



Consolidated Results for First Half of FY 2021

SHIMA SEIKI MFG., LTD.

October, 2021

Summary of Operating Results for Second Quarter of the Fiscal Year Ending March 31, 2022

(Terms: Millions of yen)		FY 2021 2Q	FY 2019 2Q	FY 2020
Net Sales		15,814	10,126	24,489
Operating Income		△1,558	△4,183	△9,143
Ordinary Income		△844	△3,135	△7,273
Net income Attributable to owners of the parent		△1,068	△3,208	△17,866

Exchange rate (JPY)		FY 2021 2Q	FY 2020 2Q	
USD/JPY		111.92	105.80	Exchange rate at the end of the period (Upper level)
		109.98	106.96	Average exchange rate used for translation of sales (Lower level)
EUR/JPY		129.86	124.17	
		131.16	120.98	

Highlights

Operational Review

【Flat knitting machines】

- Asia

There was growth in the introduction of WHOLEGARMENT® flat knitting machines for manufacturing high-value-added goods for the domestic market in China. In South Korea and other countries, there was a recovery trend in capital spending over the previous period.

- Europe

In the Italian market, capital spending was active in preparation for the resumption of economic activities. Demand was stronger for flat knitting machines, including WHOLEGARMENT® flat knitting machines for manufacturing high-value-added goods for luxury brands.

【Design systems】

- The apparel design system SDS-ONE APEX4 increased sales volume as a result of the sales increase in computerized flat knitting machines while the design software subscription service APEXFiz increased license contracts.
 - The automatic fabric cutting machine P-CAM enjoyed a recovery in demand mainly in the Japanese market.
- In July, APEXFizPGM, which is software specializing in pattern making, grading and marketing, was added to the lineup.

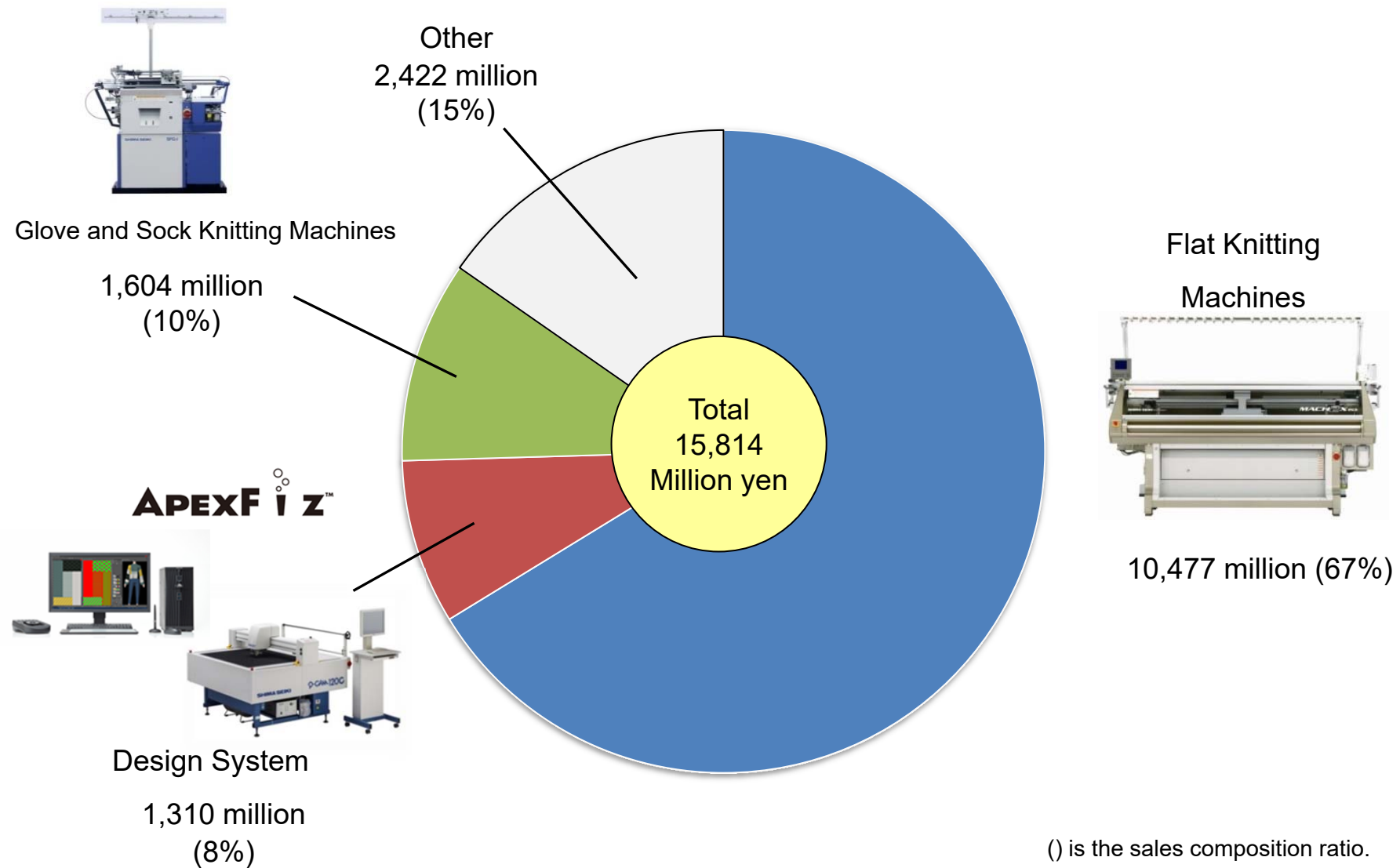
【Globe knitting machines】

- Capital spending was continuous by Japanese and major overseas users.

Income

- The gross profit margin tends to recover due to the increasing capacity utilization rate of factories, and the selling, general, and administrative expenses were controlled; consequently, operating loss declined YoY to 1,558 million yen (The gross profit margin increased by 9.2 percentage points YoY to 34.4%)

Sales Composition by Segment [Consolidated](FY 2021 2Q)



Sales and Operating Income Composition by Segment (FY 2021 2Q)

(Terms: million yen)	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Flat Knitting Machine	10,477	67.9	860	—
Design System	1,310	56.3	362	—
Glove and Sock Knitting Machines	1,604	61.6	55	—
Other	2,422	17.8	225	—
Corporate elimination			(3,062)	
Total	15,814	56.2	(1,558)	—

Flat Knitting Machines Segment

Category



WHOLEGARMENT® Flat Knitting Machine

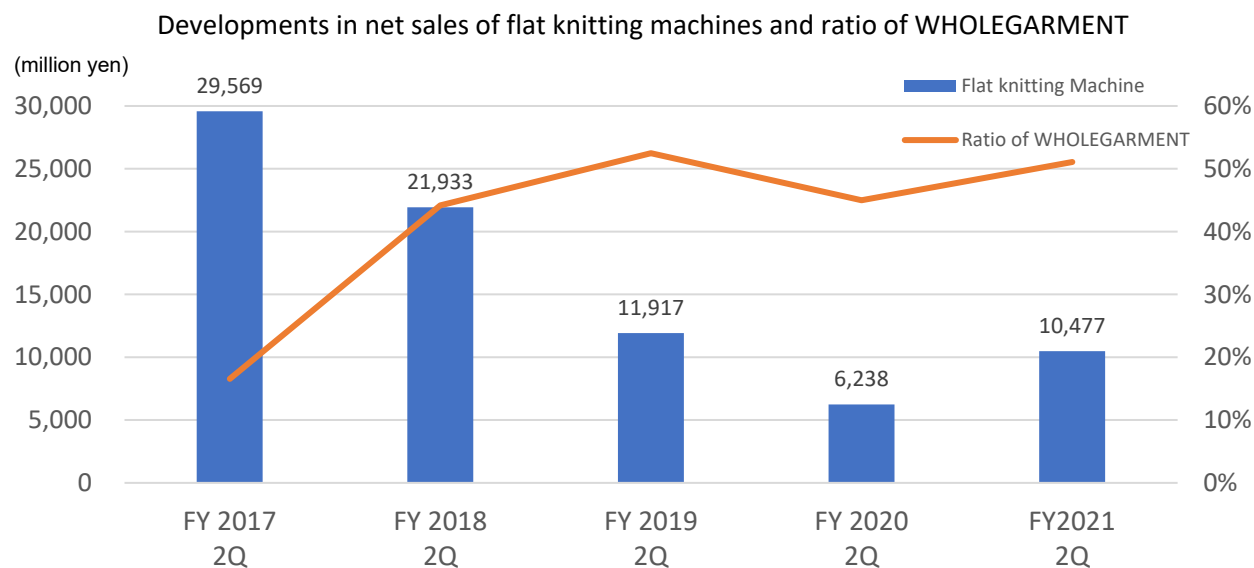
- MACH2XS and SWG-N2 sterically knitting the whole wear
- Realizing environment-friendly manufacturing
- Additionally, covering small-type merchandise such as manufacturing of small fashion goods and masks



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 50% or more



Design systems Segment

Category



3D Design system SDS-ONE APEX4

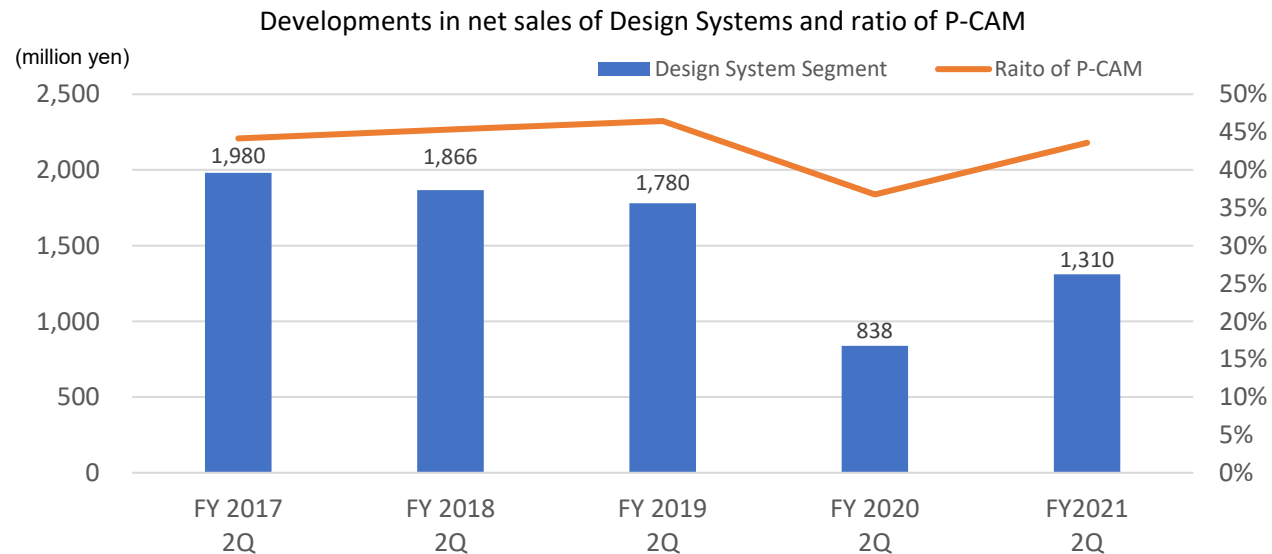
- Installing software specializing in the programming of knitting machines and pattern CAD, as textile design, including flat knitting, fabric, print, and circular knitting and simulation
- Started selling APEXFiz software (from March 2021)



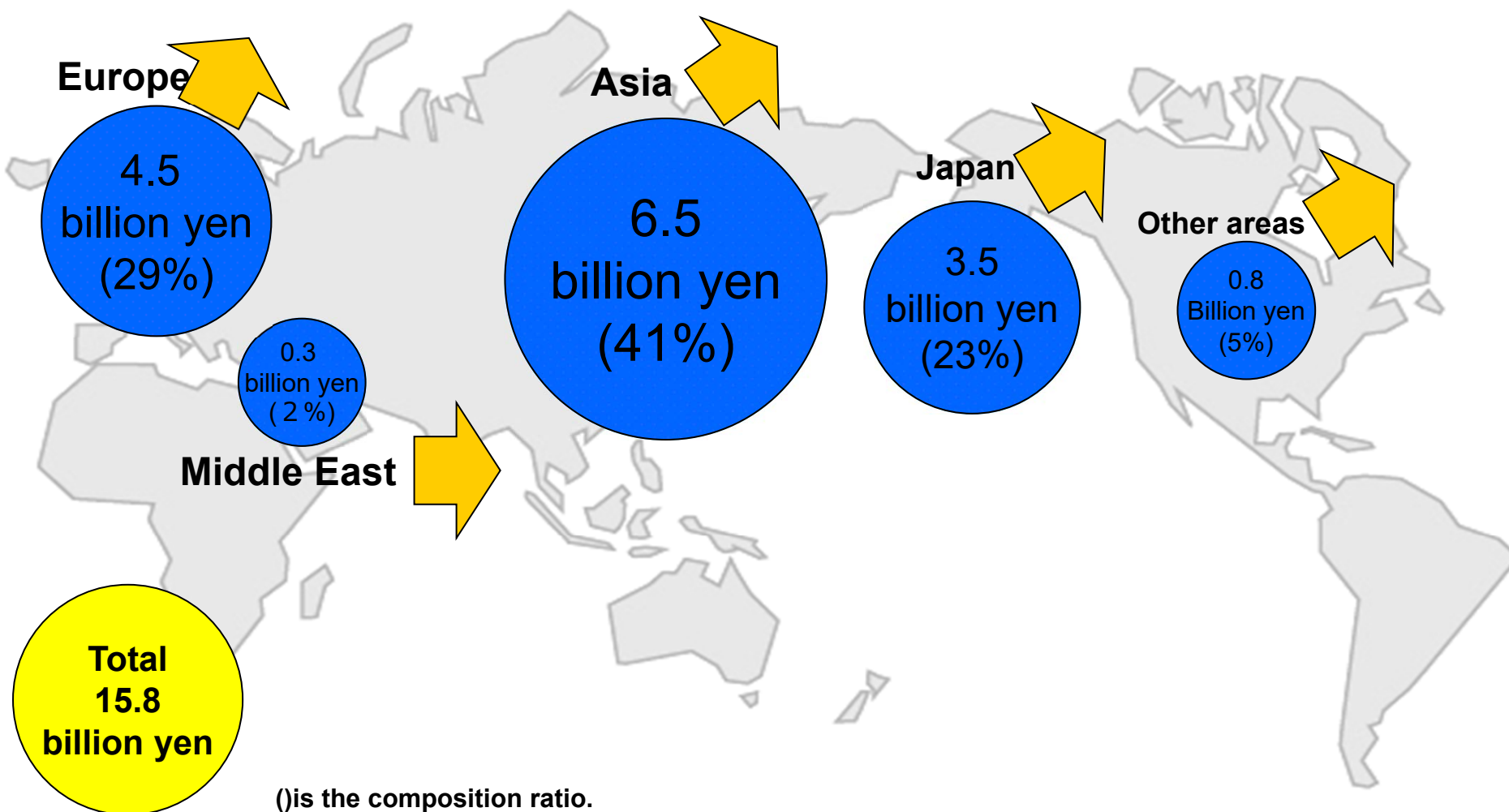
P-CAM Cutting Machines

- 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 P-CAM sales recovered in FY 2021



Sales by Region [Consolidated] (FY 2021 2Q)



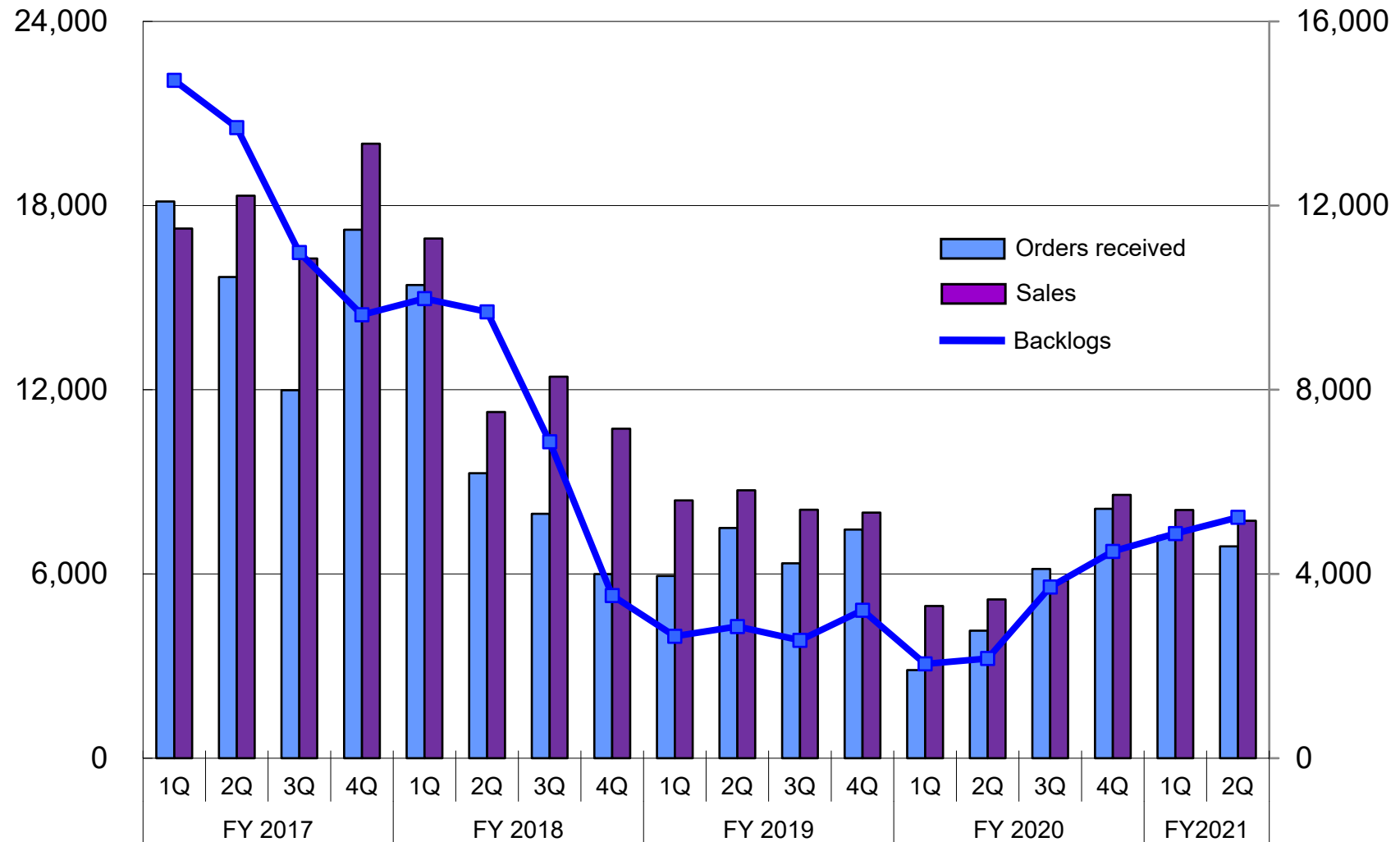
Consolidated Sales by Region 〔Consolidated〕 (FY 2021 2Q)

(millions of yen)	FY 2021 2Q	FY 2020 2Q	Comparison with previous year (%)
Japan	3,552	2,339	+51.9
Europe	4,520	2,035	+122.1
Asia	6,546	4,817	+35.9
Middle East	369	363	+1.6
Other Areas (Overseas)	825	570	+44.8
Total	15,814	10,126	+56.2

Developments in Quarterly Orders Received, Sales and Backlogs [Consolidated]

(Orders received/Sales) Millions of yen

(Backlogs) Millions of yen



Developments in Quarterly Results 〔Consolidated〕

(Terms: Millions of yen)

	FY 2019				FY 2020				FY 2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	8,393	8,724	8,089	7,998	4,954	5,171	5,787	8,574	8,081	7,733
Operating income	△872	△1,838	△1,145	△1,746	△1,970	△2,213	△2,371	△2,588	△644	△913
Ordinary income	△944	△1,954	△963	△1,721	△1,414	△1,721	△1,777	△2,360	△154	△689
Net income attributable to owners of the parent	△689	△1,372	△852	△5,513	△1,463	△1,745	△1,861	△12,796	△271	△797

Orders received	5,934	7,495	6,345	7,447	2,868	4,153	6,160	8,120	7,235	6,897
Backlogs	2,647	2,858	2,558	3,211	2,048	2,163	3,716	4,489	4,877	5,229

Balance Sheet [Consolidated] (FY 2021 2Q)

Cash and deposits	22,071 million yen in the first half of the fiscal year ending March 31, 2022 (25,636 million yen at the end of the previous period), down 3,565 million yen from the end of the previous period
Trade accounts receivable	43,124 million yen in the first half of the fiscal year ending March 31, 2022 (44,823 million yen at the end of the previous period), down 1,698 million yen from the end of the previous period
Inventories	14,549 million yen in the first half of the fiscal year ending March 31, 2022 (16,213 million yen at the end of the previous period), down 1,664 million yen from the end of the previous period
Equity Ratio	85.7% (81.7% End of fiscal year ended March 31, 2021)

	FY 2021 2Q	FY 2020	Increase / decrease	(Terms: Millions of yen)
Current assets	75,924	82,811	△6,886	
Fixed assets	27,586	27,328	258	
(Property, plant, and equipment)	16,275	16,043	232	
(Intangible fixed assets)	2,143	2,302	△158	
(Investments and other assets)	9,167	8,983	184	
Total assets	103,511	110,140	△6,628	
Current liabilities	9,535	14,633	△5,098	
Long-term liabilities	5,208	5,470	△262	
Total liabilities	14,743	20,104	△5,360	
Shareholder's equity	88,592	89,996	△1,403	
Accumulated other comprehensive income	144	△0	144	
Equity warrants	16	23	△7	
Non-controlling interest	15	15	△0	
Total net assets	88,768	90,036	△1,267	(Figures of less than one million are rounded down)
Total liabilities and net assets	103,511	110,140	△6,628	

Statements of Cash Flows〔Consolidated〕

Cash flows from operating activities	Increase in cash of 2,079 million yen due to a decrease in trade receivables and inventories
Cash flows from investing activities	Decrease in cash of 863 million yen due to purchases of property, plant, and equipment
Cash flows from financing activities	Decrease in cash of 4,793 million yen due to repayment of short-term borrowings and payment of cash dividends
Cash and cash equivalents at end of year	Decrease of 3,576 million yen from the end of the previous year

Title of accounts	FY 2021 2Q	FY 2020 2Q	(Terms: Millions of yen)
Cash flows from operating activities	2,079	546	
Cash flows from investing activities	△863	2,029	
Cash flows from financing activities	△4,793	△3,130	
Effect of exchange rate changes on cash and cash equivalents	1	△33	
Increase (decrease) in cash and cash equivalents	△3,576	△587	
Cash and cash equivalents at beginning of year	25,582	21,582	
Cash and cash equivalents at end of year	22,006	20,995	

(Figures of less than one million are rounded down)

Forecast〔Consolidated〕

The full-year earnings forecasts, which were announced on May 7, 2021, are unchanged because it is uncertain how business activities are affected by the globally tight supply of semiconductors and other raw materials and higher global transportation costs.

	(Millions of yen)		(Millions of yen)
	FY 2021	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

Developments in R&D Expenses and Capital Investment〔Consolidated〕

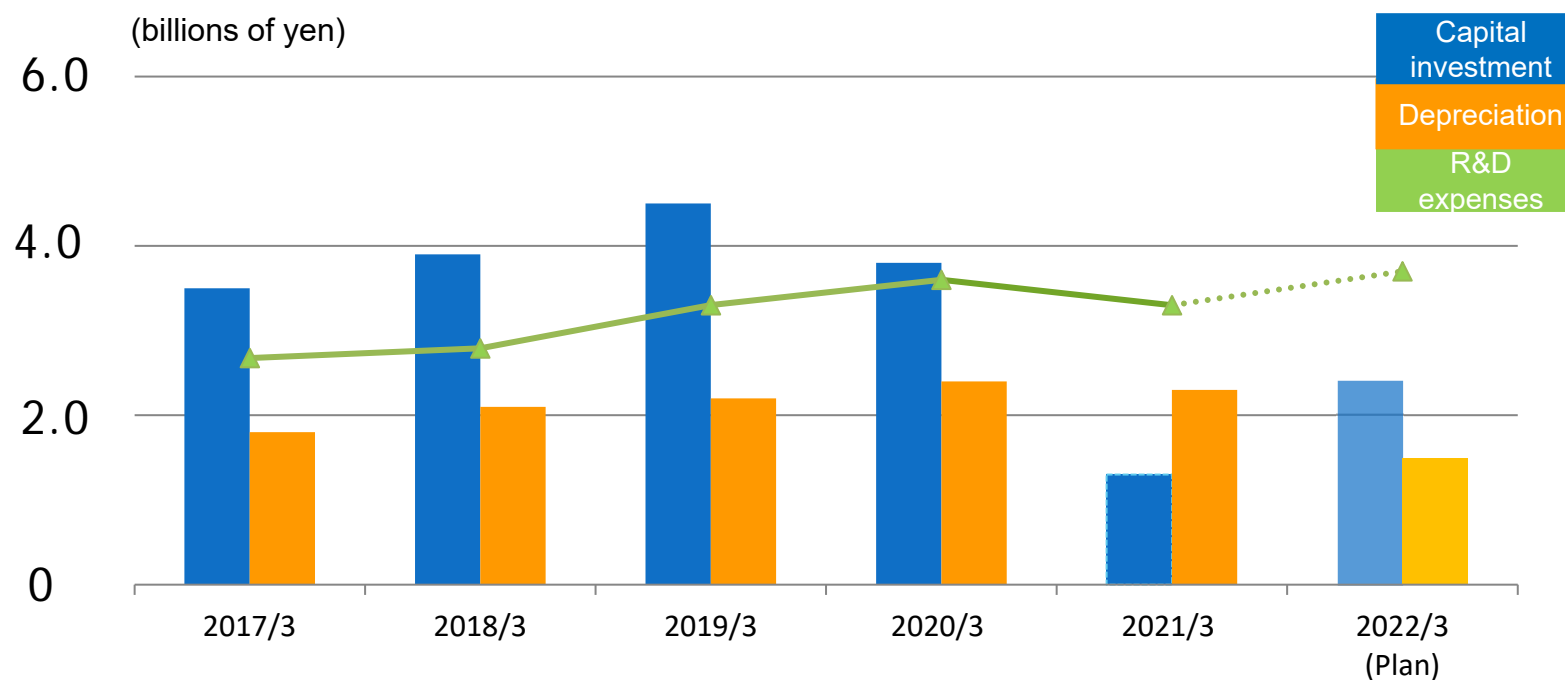
Maintain the pace of development

Fiscal year ending March 2021 2Q (Actual results)

Capital investment of 0.95 billion yen (including leased assets of 0.25 billion yen), depreciation and amortization of 0.65 billion yen, R&D of 1.7 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

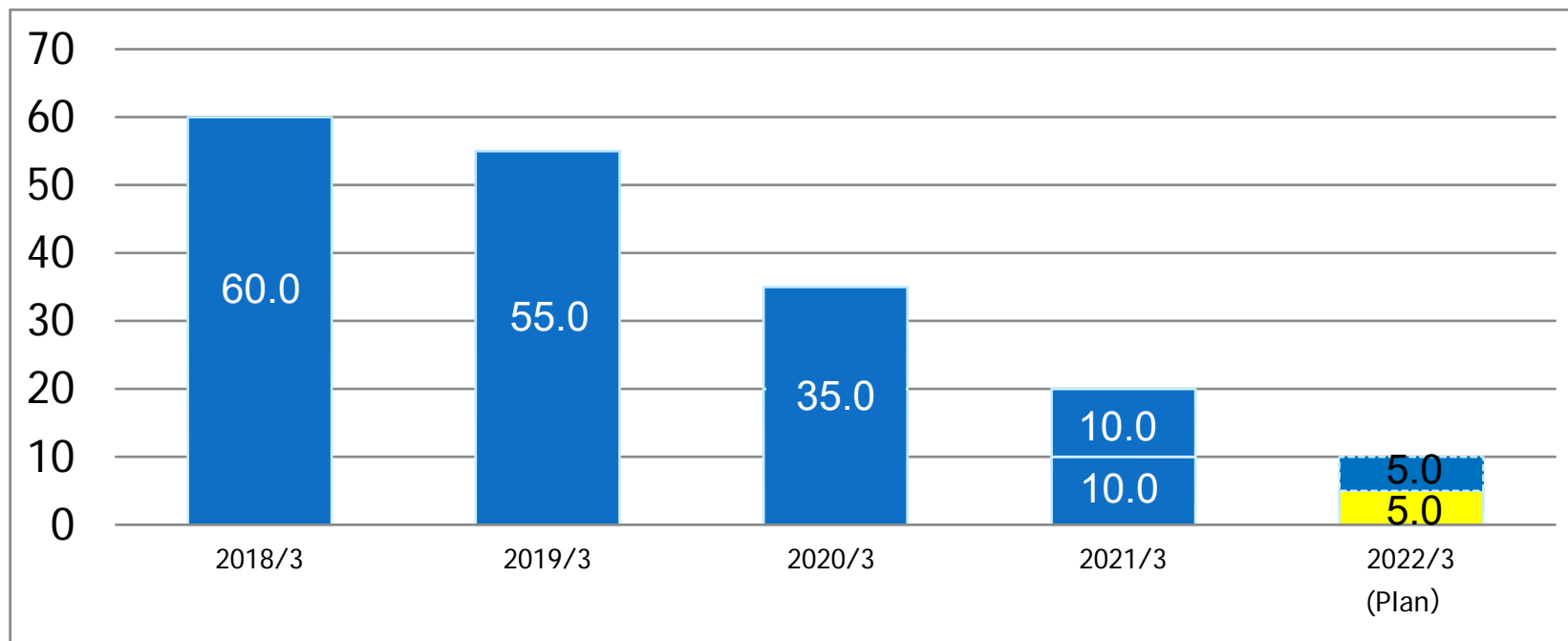


Shareholder Returns

Fiscal year ended March 31, 2022:

Interim dividend of 5.0 yen and year-end dividend of 5.0 yen (plan)

(yen)



Market Environment and Issues Facing the Company

Environment Surrounding the Company

Consumers

- GDP growth due to global population increase etc.
- Change in consumer behavior (Intangible goods consumption, growing interest in SDGs, spread of social media)

Suppliers

- Growing momentum for DX and smart factories
- Investment in conventional machines has peaked out and shifted to seamless machines
- Demand for lower-priced flat knitting machines

Retailers

- Acceleration of electronic commerce due to COVID-19 spread
- Growing engagement in SDGs

Competitors

- Highly competitive pricing and expanded product lineup
- Developments in industry restructuring

Increasing Opportunities

- Stable apparel market in mid- and long-term
- Creation of new market in changing landscape (DX and meeting SDGs)

Issues Facing the Company

- Shifting business structure to combination of “WHOLEGARMENT” and “Solution-based business”
- Speeding up product development and time-to-market to meet the needs of customers
- Business development in new areas (e.g. diversification along existing business)

Priority Measures for Achieving the Targets

(1) Strengthening WHOLEGARMENT business

- Shift of core business structure from conventional machine to WHOLEGARMENT

(2) Conversion to solution-based business

- Restructuring the supply chain for the entire fashion industry

(3) Advancing diversification with distinction

- Speedy launch of new businesses that contribute to management stabilization

(4) Restructuring management infrastructure in response to social change

- Management structure that meets the requirements of post COVID-19

INNOVATION FACTORY

(1) Started operating new factory in Tokyo

Change in capital contribution ratio (December 2020):

FAST RETAILING CO., LTD.: 51% , SHIMA SEIKI: 49%

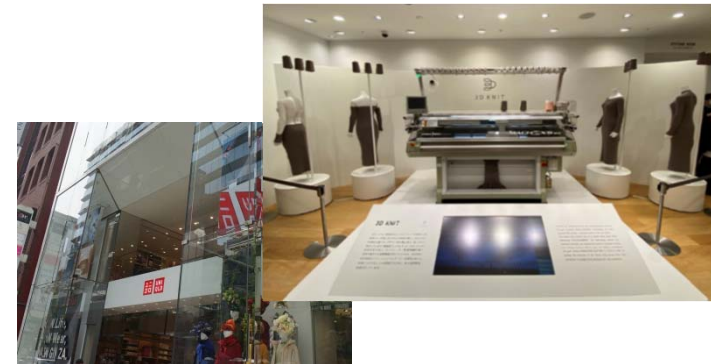
Started operating new factory (April 2021): Shinonome, Koto-ku, Tokyo



The new factory plays a significant role as mother factory of 3D knit goods (WHOLEGARMENT® knit goods), located near Ariake Office of FAST RETAILING CO., LTD., and under the environment where product planning can cooperate with manufacturing.

(2) UNIQLO GINZA

The WHOLEGARMENT® flat knitting machine is exhibited and its demonstration is performed as one of sustainable activities when the global flagship store UNIQLO GINZA was renewed and reopened on September 17, 2021.



(Provided by : FAST RETAILING CO., LTD.)

Operating Activities

Strengthen dispatch of information by webinar



Offer fashion tech-related (3D virtual sampling) series

”What is the sustainable knitting WHOLEGARMENT®?”

Expand to automatic fabric cutting machine “P-CAM”-related

ITMA ASIA + CITME 2020 (Shanghai) Held in June, 2021

Held the private exhibition Cross Tex in Hong Kong at the same time

Introduced a new model of the WHOLEGARMENT® flat knitting machine
(prototype)



Sustainability

- Integrated Report

Issued our first Integrated Report 2021 (Japanese/English)
(October)



- Set up sustainability promotion office

The office was set up as an organization directly under the president on July 1, 2021.

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.