

# Consolidated Results for FY 2020

SHIMA SEIKI MFG., LTD.

MAY 2021

# Summary of Operating Results for Second Quarter of the Fiscal Year Ending March 31, 2021

(Terms: Millions of yen)

	FY 2020	FY 2019	FY 2019
Net Sales	24,489	(26.3%)	33,206
Operating income	(9,143)	—	(5,602)
Ordinary Income	(7,273)	—	(5,583)
Net income Attributable to owners of the parent	(17,866)	—	(8,427)
Exchange rate (JPY)	FY 2020	FY 2019	
USD/JPY	110.71	108.83	Exchange rate at the end of the period (Upper level)
	106.36	108.34	Average exchange rate used for translation of sales (Lower level)
EUR/JPY	129.80	119.55	
	124.14	120.66	

# Highlights①

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## Operational Review

Structural changes in the apparel industry and the impact of COVID-19 forced us to suspend the operation of plants and operating activities throughout the world. The business environment was continuously very severe.

### [Flat knitting machines]

The company made several investments in Italy, where products are manufactured for China and luxury brands, but demand was very weak for volume zone machines in Vietnam and Turkey. Consequently, net sales declined sharply. In addition, slower growth around the world resulted in the failure of a recovery in net sales.

### [Design systems]

- Net sales of the apparel design system SDS-ONE APEX4 declined along with weak sales of computerized flat knitting machines.
- Sales of the P-CAM computerized cutting machine were weak as a result of a recovery in the Japanese market for the second half of the year and a large decline in demand in overseas markets.

### [Globe knitting machines]

- Major users made capital investments even during the coronavirus crisis, and the sales of the machines remained strong throughout the year.

# Highlights②

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## Income

- The gross profit rate declined as a result of a large decline in net sales, as well as a decline in unit selling prices and a production adjustment (24.3%, down 10.7% from the same period the previous year).
- A production adjustment was carried out, setting every Friday from May 2020 to December 2020 as a closed day. Friday operations were reassumed from January 2021. Training workshops were proactively held to develop human resources during the period for which closed days were set.
- As for selling, general, and administrative expenses, total personnel expenses were contained (down 2.1 billion yen year-over-year). The continued reduction in the remuneration for directors and executive officers and a reduction in bonuses were carried out.
- Capital investments for the future were made to the minimum necessary (down 2.4 billion yen year-over-year).
- Impairment loss was recorded on fixed assets, such as land and machinery and equipment (10,222 million yen on a consolidated basis and 8,869 million yen on an unconsolidated basis).
- Loss on the valuation of stocks of subsidiaries and affiliates was recorded (202 million yen on a consolidated basis and 563 million yen on an unconsolidated basis).

# Fiscal Year Ending March 2021 [Consolidated] Operating Activities

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## Operating/service activities

There is an expansion in the areas that include China where ordinary operations are executed, but operations are limited in some areas.

## Displaying products in online exhibitions SAMPE Japan Exhibition 2020



## Holding of webinar

From April 2020 to March 2021

Times of webinars held: 19 times

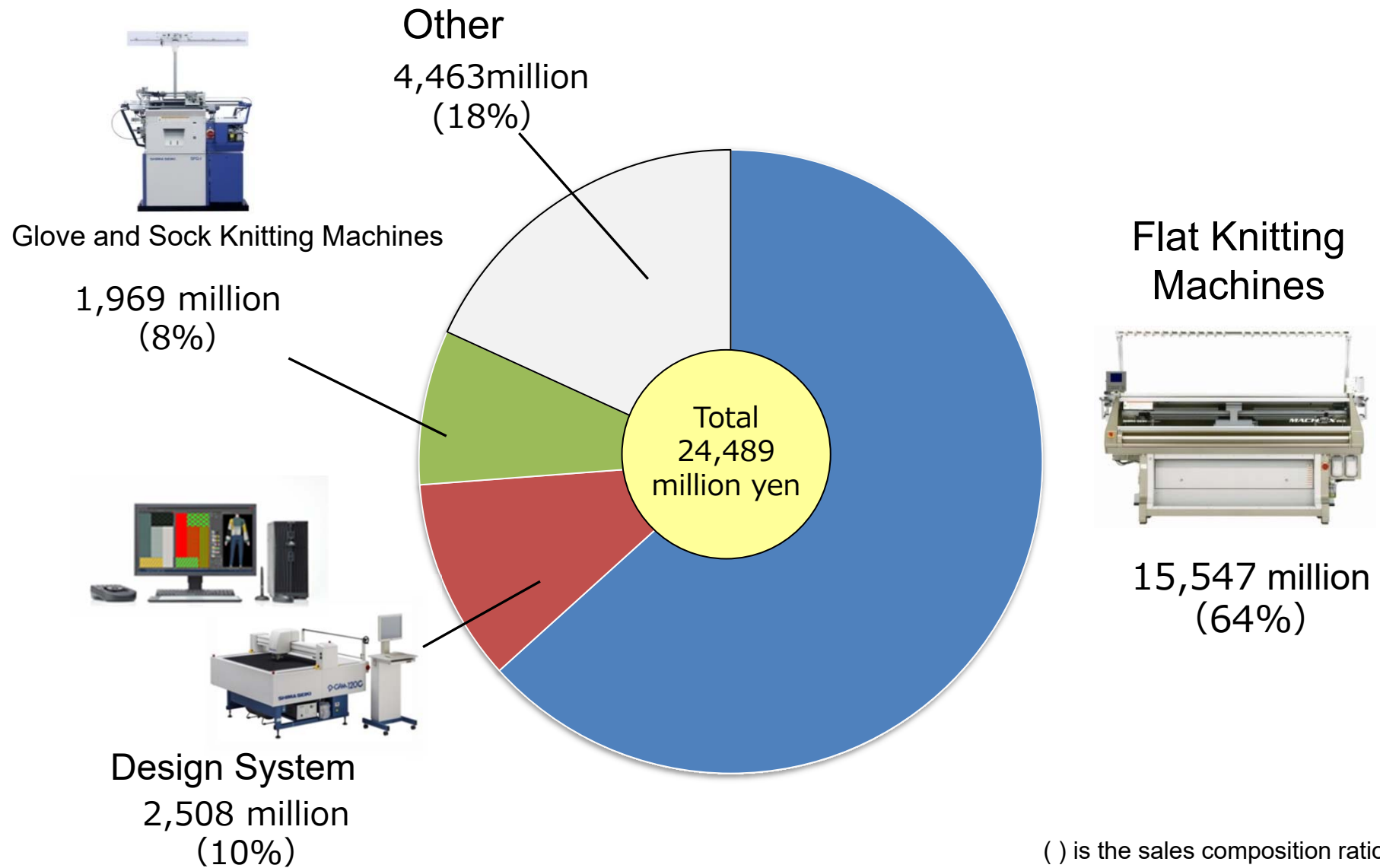
(10 times in Japanese/5 times in English/4 times in Chinese)

Participants: About 850 persons

Countries where the participants are from: 51 countries



# Sales Composition by Segment [Consolidated]



# Sales and Operating Income by Segment

(Terms: Millions of yen)

	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Computerized Flat Knitting Machines	15,547	(32.0)	(3,281)	—
Design Systems	2,508	(30.5)	113	(63.1)
Glove & Sock Knitting Machines	1,969	86.8	(242)	—
Other	4,463	(21.2)	12	(96.2)
Corporate elimination			(5,745)	
<b>Total</b>	<b>24,489</b>	<b>(26.3)</b>	<b>(9,143)</b>	<b>—</b>

# Flat Knitting Machines Segment

Category



## WHOLEGARMENT® Flat 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



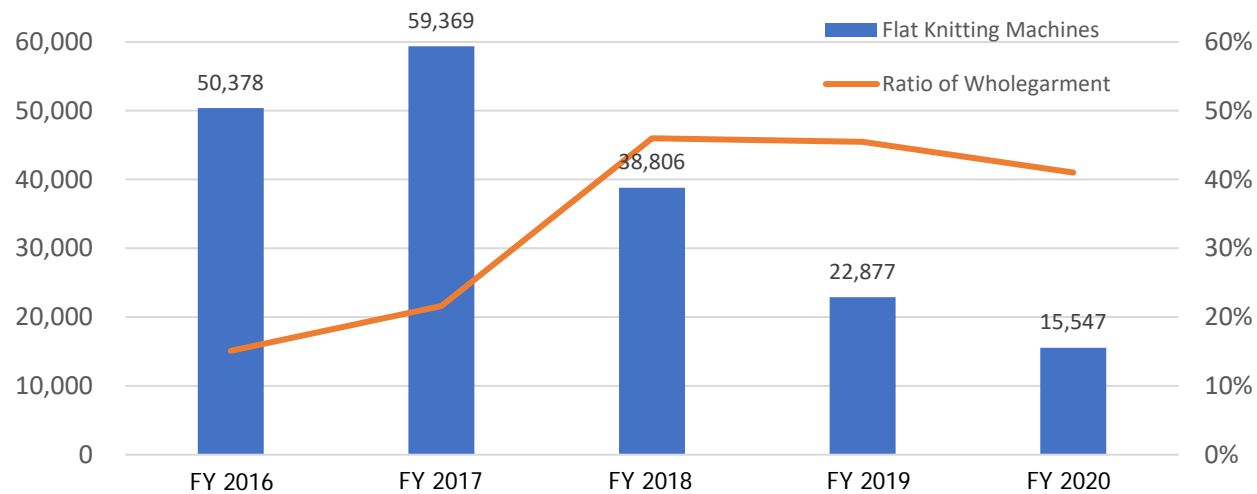
## Computerized Flat knitting Machine

- 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

### Ratio of net sales of WHOLEGARMENT® of 40% or more

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

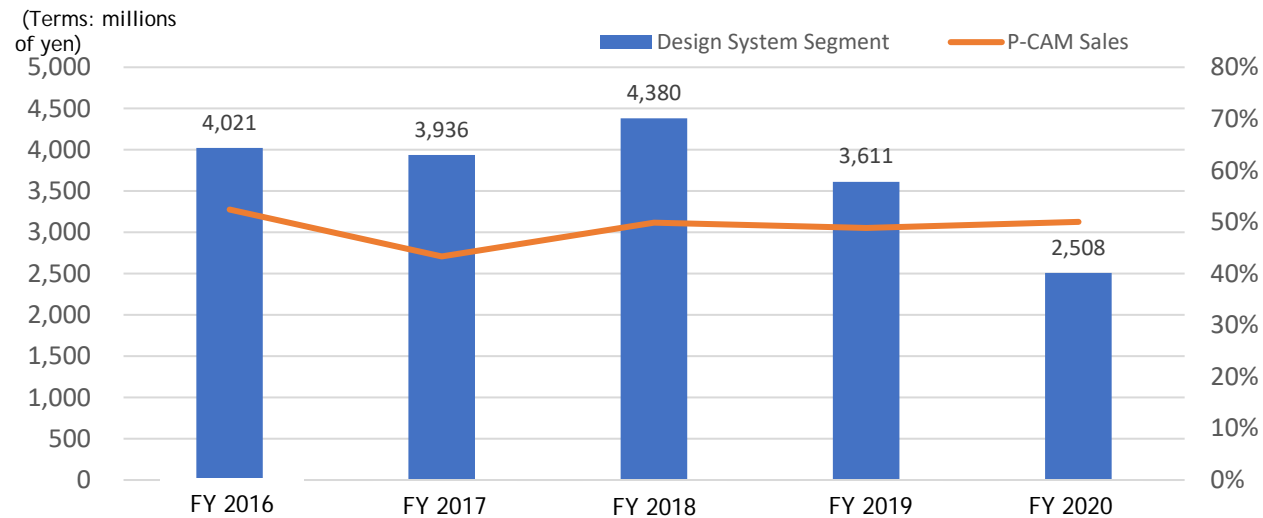


## P-CAM Cutting Machines

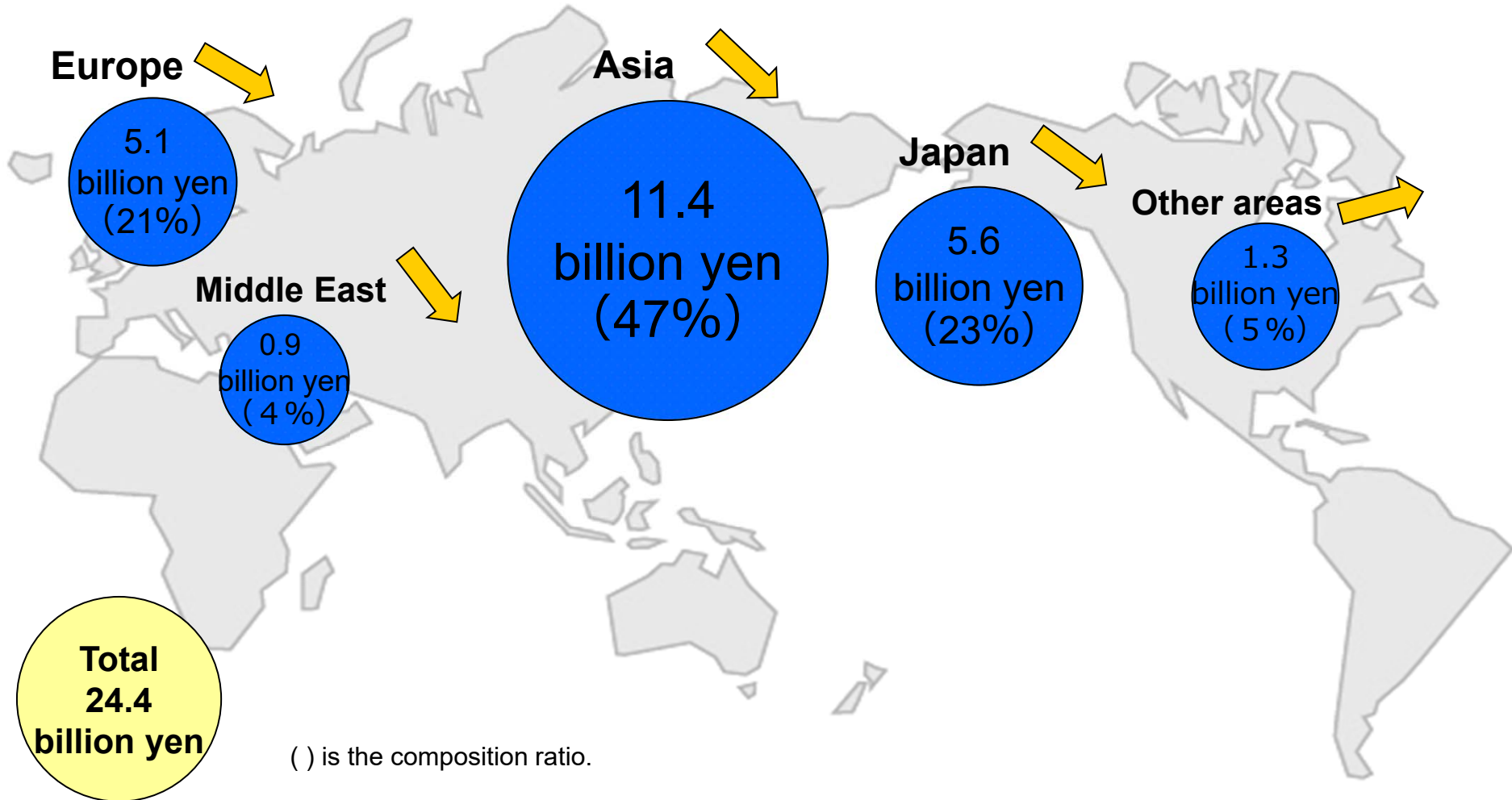
- Providing the automated cutting machine, as well as the spreading, labeling, and pick-up equipment, to save manpower in the processes before and after fabric cutting. Penetration is sought into a variety of industries that include apparel, automobiles, and industrial materials as Shima Cutting Solutions.

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

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



# Sales by Region [Consolidated]



# Consolidated Sales by Region

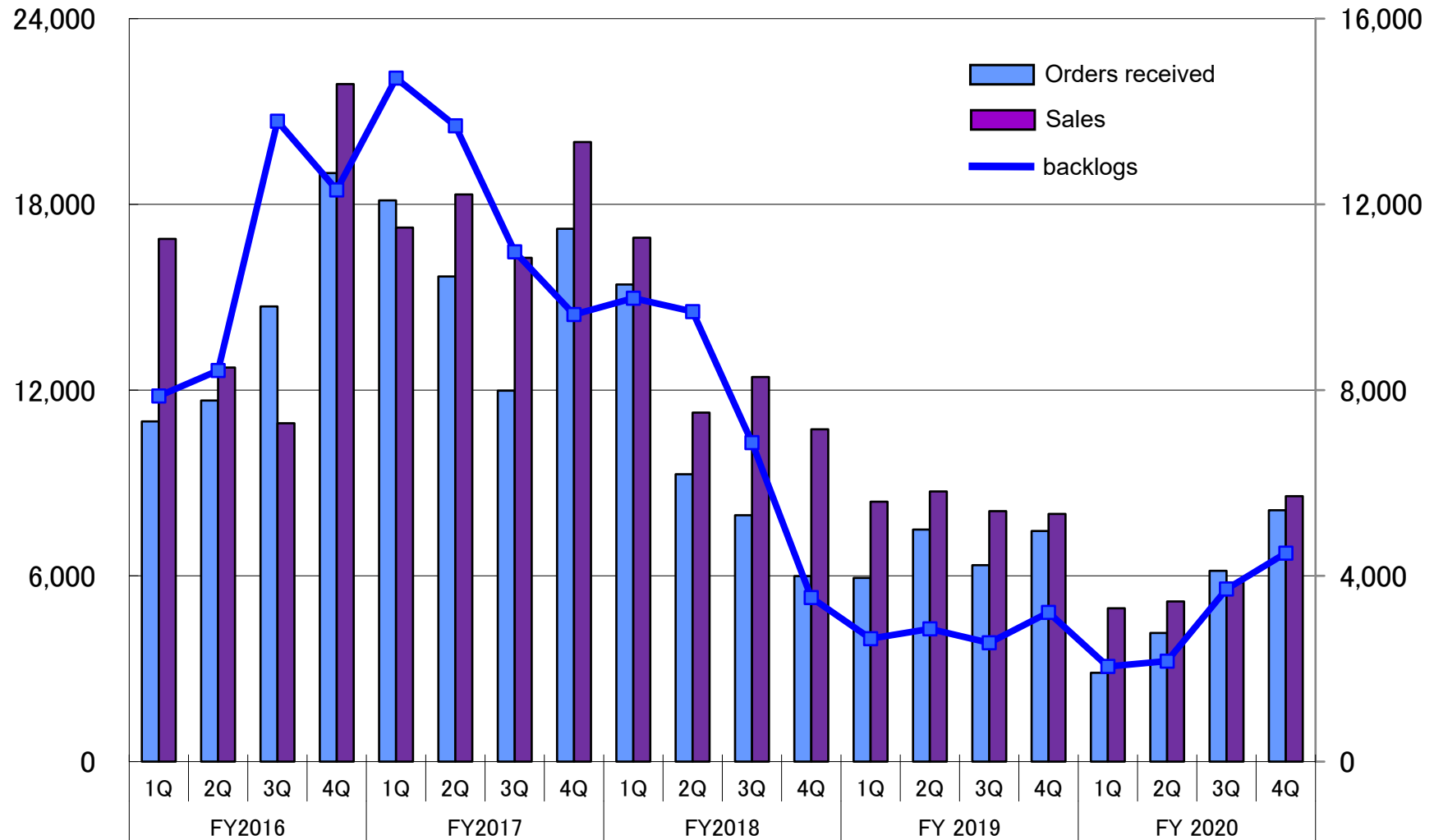
(Terms: Millions of yen)	FY 2020	FY 2019	Comparison with previous year (%)
Japan	5,609	7,003	(19.9)
Europe	5,153	6,281	(18.0)
Asia	11,432	16,180	(29.3)
Middle East	961	2,535	(62.1)
Other Areas (overseas)	1,331	1,204	10.5
Total	24,489	33,206	(26.3)

\*For three Western subsidiaries Shima Seiki U.S.A , Shima Seiki Europe Ltd., and Shima Seiki 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

(Orders received/Sales) Millions of yen

(Backlogs) Millions of yen



# Developments in Quarterly Results

(Terms: Millions of yen)

	FY 2018				FY 2019				FY 2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	16,923	11,273	12,423	10,732	8,393	8,724	8,089	7,998	4,954	5,171	5,787	8,574
Operating income	3,307	1,036	1,257	(962)	(872)	(1,838)	(1,145)	(1,746)	(1,970)	(2,213)	(2,371)	(2,588)
Ordinary income	3,670	957	1,215	(852)	(944)	(1,954)	(963)	(1,721)	(1,414)	(1,721)	(1,777)	(2,360)
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)	(12,796)

(Terms: Millions of yen)

Orders received	15,412	9,280	7,958	5,994	5,934	7,495	6,345	7,447	2,868	4,153	6,160	8,120
Backlogs	9,979	9,691	6,869	3,531	2,647	2,858	2,558	3,211	2,048	2,163	3,716	4,489

# Balance Sheet [Consolidated]

Cash and deposits	25,636 million yen at the end of the current period (21,641 million yen at the end of the previous period), up 3,995 million yen from the end of the previous period
Trade accounts receivable	44,823 million yen at the end of the current period (51,248 million yen at the end of the previous period), down 6,425 million yen from the end of the previous period
Inventories	16,213 million yen at the end of the current period (18,410 million yen at the end of the previous period), down 2,197 million yen from the end of the previous period
Equity Ratio	81.7% (82.6% at the end of the fiscal year ended March 31, 2020)

	FY 2020	FY 2019	Increase / decrease	(Terms: Millions of yen)
<b>Current assets</b>	82,811	89,470	(6,659)	
<b>Fixed assets</b>	27,328	41,224	(13,896)	
(Property, plant and equipment)	16,043	26,964	(10,920)	
(Intangible fixed assets)	2,302	2,931	(629)	
(Investments and other assets)	8,983	11,328	(2,345)	
<b>Total assets</b>	<b>110,140</b>	<b>130,695</b>	<b>(20,555)</b>	
<b>Current liabilities</b>	14,633	17,292	(2,659)	
<b>Long-term liabilities</b>	5,470	5,452	18	
<b>Total liabilities</b>	<b>20,104</b>	<b>22,744</b>	<b>(2,640)</b>	
Shareholders' equity	89,996	115,761	(25,764)	
Accumulated other comprehensive income	(0)	(7,849)	7,849	
Equity warrants	23	25	(1)	
Non-controlling interest	15	14	1	
<b>Total net assets</b>	<b>90,036</b>	<b>107,950</b>	<b>(17,914)</b>	
<b>Total liabilities and net assets</b>	<b>110,140</b>	<b>130,695</b>	<b>(20,555)</b>	(Figures of less than one million are rounded down)

# Statements of Cash Flows [Consolidated]

Cash flows from operating activities

Net cash increase of 5,937 million yen mainly due to a decrease in trade receivables

Cash flows from investing activities

Net cash increase of 1,299 million yen mainly due to proceeds from the sale of investments in securities

Cash flows from financing activities

Net cash decrease of 3,776 million yen mainly due to payments of short-term loans and cash dividends

Cash and cash equivalents at end of year

Increase of 3,999 million yen from the same period the previous year

(Terms: Millions of yen)

Title of accounts	FY 2020	FY 2019
<b>Cash flows from operating activities</b>	<b>5,937</b>	<b>3,776</b>
<b>Cash flows from investing activities</b>	<b>1,299</b>	<b>(3,085)</b>
<b>Cash flows from financing activities</b>	<b>(3,776)</b>	<b>(5,555)</b>
Effect of exchange rate changes on cash and cash equivalents	538	(401)
Increase (decrease) in cash and cash equivalents	3,999	(5,266)
Cash and cash equivalents at beginning of year	21,582	26,849
<b>Cash and cash equivalents at end of year</b>	<b>25,582</b>	<b>21,582</b>

(Figures of less than one million are rounded down)

# Forecast [Consolidated]

(Terms: Millions of yen)

	FY 2021 (forecast)	Comparison with the previous year (%)	FY 2020
Net Sales	28,000	14.3	24,489
Operating income	(7,000)	—	(9,143)
Ordinary Income	(6,300)	—	(7,273)
Net income Attributable to owners of the parent	(6,400)	—	(17,866)

Forecast of currency rates for March 2022: 105 JPY/USD, 125 JPY/EUR

Sensitivity of operating income where the exchange rates fluctuate by 1 yen: 18 million yen for the USD, 3 million yen for the EUR



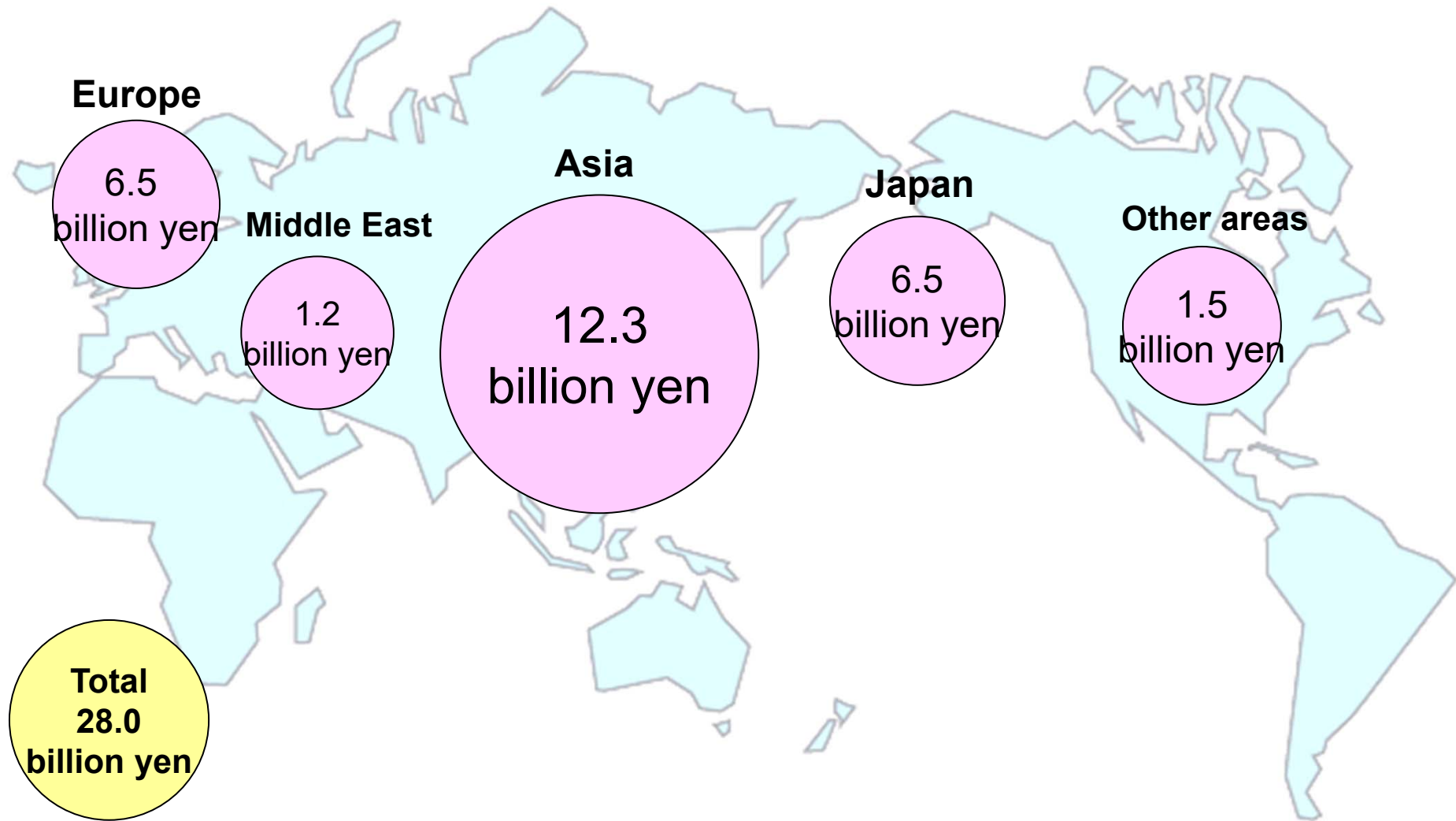
# Sales and Operating Income Forecast by Segment

(Terms: Millions of yen)

	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
	Full-year forecast		Full-year forecast	
Flat knitting	18,800	20.9	(1,500)	—
Design Systems	2,566	2.3	300	164.1
Glove & Sock Knitting Machines	1,420	(27.9)	0	—
Other	5,214	16.8	200	1546.7
Corporate/elimination			(6,00)	—
<b>Total</b>	<b>28,000</b>	<b>14.3</b>	<b>(7,000)</b>	<b>—</b>

# Forecast Sales by Region [Consolidated]

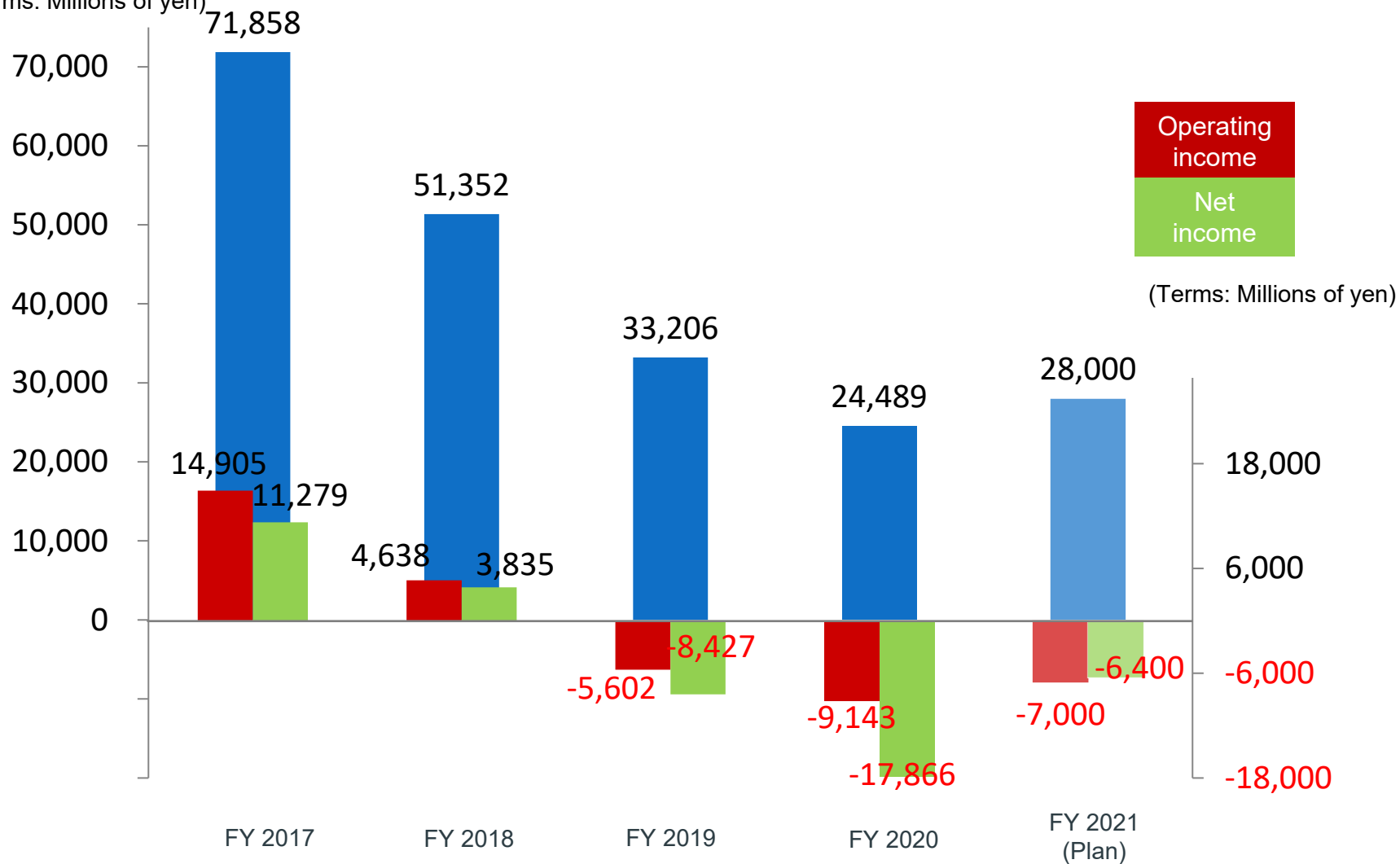
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# Graph for sales, operating income, and net income [Consolidated]

## Sales

(Terms: Millions of yen)



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

## Maintain the pace of development

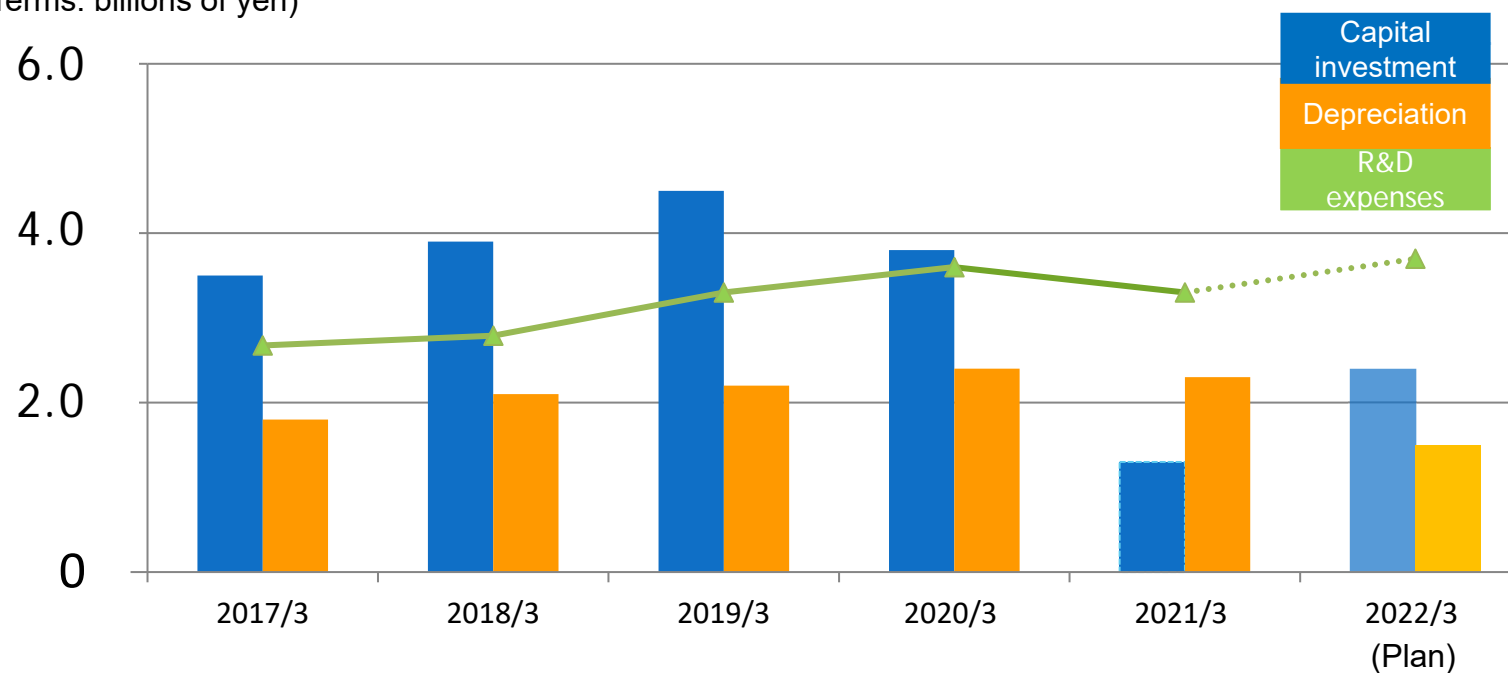
### Fiscal year ending March 2021 (Actual results)

Capital investment of 1.3 billion yen (including leased assets of 0.2 billion yen), depreciation and amortization of 2.3 billion yen, R&D of 3.3 billion yen

### Fiscal year ending March 2022 (Plan)

Capital investment of 2.4 billion yen (including leased assets of 0.9 billion yen), depreciation and amortization of 1.5 billion yen, R&D of 3.7 billion yen

(Terms: billions of yen)



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

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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 the production capacity of  
WHOLEGARMENT<sup>®</sup> flat knitting machines and promote automatization.

April 2021

Installation of machine tools (automatized line systems)

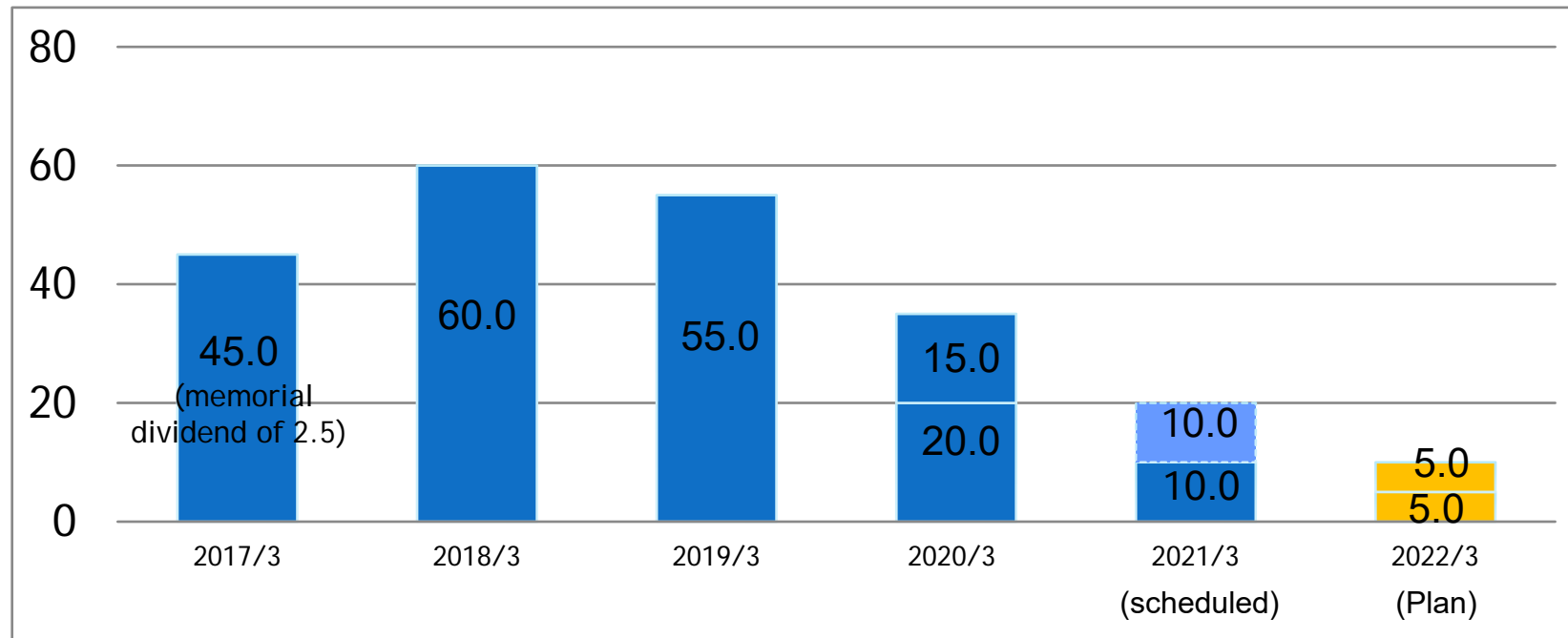


# Shareholder Returns

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

Fiscal year ended March 31, 2022 (Plan):  
Interim dividend of 5.0 yen and year-end dividend of 5.0 yen

(Terms of Yen)



# Circumstances of Apparel Industry

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(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
- Progress of measures respecting the environment (sustainability)

# Circular Economy

## Circular Economy Action Plan

Published by the European Commission on March 11, 2020

The textile was designated as one of the priority fields for measures.  
It is said that the comprehensive strategy for textiles of the EU (EU textile strategy) will be published in 2021.

## Circular Economy Vision 2020

Published by the Ministry of Economy, Trade and Industry on May 22, 2020

## Sustainable Fashion

(Ministry of the Environment)



Source: Website of the Ministry of the Environment

Measures respecting the environment will progress in the industry.



# Issues of the Apparel Industry and Opportunities for the Company

## <Issues>

- Industry structure where designs respecting the environment throughout the entire process from materials to finished products are poorly introduced
- Mass production, mass consumption, excess stock (long lead time)
- Responses to seasons (spring, summer, fall, and winter)  
Long development period of products and short selling period  
Dependence on climate and the short trend-span of only a year
- Reduction in environmental burdens (Social sustainability)
- Changes in consumer behaviors (such as ethical consumption)

## <Opportunities for the Company>

- Environmental problems (climate change, disposal, resources, water)
- Culture (traditional technique, style of living, gender)  
High-mix low-volume and additional production (WHOLEGARMENT®)
- Consumer trend (EC, D2C, personalization)
- Design (3D, VR, wearable)
- Production (personalization, circulation)  
Design system/WHOLEGARMENT®
- Materials (biological materials, new materials)  
Subsidiary: Toyoboshi Kogyo Co., Ltd.



Resolving issues by proposing the solution mainly through the Total Fashion System



WHOLEGARMENT®

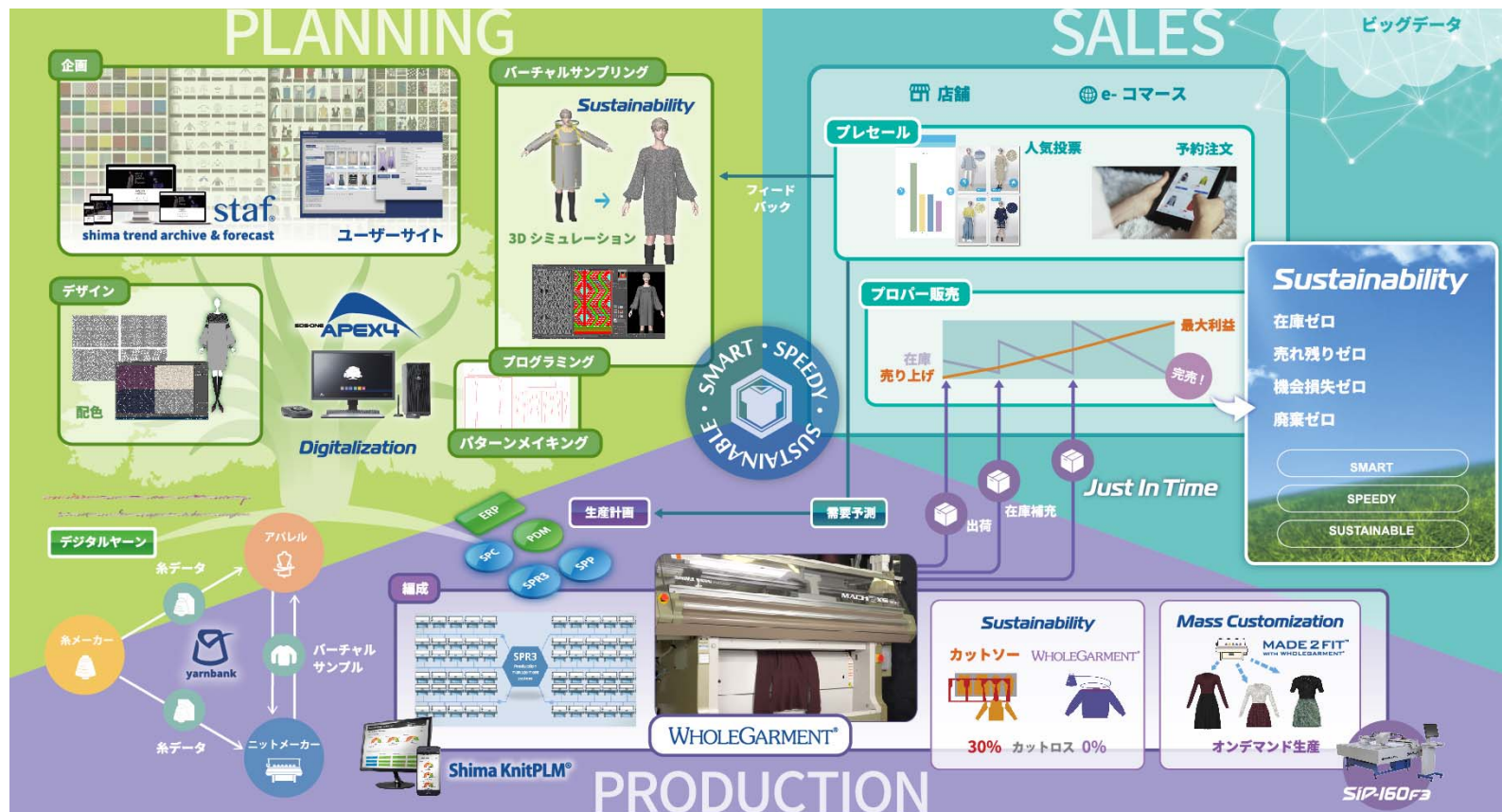


SDS ONE APEX4



# 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.



# New Design Software and Web Services



Digital yarn sourcing website



Apparel design software



Service started in March 2021



**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



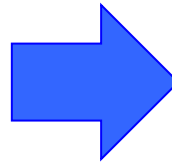
Inlay patterns limit typical stretch characteristics of knitwear



PET Monofilament



Carbon fiber preform



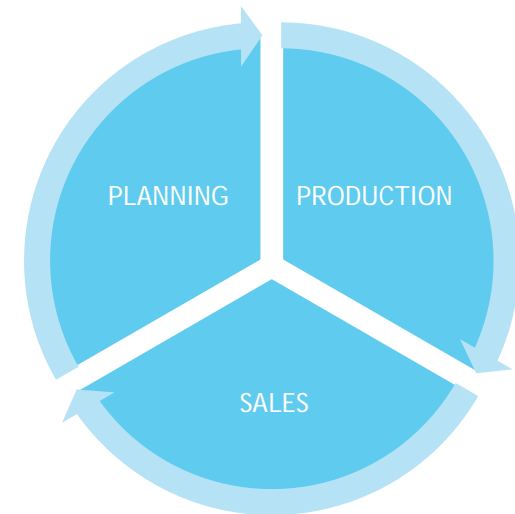
Sports, Interiors, Industrial Materials,  
Medical, Wearable, Automotive, Aerospace

# (Supplement) Total Fashion System

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<Our advantages>

Our software (design system), hardware (flat knitting machine, cutting machine, glove knitting machine) and know-how (knitting technology) give us access to the entire supply chain of the apparel industry.



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

Combination of virtual sampling and WHOLEGARMENT<sup>®</sup> flat knitting machines shortens the lead time and reduces inventory/disposal loss for cost reductions

Strengthen proposals for solutions and the resolution of issues and reform of the supply chain

# (Supplement) New Design Software and Web Services

## 1. 『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 in cooperation with 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 free of charge 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.

## 2. 『APEXFiz』 (Subscription-based design software) Release date: Scheduled to be started MARCH 2021

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 the 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 into 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 would otherwise go to waste. APEXFiz thereby fulfills its role as a spearhead for realizing sustainability in fashion.

## 3. 『SHIMANAVI』 (e-learning web service)

Release date: Scheduled to be started November 2020

The SHIMANAVI e-learning system allows SDS-ONE 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.



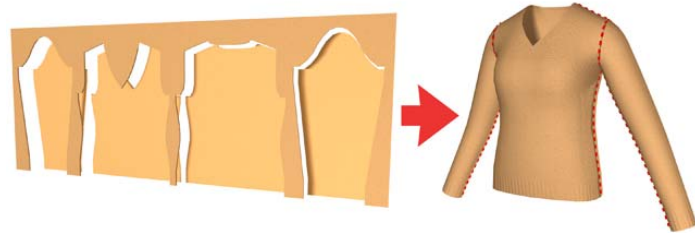
# WHOLEGARMENT®

A type of knit that is easy on the wearer and the environment  
(Energy saving, resource saving)

1. Easy on the wearer      Light, attractive silhouette that does not feel stiff
2. Easy on the environment      Reduces cut loss and limits contamination of the atmosphere
3. Easy on worker      Reduction of linking work

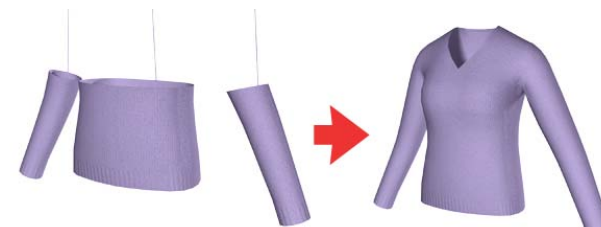
**Benefits of knit manufacturing:** Responds quickly to reduce inventory losses and can be manufactured in consumer markets

Cut and sewn (Labor-intensive approach)



A cut loss of about 30% occurs during cutting and stitching

WHOLEGARMENT® (Knowledge-intensive approach)



Manufactured in consuming markets  
such as Italy, Japan, China

# 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 the front body with the rear body makes the 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 stitching on the sides resolves the 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 with specific assumptions considered reasonable; consequently, they may largely differ due to a variety of different factors. Please understand this in advance.