

Financial Results for 3rd Quarter FY2020

SHIMA SEIKI MFG., LTD.

February, 2021

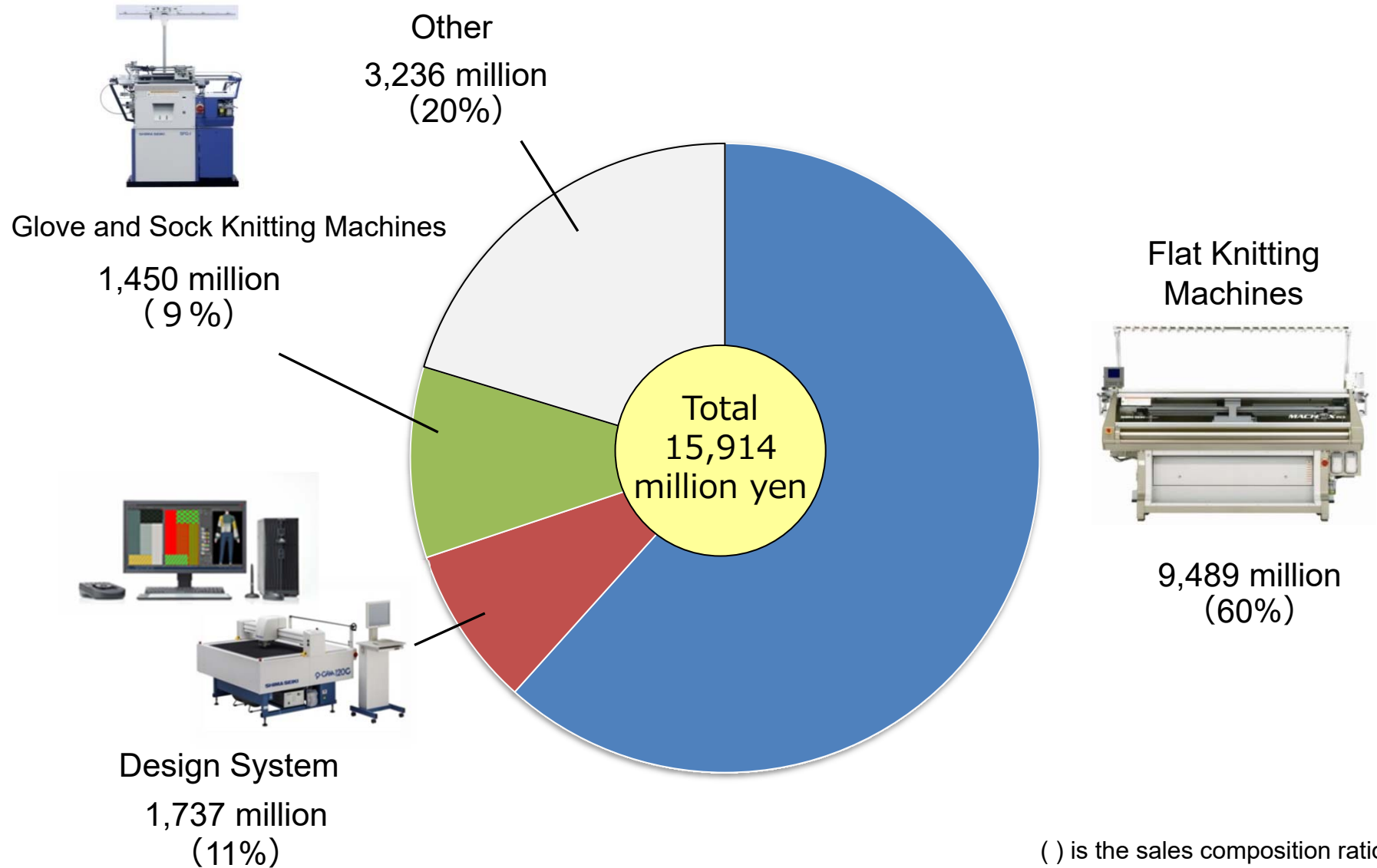
Summary of Operating Results for 3 Q of the Fiscal Year Ending March 31, 2021

(Terms: Millions of yen)

	FY2020 3Q	FY2019 3Q	FY2019
Net Sales	15,914	25,208	33,206
Operating income	(6,555)	(3,856)	(5,602)
Ordinary Income	(4,912)	(3,862)	(5,583)
Net income Attributable to owners of the parent	(5,070)	(2,914)	(8,427)

Exchange rate (JPY)	FY2020 3Q	FY2019 3Q	
USD/JPY	103.50	109.56	Exchange rate at the end of the period (Upper level)
	105.78	108.81	Average exchange rate used for translation of sales (Lower level)
EUR/JPY	126.95	122.54	
	122.49	120.91	

Sales Composition by Segment [Consolidated]

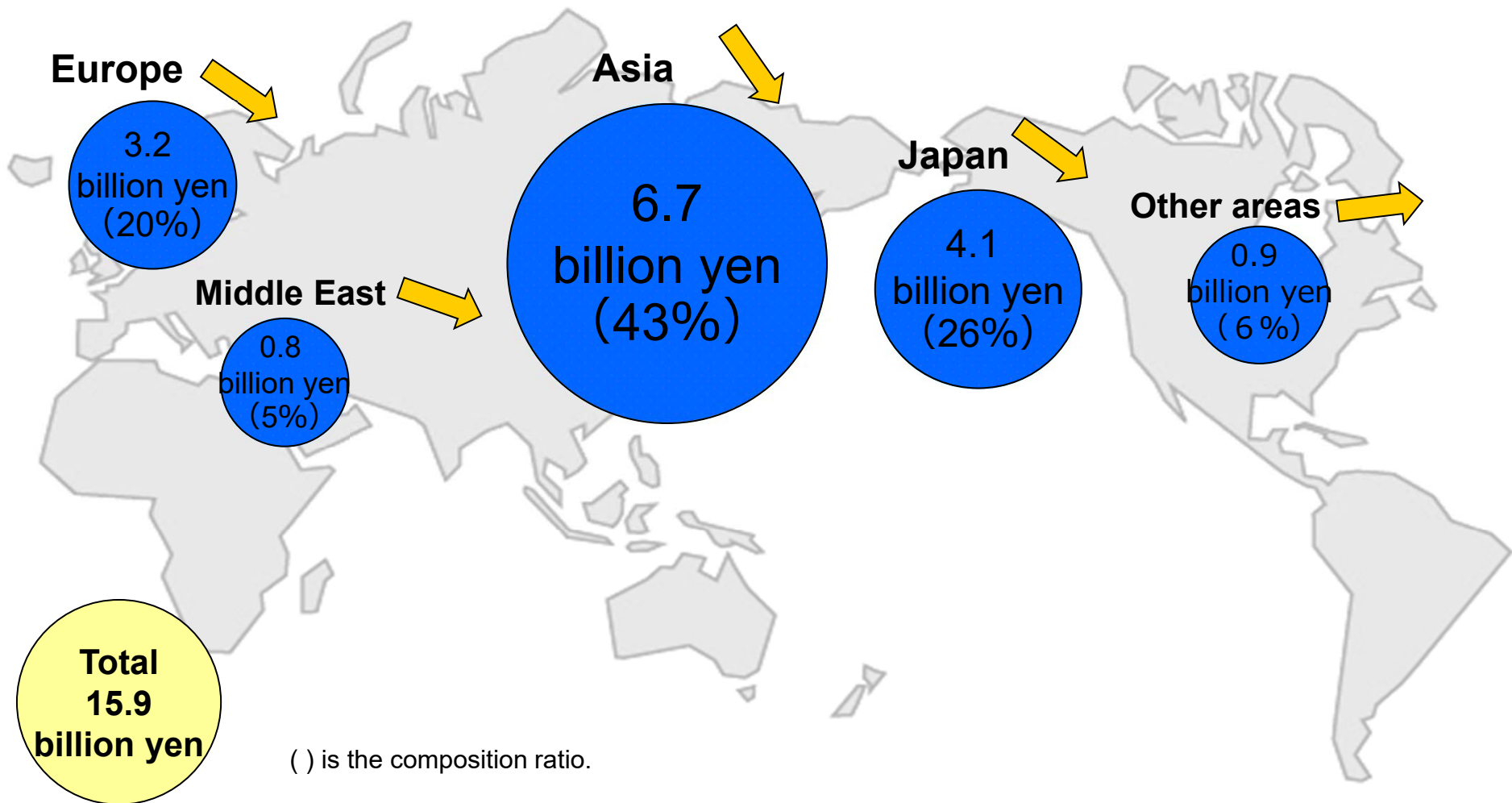


Sales and Operating Income by Segment (3rd Quarter)

(Terms: Millions of yen)

	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Computerized Flat Knitting Machines	9,489	(44.7)	(2,119)	—
Design Systems	1,737	(38.4)	(10)	—
Glove & Sock Knitting Machines	1,450	91.6	(201)	—
Other	3,236	(27.4)	51	(87.4)
Corporate elimination			(4,275)	
Total	15,914	(36.9)	(6,555)	—

Sales by Region (Third Quarter)



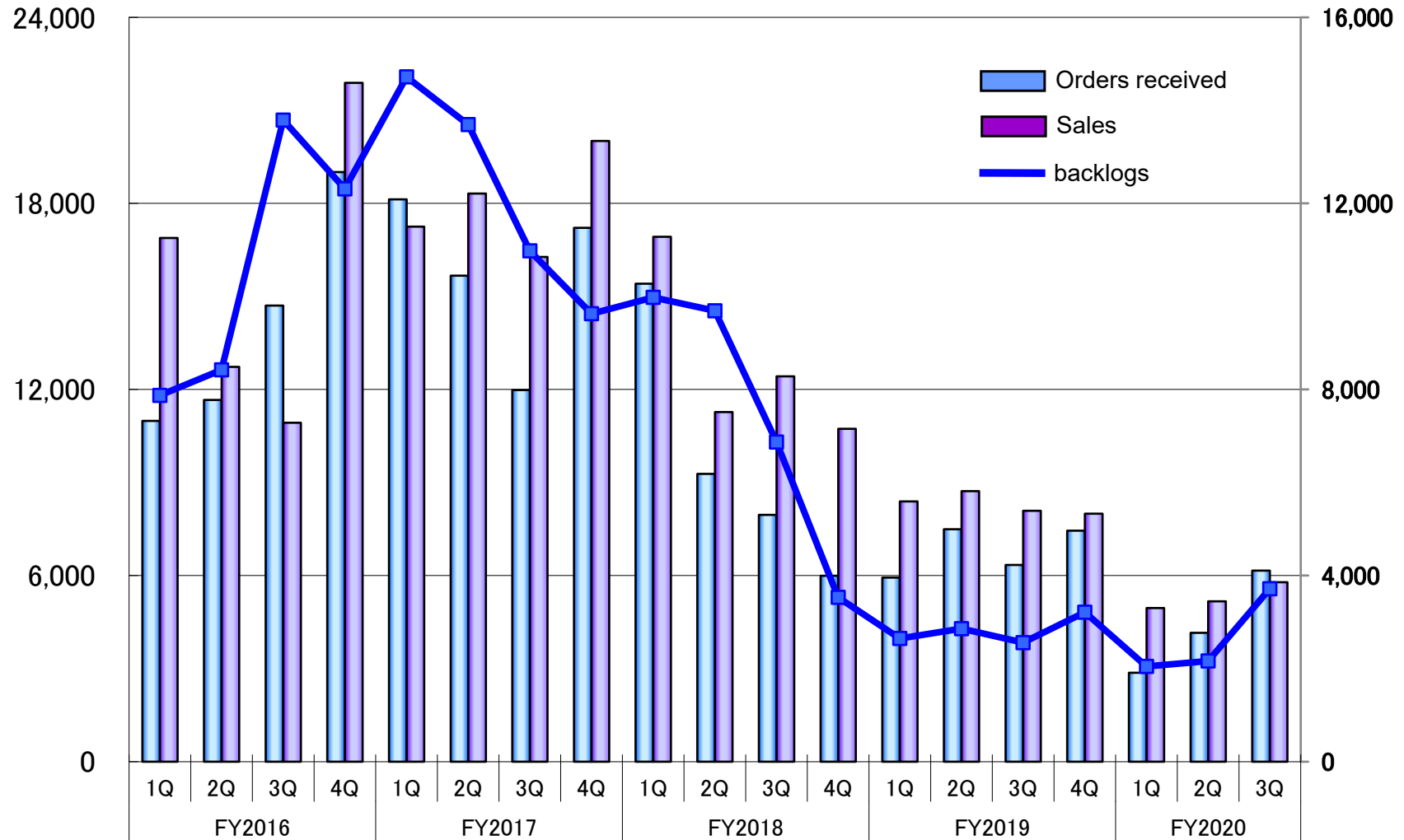
Consolidated Sales by Region (Third Quarter)

(百万円)	FY2020 3Q	FY2019 3Q	Comparison with previous year (%)
Japan	4,102	5,305	(22.7)
Europe	3,248	5,084	(36.1)
Asia	6,759	12,504	(45.9)
Middle East	856	1,400	(38.8)
Other Areas (overseas)	947	914	3.6
Total	15,914	25,208	(36.9)

Developments in Quarterly Orders Received, Sales and Backlogs

(Orders received/Sales) Millions of yen

(Backlogs) Millions of yen



Developments in Quarterly Results

(Terms: Millions of yen)

	FY2018				FY2019				FY2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	16,923	11,273	12,423	10,732	8,393	8,724	8,089	7,998	4,954	5,171	5,787
Operating income	3,307	1,036	1,257	(962)	(872)	(1,838)	(1,145)	(1,746)	(1,970)	(2,213)	(2,371)
Ordinary income	3,670	957	1,215	(852)	(944)	(1,954)	(963)	(1,721)	(1,414)	(1,721)	(1,777)
Net income attributable to owners of the parent	2,571	740	849	(327)	(689)	(1,372)	(852)	(5,513)	(1,463)	(1,745)	(1,861)
Orders received	15,412	9,280	7,958	5,994	5,934	7,495	6,345	7,447	2,868	4,153	6,160
Backlogs	9,979	9,691	6,869	3,531	2,647	2,858	2,558	3,211	2,048	2,163	3,716

Forecast [Consolidated]

(Terms: Millions of yen)

	FY2020 (forecast)	Comparison with the previous year (%)	FY2019
Net Sales	25,000	(24.7)	33,206
Operating income	(8,500)	—	(5,602)
Ordinary Income	(7,000)	—	(5,583)
Net income Attributable to owners of the parent	(7,200)	—	(8,427)

Forecast of currency rates for March 2021: 105 JPY/USD, 120 JPY/EUR

Sensitivity of operating income where the exchange rates fluctuate by 1 yen: 12 million yen for the USD, 2 million yen for the EUR

Developments in R&D Expenses and Capital Investment [Consolidated]

Maintain the pace of development

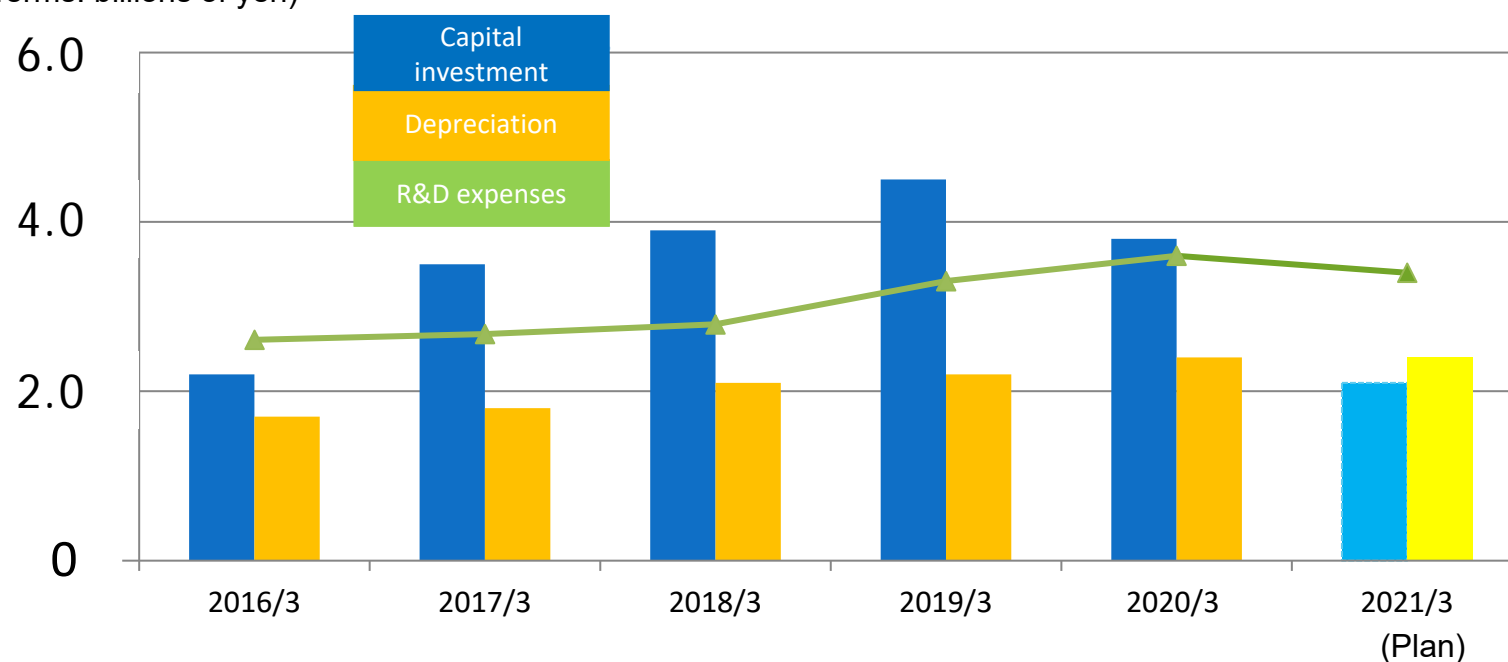
Third quarter of the fiscal year ending March 2021 (Actual results)

Capital investment of 0.9 billion yen (including leased assets of 0.1 billion yen),
depreciation and amortization of 1.7 billion yen, R&D of 2.4 billion yen

Fiscal year ending March 2021 (Plan)

Capital investment of 2.1 billion yen (including leased assets of 0.9 billion yen),
depreciation and amortization of 2.4 billion yen, R&D of 3.4 billion yen

(Terms: billions of yen)



Actual Results of Capital Investment for the Fiscal Year Ended March 31, 2021

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

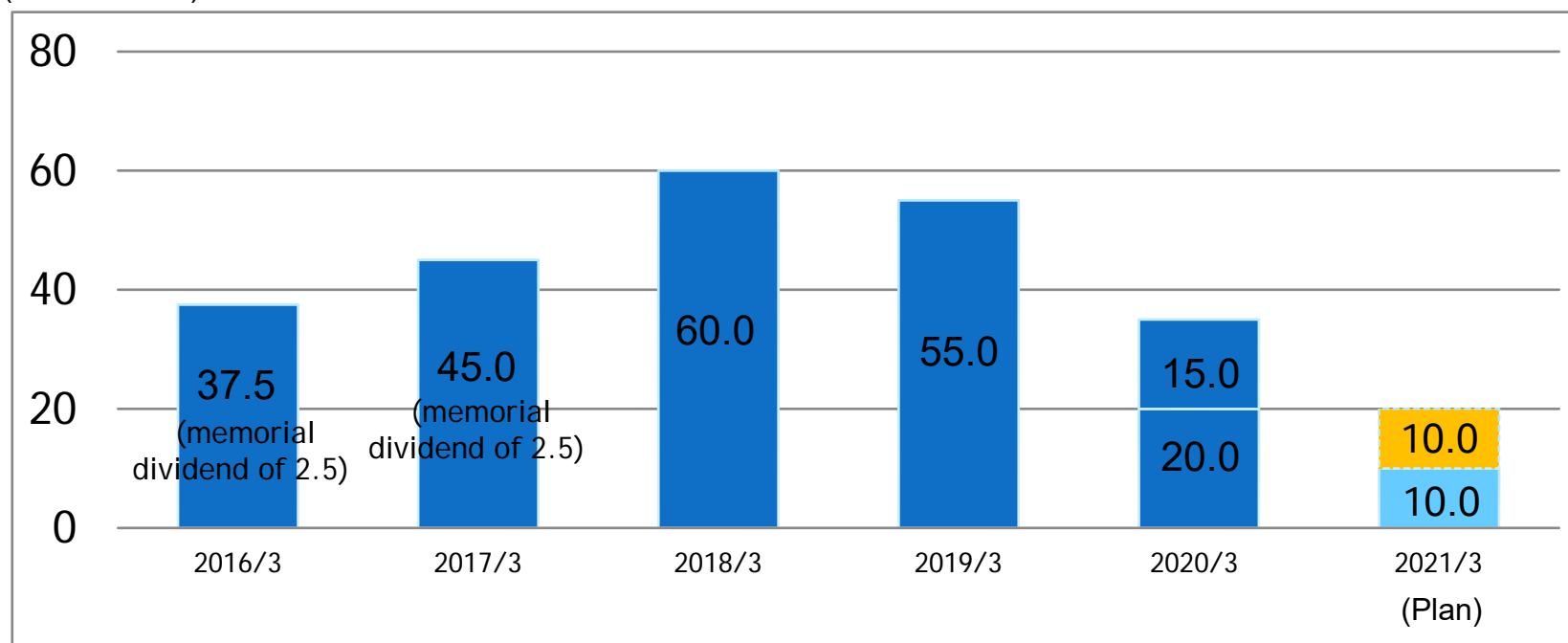
The second phase of the project (completed in October 2020)
It is designed to increase production capacity of
WHOLEGARMENT[®] flat knitting machines and promote automatization.



Shareholder Returns

Fiscal year ended March 31, 2021 (Plan) :
Interim dividend of 10.0 yen and year-end dividend of 10.0 yen

(Terms of Yen)



Circumstances of Apparel Industry

(Before COVID-19)

- Shift of production areas (to ASEAN and other countries) arising from trade conflicts between the U.S. and China
- Changes in views on the volume of production/inventories responding to sustainability

(Coronavirus crisis)

- Division of the supply chain
- A reduction in physical stores and brands by some apparel companies
- A sales increase by e-commerce

(From now)

- Start of the global revolution of production
- Advancement in digitalization of the entire supply chain
- Sustainability-conscious business model progresses

Total Fashion System

Our suggestion for a Total Fashion System realizes digitalization, mass customization, and sustainability. With the 3D design system as the core, the Total Fashion System makes quick, smart and environmentally friendly production possible through the mutual exchange of information among all processes of planning, production, and sales and a close relationship among the processes.

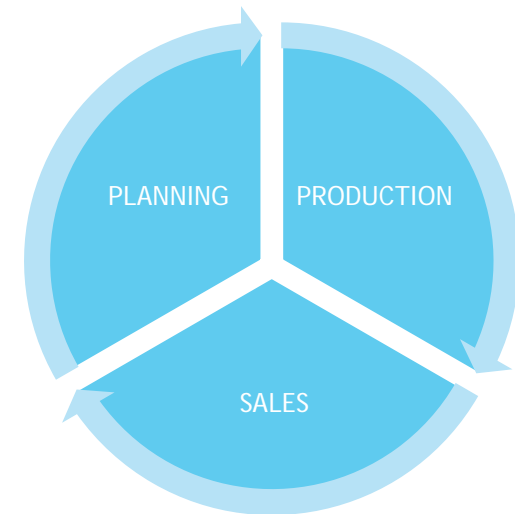


(Supplement) Total Fashion System

<Our advantages>

Holding both software (design system) and hardware (flat knitting machines, cutting machines, and globe knitting machines)

Available to the whole supply chain



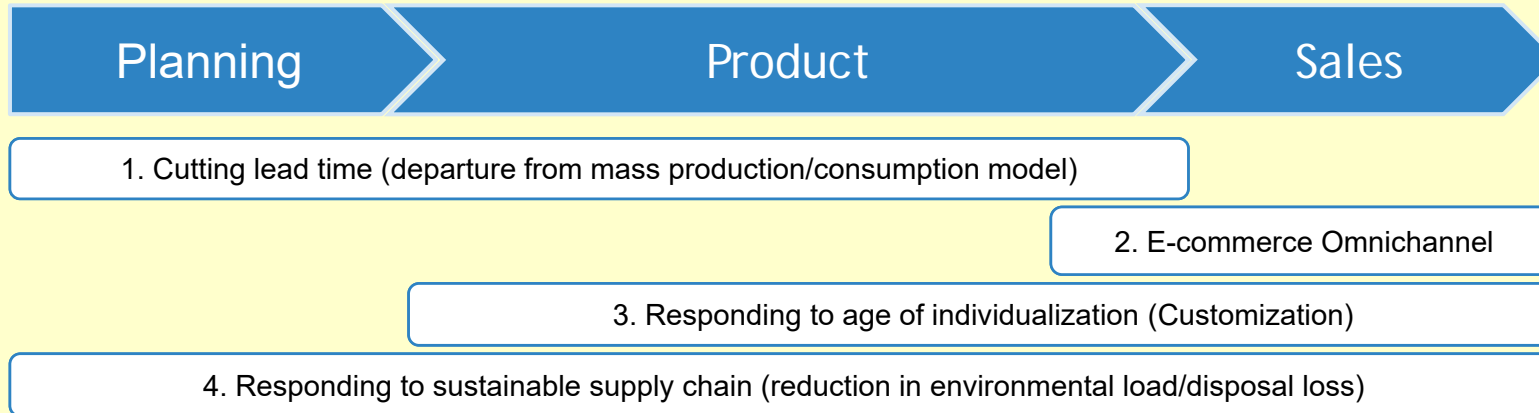
3D design → Programing → Production (Knitting) → Sales → Additional production
Total Fashion System realizing a straight through production

Combination of virtual sampling and WHOLEGARMENT[®] flat knitting machines shortens the lead time and reduces inventory/disposal loss for cost reduction

Strengthen development of solutions and reform the supply chain

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
- Response to the age of individualization (customization/made-to-order) (WHOLEGARMENT®)
- 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)
- Realize optimum production through PLM (product lifecycle management) (Shima KnitPLM)

MADE 2 FIT™
WITH WHOLEGARMENT®

Shima KnitPLM®



WHOLEGARMENT®

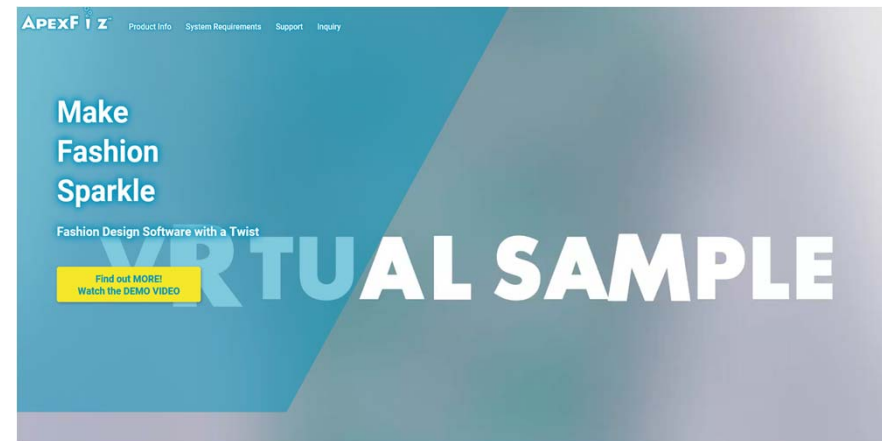
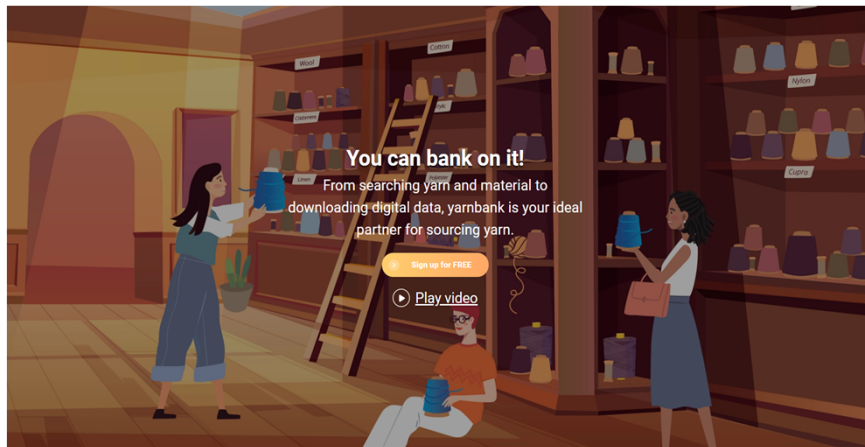
New Design Software and Web Services



Digital yarn sourcing website



Apparel design software



SHIMANAVI™

E-learning system

Develop New Fields

The characteristics of flat knitting—making the form from the materials—responds to the exit from mass production and the age of individualization. We will not limit the use of flat knitting technology to the scope of fashion but expand it to a wide variety of fields in order to increase demand.



3D shaping



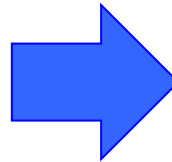
Inlay patterns limit typical stretch characteristics of knitwear



PET Monofilament



Carbon fiber preform



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

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 with specific assumptions considered reasonable; consequently, they may largely differ due to a variety of different factors. Please understand this in advance.