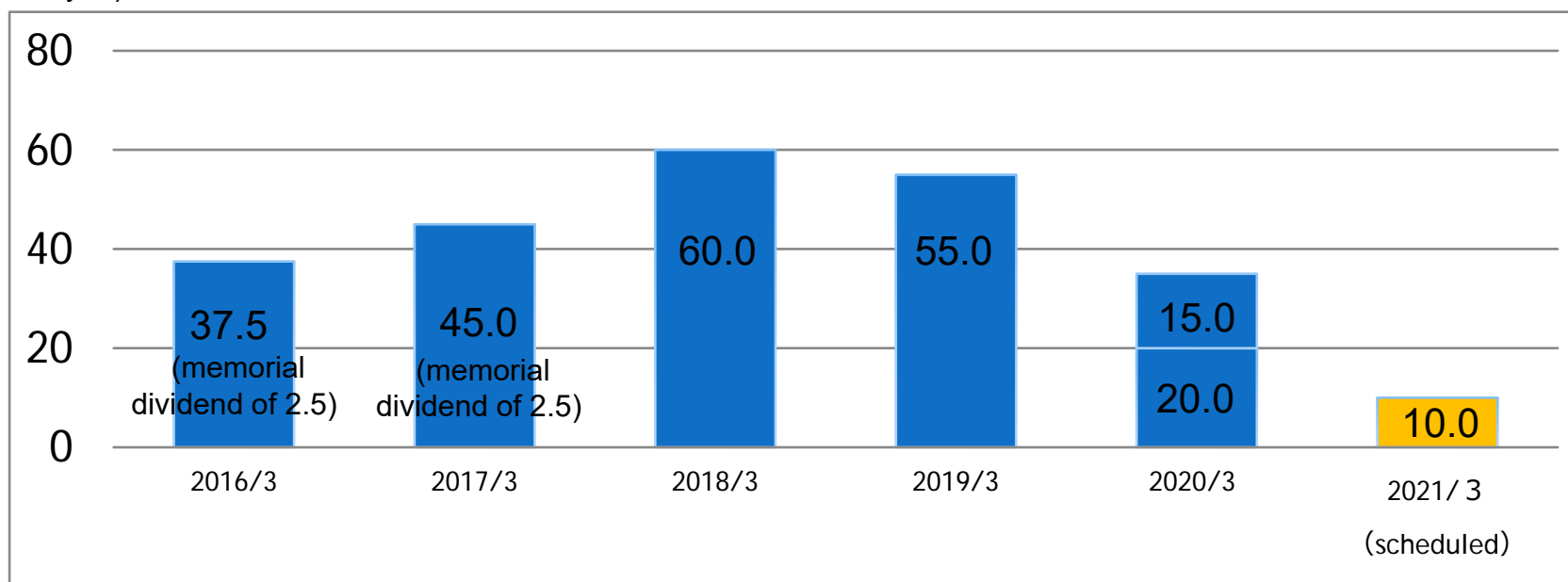Depreciation: 2.4 billion yen, R&D expenses: 3.6 billion yen

(Terms: billions of yen)

Legend:
- Capital investment
- Depreciation
- R&D expenses

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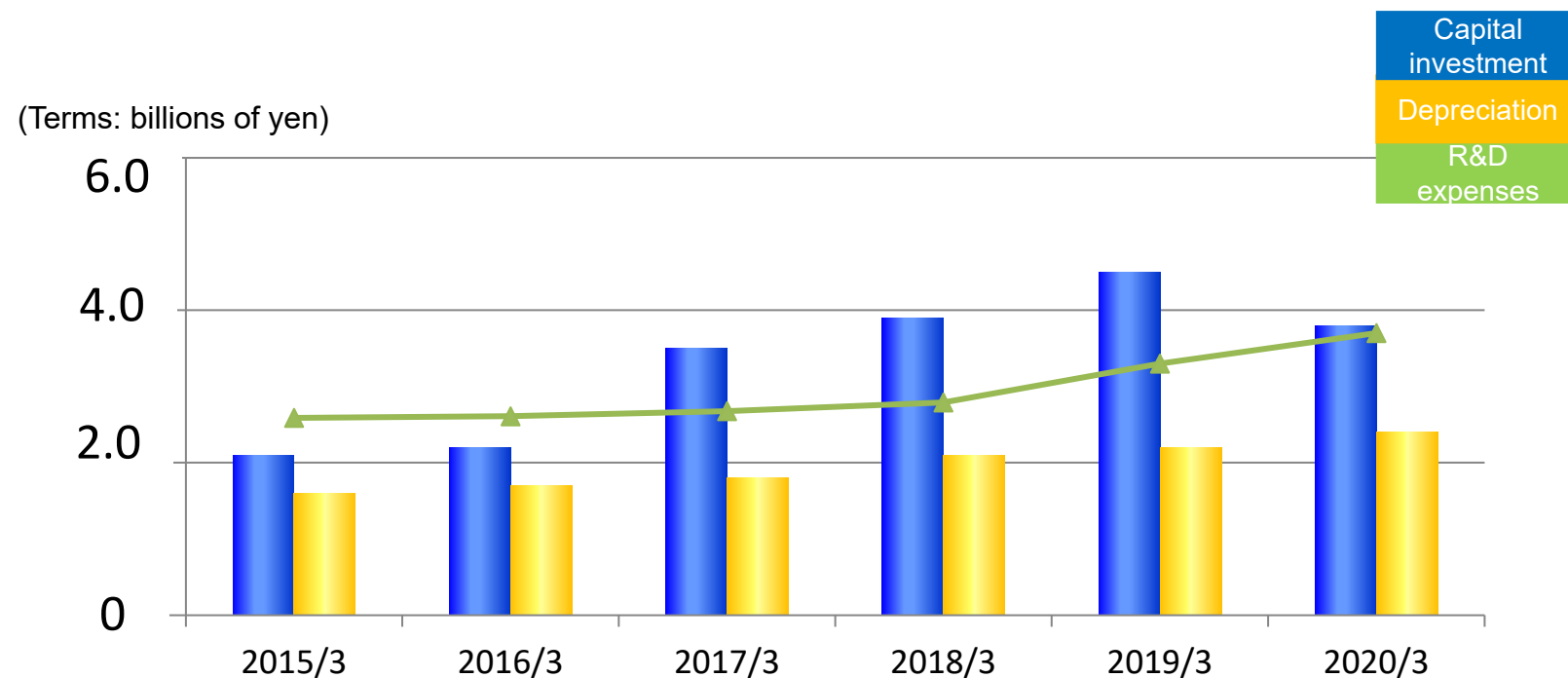
Shareholder Returns

1. Fiscal year ended March 31, 2020 [actual results] :
   Interim dividend of 20.0 yen and year-end dividend of 15.0 yen

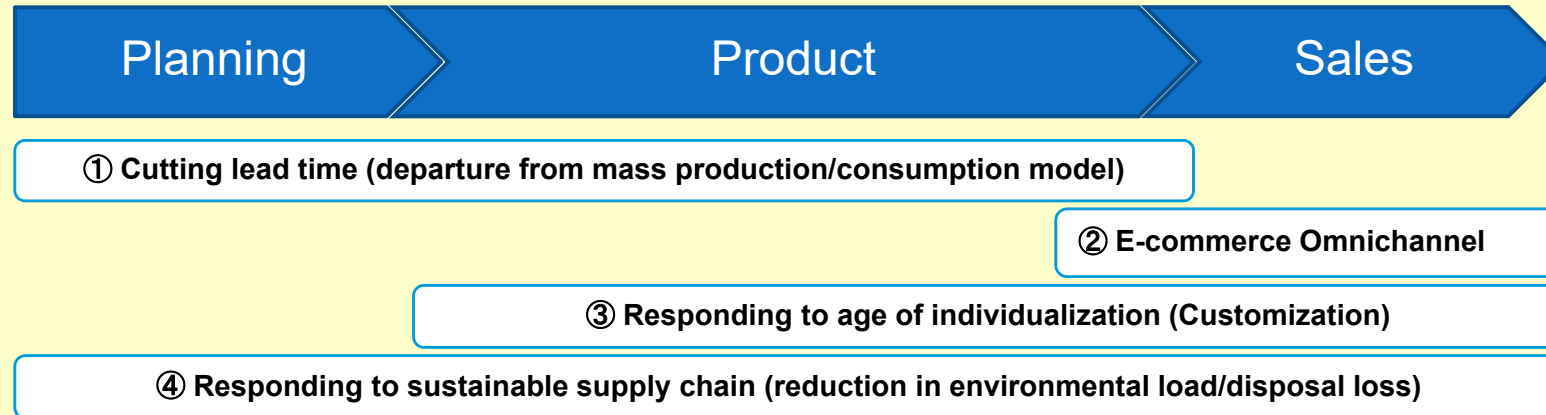2. Fiscal year ending March 31, 2021 [scheduled] : Interim dividend of 10.0 yen

(Terms: yen)

	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3 (scheduled)
	37.5 (memorial dividend of 2.5)	45.0 (memorial dividend of 2.5)	60.0	55.0	15.0 / 20.0	10.0

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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 from May 1 to October 30
　・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 （Director (Audit & Supervisory Committee Member　2020.07〜）　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.

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Digitalization and Sustainability

Flow of manufacturing in apparel industry and its issues

Planning	Product	Sales

① Cutting lead time (departure from mass production/consumption model)

② E-commerce Omnichannel

③ Responding to age of individualization (Customization)

④ Responding to sustainable supply chain (reduction in environmental load/disposal loss)

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 KnitPLM)

MADE **2** FIT™
WITH WHOLEGARMENT®

yarnbank™

Shima KnitPLM®

SDS-ONE APEX4

WHOLEGARMENT®

SHIMA SEIKI

Announces New Design Software and Web Services （2020.7.6）

1.『APEXFiz』（Subscription-based design software） Release date:October 2020
APEXFiz is the latest addition to SHIMA SEIKI's proven SDS-ONE APEX series design system lineup.
SHIMA SEIKI has released its new APEXFiz as subscription-based design software that can be installed on customers' individual computers.
APEXFiz software supports the creative side of fashion from planning and design to colorway evaluation, realistic fabric simulation and 3D virtual sampling. Virtual sampling on APEXFiz and other APEX series is a communication tool that is not only an accurate representation of the product, but it also digitally bridges the gap between the studio and the factory.
By sending data to the knit manufacturer it can be converted to machine programming data, shortening lead times and allowing the production of items faithful to their design as originally intended by the designer. That accuracy allows virtual samples by SHIMA SEIKI to be used effectively as prototypes, replacing sampling and consequently reducing time, cost and material that otherwise goes to waste. APEXFiz thereby fulfills its role as a spearhead for realizing sustainability in fashion.

2. Yarnbank（Digital yarn-sourcing website） Release date: September 2020
Yarnbank is the world's first online web service for searching and viewing the latest yarns, developed with cooperation from yarn companies from around the world. Registered users have free access to the yarnbank archive of yarn information and digital yarn data. Users can also download yarn data for free, for use in fabric simulation and virtual sampling on APEXFiz and SDS-ONE APEX4, avoiding the need to scan yarn on their own. By using yarn that is used in actual production, knit manufacturers and apparel companies can furthermore rest assured that the simulations created using yarnbank are not merely realistic images but accurate representations using yarn that can actually be purchased and used in production.

3.『SHIMANAVI』（e-Learning web service） Release date:October 2020
The SHIMANAVI e-learning system allows APEX series users to experience online training when and where it is convenient, and at their own pace, supporting new work styles and environments such as teleworking and telecommuting. Several courses are available in different languages to suit the needs of individual customers as well.

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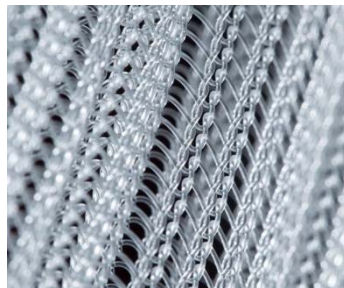# Develop New Fields ～ KNITify the World™ Smart Solutions in Textiles ～
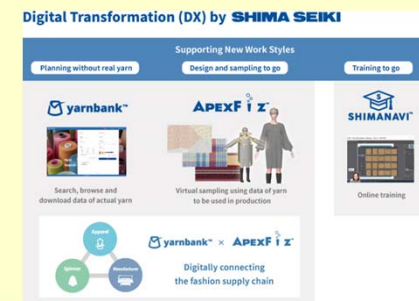
Apply knitting technology to various fields, not just fashion where the materials create the shape, which is characteristic of flat knitted products, to expand demand.
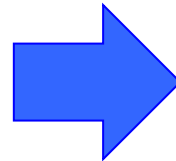

3D shaping

Inlay patterns limit typical stretch characteristics of knitwear

PET Monofilament

Carbon fiber preform

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

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Topics-Support for Measures against Novel Coronavirus

Publication of the knitting data of knitted masks

Published the date for knitted WHOLEGARMENT® masks on the user site on March 19
Provided additional date 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

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Advantages of WHOLEGARMENT®

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

Neckline
Knitted neckline and collar make products graceful and sophisticated.

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.

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.

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