

Financial Results for 1st Quarter FY2021

SHIMA SEIKI MFG., LTD.

August, 2021

Summary of Operating Results for 1Q of the Fiscal Year Ending March 31, 2022

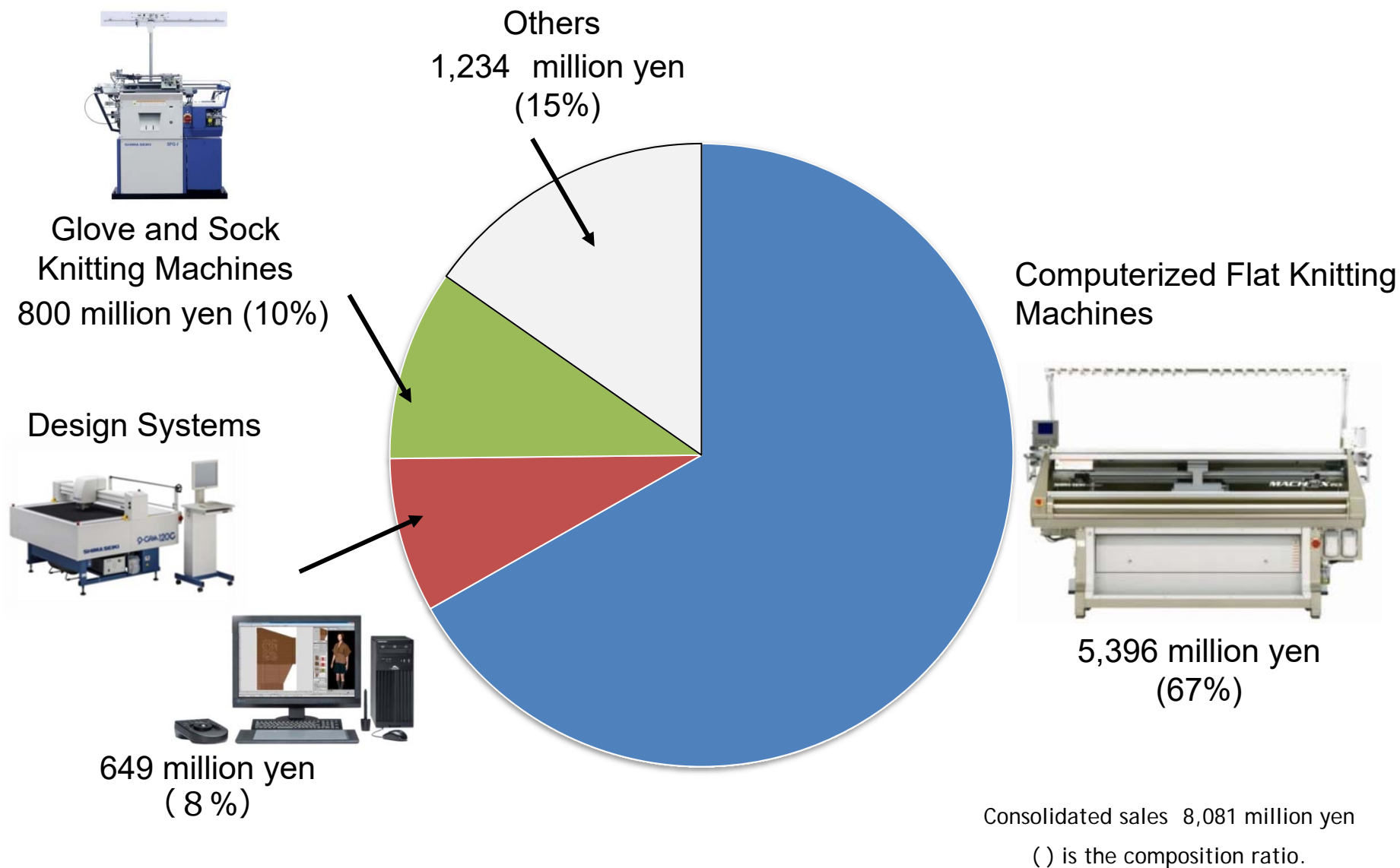
(Terms: Millions of yen)

	FY2021 1Q	FY2020 1Q	FY2020
Net Sales	8,081	4,954	33,206
Operating income	(644)	(1,970)	(5,602)
Ordinary income	(154)	(1,414)	(5,583)
Net income attributable to owners of the parent	(271)	(1,463)	(8,427)

Exchange rate (for 1Q)

USD/JPY	110.58	107.74	Exchange rate at the end of the period (upper row) Average exchange rate for translation of sales (lower row)
	109.85	107.95	
EUR/JPY	131.58	121.08	
	131.83	118.54	

Business Segment

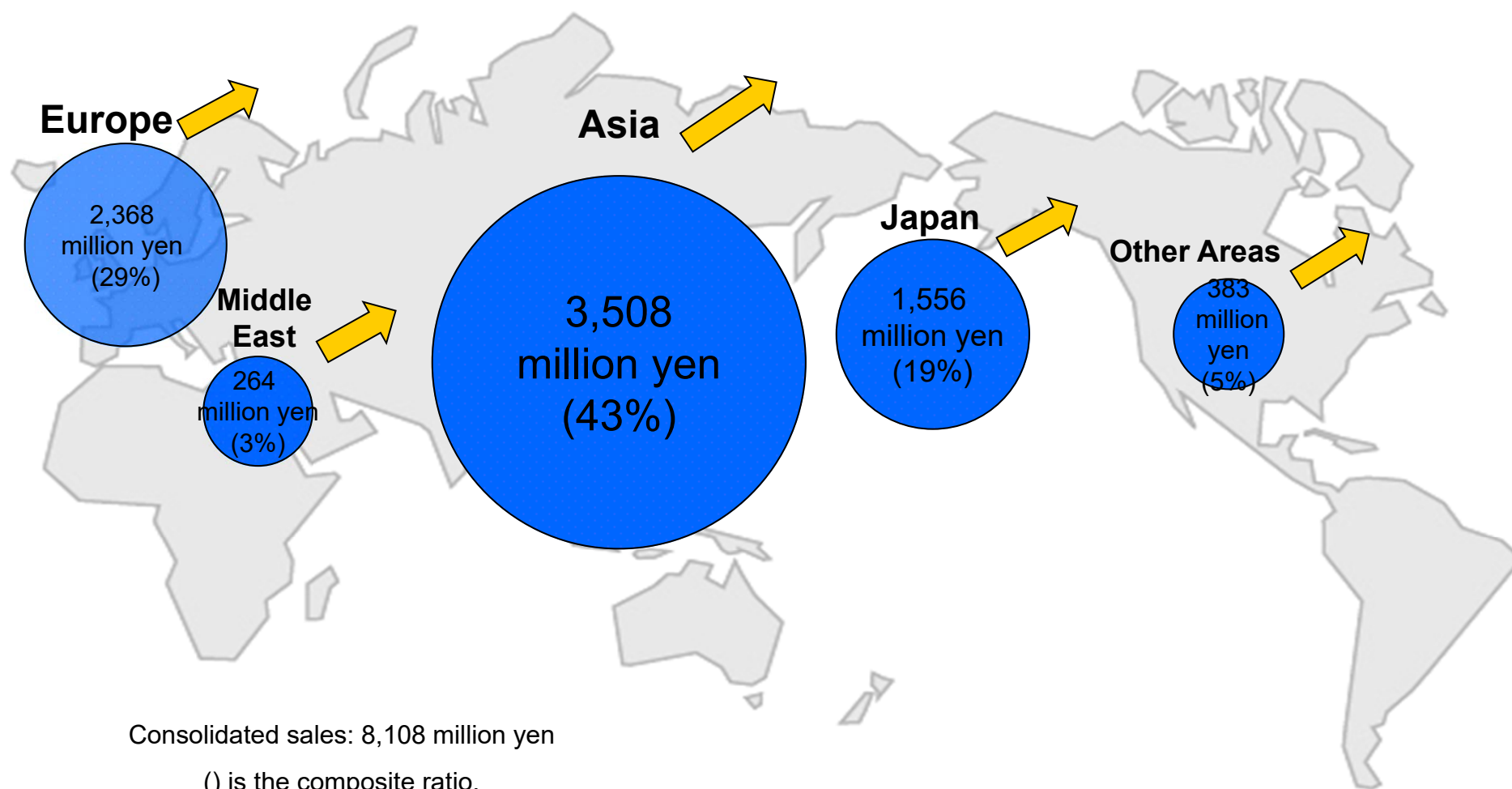


Sales and Operating Income by Segment (1st Quarter)

(Terms: Millions of yen)

	Net Sales	Comparison with previous year(%)	Operating income	Comparison with previous year(%)
Computerized Flat Knitting Machines	5,396	+64.2	516	—
Design Systems	649	+60.8	148	+970.2
Glove & Sock Knitting Machines	800	+134.9	55	—
Other	1,234	+33.6	174	—
Corporate elimination			(1,540)	
Total	8,081	+63.1	(644)	—

Consolidated Sales and Ratio by Region



Consolidated Sales by Region (1st Quarter)

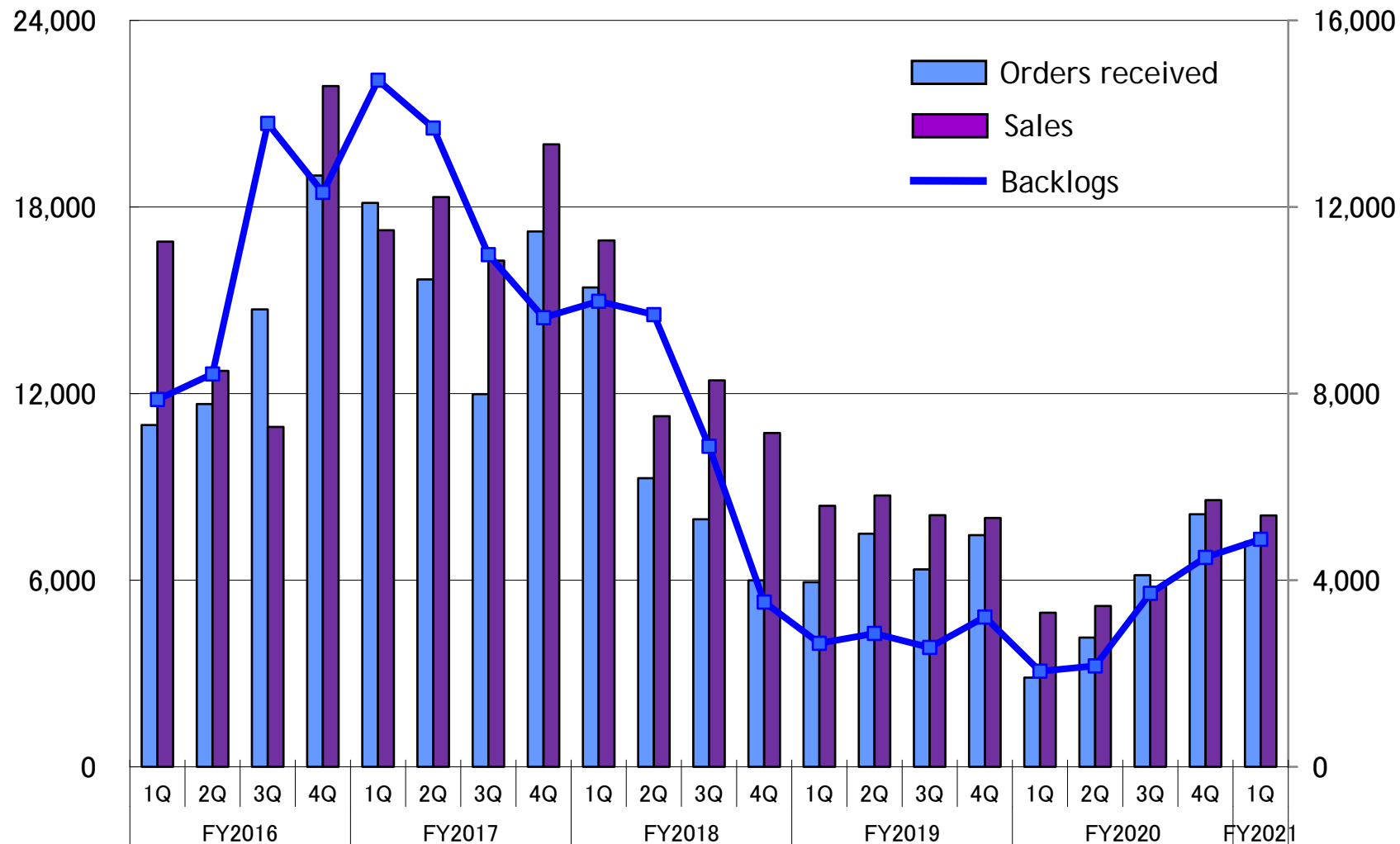
(Terms: Millions of yen)

Area	FY2021 1Q	FY2020 1Q	Comparison with previous year (%)
Japan	1,556	1,175	+32.4
Europe	2,368	866	+173.4
Asia	3,508	2,572	+36.4
Middle East	264	152	+73.4
Other Areas (overseas)	383	188	+103.7
Total	8,081	4,954	+63.1

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]

(Terms: Millions of yen)

	FY 2019				FY 2020				FY2021
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Net Sales	8,393	8,724	8,089	7,998	4,954	5,171	5,787	8,574	8,081
Operating Income	(872)	(1,838)	(1,145)	(1,746)	(1,970)	(2,213)	(2,371)	(2,588)	(644)
Ordinary Income	(944)	(1,954)	(963)	(1,721)	(1,414)	(1,721)	(1,777)	(2,360)	(154)
Net income attributable to owners of the parent	(689)	(1,372)	(852)	(5,513)	(1,463)	(1,745)	(1,861)	(12,796)	(271)

(Terms: Millions of yen)

Orders received	5,934	7,495	6,345	7,447	2,868	4,153	6,160	8,120	7,235
Backlog	2,647	2,858	2,558	3,211	2,048	2,163	3,716	4,489	4,877

Forecast [Consolidated]

(Terms: Millions of yen)

	Fiscal year ended March 31, 2022	Comparison with previous year	Fiscal year ended March 31, 2021
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

Developments in R&D Expenses and Capital Investment

Maintain the pace of development

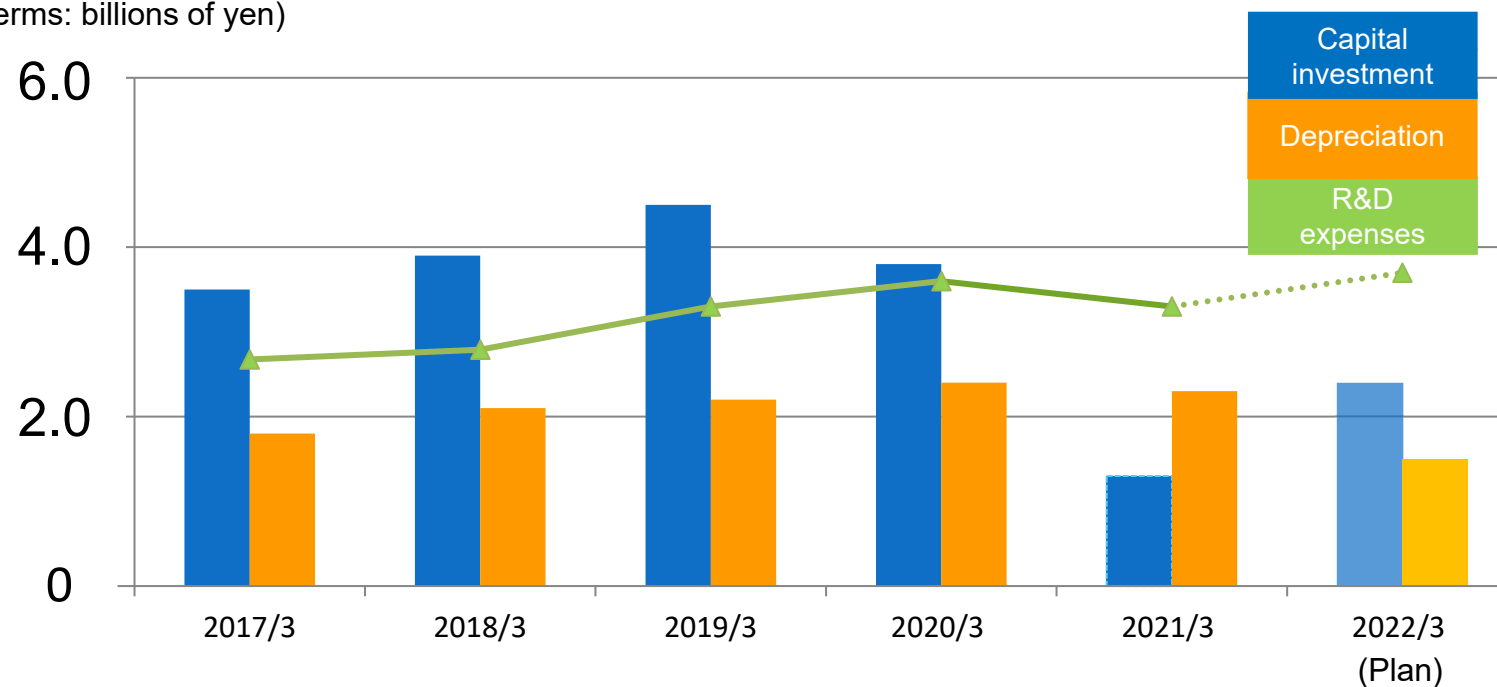
Fiscal year ending March 2021 (Actual results)

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)

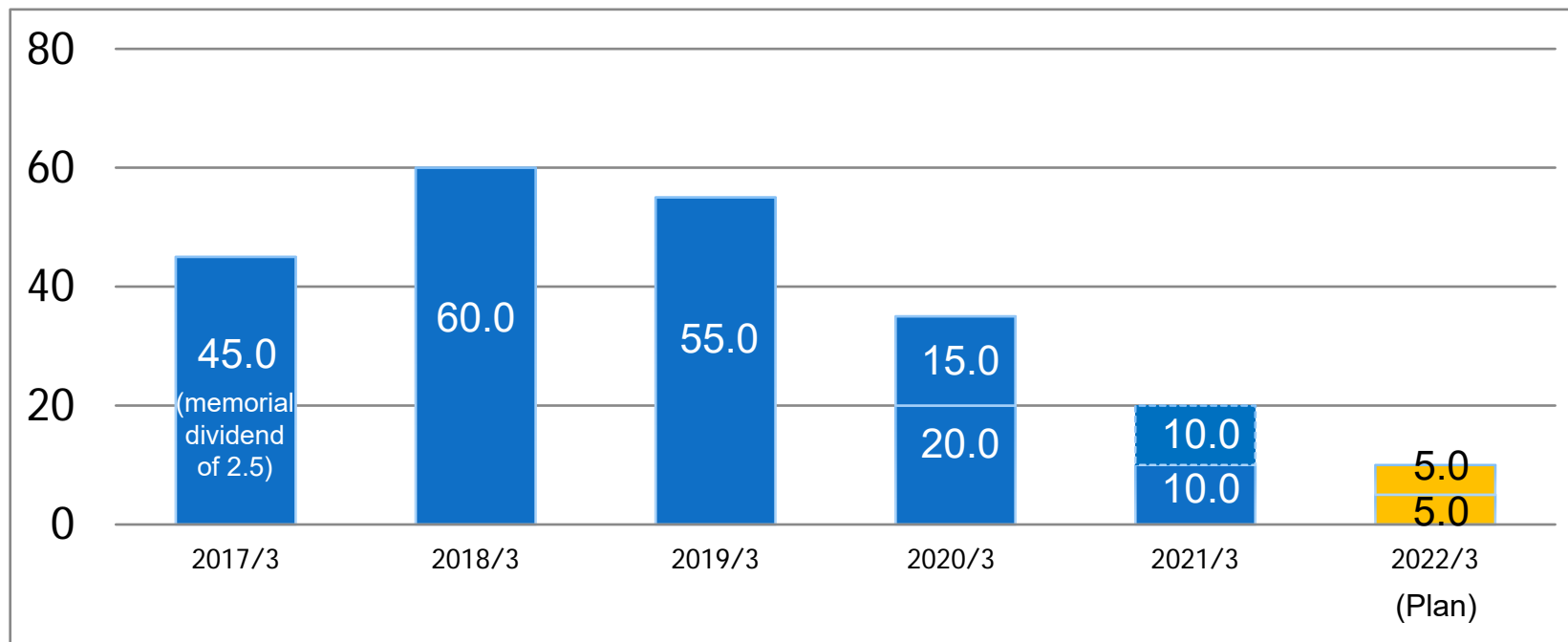


Shareholder Returns

Fiscal year ended March 31, 2021 :
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

(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)

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®

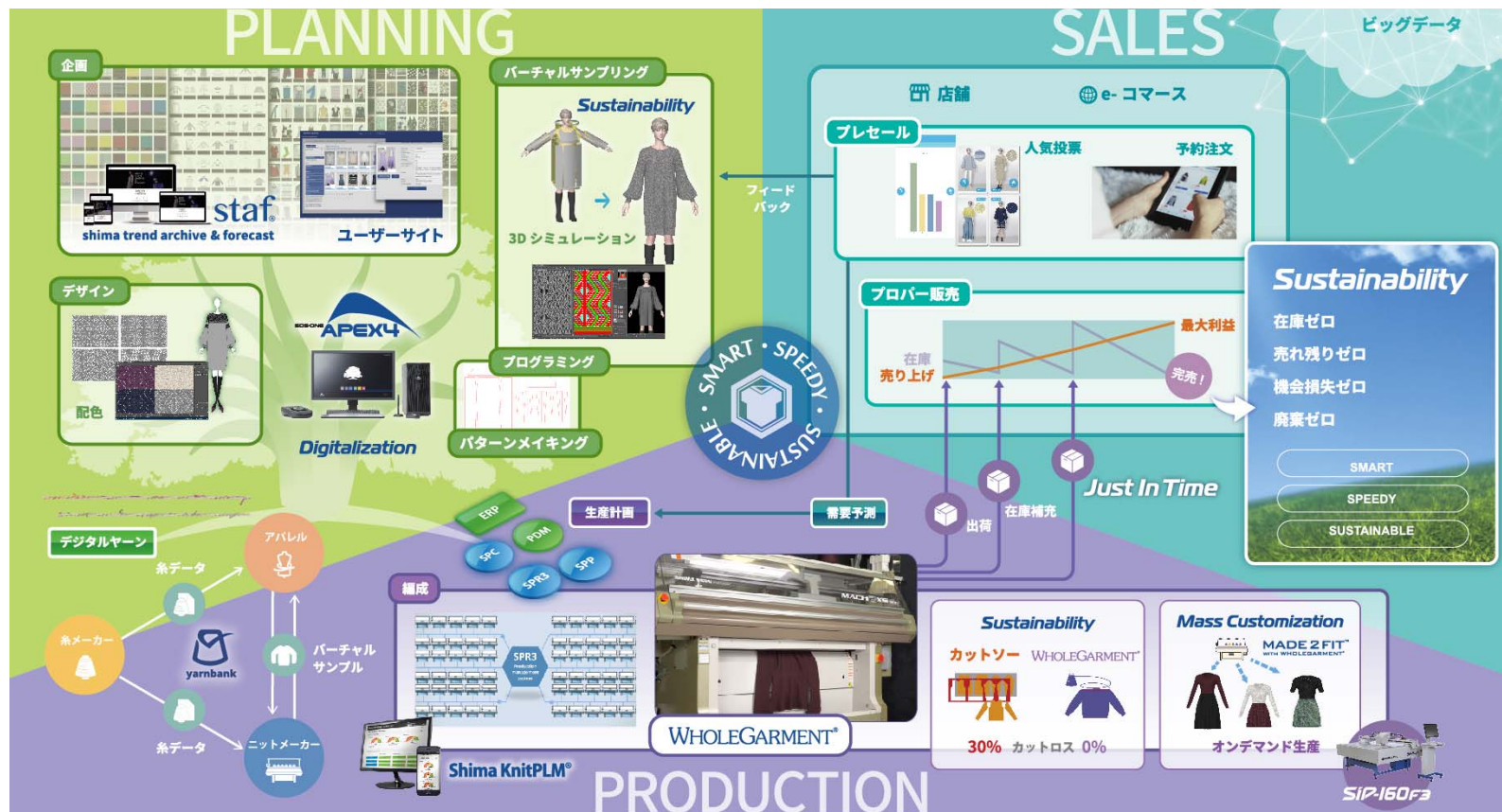


SDS ONE APEX4



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



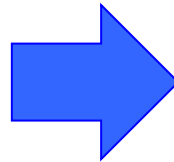
Inlay patterns limit typical stretch characteristics of knitwear



PET Monofilament



Carbon fiber preform



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