

Consolidated Results for First Half of FY 2022

SHIMA SEIKI MFG., LTD.

November 2022

Summary of Operating Results for Second Quarter of the Fiscal Year Ending March 31, 2023

(Terms: Million yen)	FY 2022 2Q	FY 2021 2Q	FY 2021
Net Sales	17,918	15,814	30,998
Operating Income	(435)	(1,355)	(4,268)
Ordinary Income	(207)	(844)	(3,400)
Net income Attributable to owners of the parent	(511)	(1,068)	(3,589)

*Operating income for the fiscal year ended March 31, 2022, represents the figure after the change in the presentation category.

Exchange rate (JPY)	FY 2022 2Q	FY 2021 2Q	
USD/JPY	144.81	111.92	Exchange rate at the end of the period (Upper level)
	131.87	109.98	Average exchange rate used for translation of sales (Lower level)
EUR/JPY	142.32	129.86	
	138.41	131.16	

Highlights

Operational Review

【 Flat knitting machines 】

• Asia

In China, the impact of the lockdown in urban areas according to the zero COVID policy weakened the appetite for capital spending. This resulted in slowing the introduction of the WHOLEGARMENT® flat knitting machines.

In regions, such as Bangladesh, where OEM is at the center of production, there were many inquiries about computerized flat knitting machines partially due to the recovery from the COVID-19 crisis, and capital spending remained steady.

• European and Middle Eastern markets

In the Italian market, there was a growth in capital spending mainly in high-valued added computerized flat knitting machines as economic activities became active. Also, in Turkey and the East European areas, there were continuing many inquiries due to a strong appetite for capital spending.

【 Design systems 】

- For the apparel design system SDS-ONE APEX4, its sales units increased because of increased sales of computerized flat knitting machines. In addition, the subscription service APEXFiz steadily increased agreements mainly in license agreements with large apparel manufacturers.
- For the auto fabric cutting machine P-CAM, the demand recovered mainly in overseas markets.

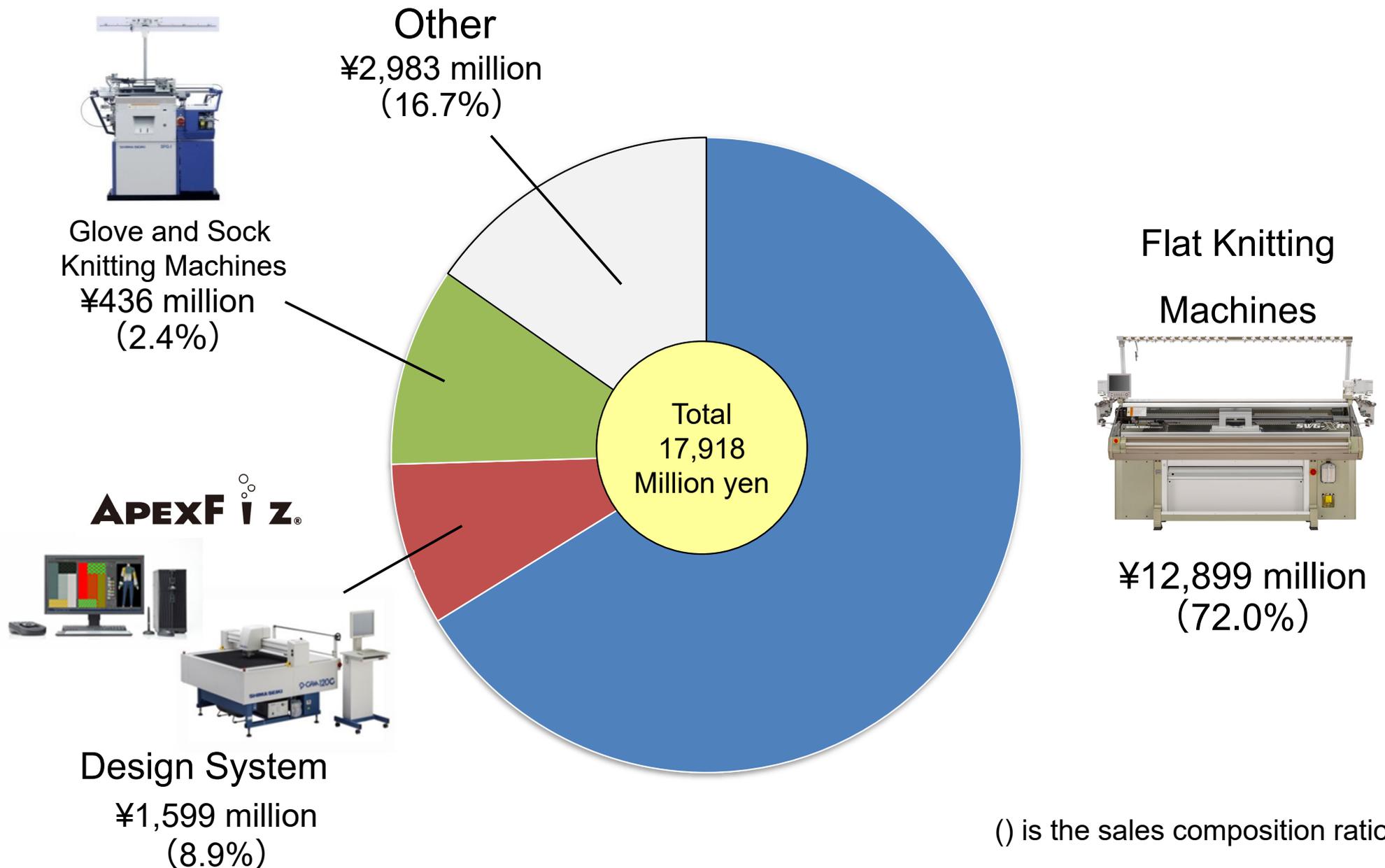
【Globe knitting machines】

- After the start of this fiscal year, net sales of the machines decreased because of a round of capital spending by large manufacturers.

Income

- The gross profit margin recovered because of an improvement in capacity utilization of plants, and selling, general, and administrative expenses were controlled; consequently, operating income was -435 million yen, down from the same period of the previous fiscal year.
(The gross profit margin increased by 3.7 percentage points YoY to 38.1%)

Sales Composition by Segment [Consolidated](FY 2022 2Q)



Sales and Operating Income Composition by Segment (FY 2022 2Q)

(Terms: million yen)

	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Flat Knitting Machine	12,899	+23.1	1,939	+85.6
Design System	1,599	+22.0	354	-4.0
Glove and Sock Knitting Machines	436	-72.8	9	-84.6
Other	2,983	+23.2	523	+128.3
Corporate elimination			(3,263)	
Total	17,918	+13.3	(435)	—

Flat Knitting Machines Segment

Category



WHOLEGARMENT® Flat Knitting Machine

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

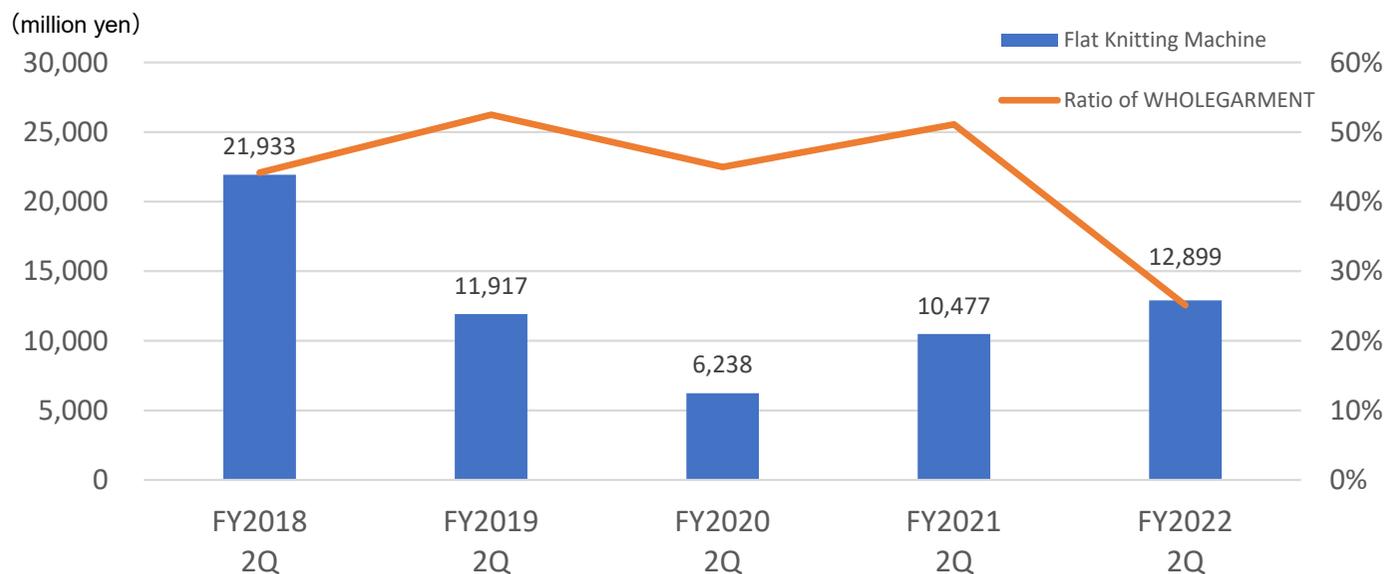


Computerized Flat Knitting Machine

- 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

WHOLEGARMENT's percentage of net sales decreased to 25%.

Developments in net sales of flat knitting machines and ratio of WHOLEGARMENT



Design systems Segment



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

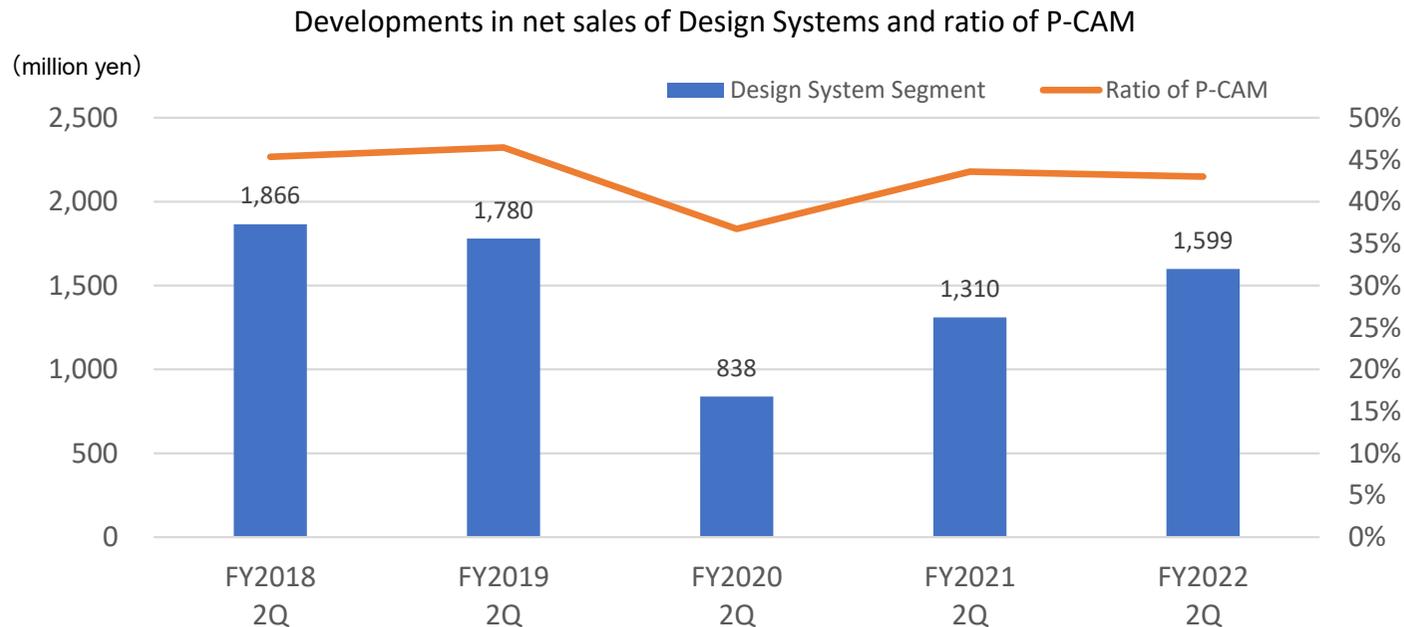
- Providing the automated cutting machine, as well as the spreading, labeling, and pick-up equipment, to save manpower in the processes before and after fabric cutting. Penetration is sought into a variety of industries that include apparel, automobiles, and industrial materials as Shima Cutting Solutions.

Design Software 「APEXFiz」

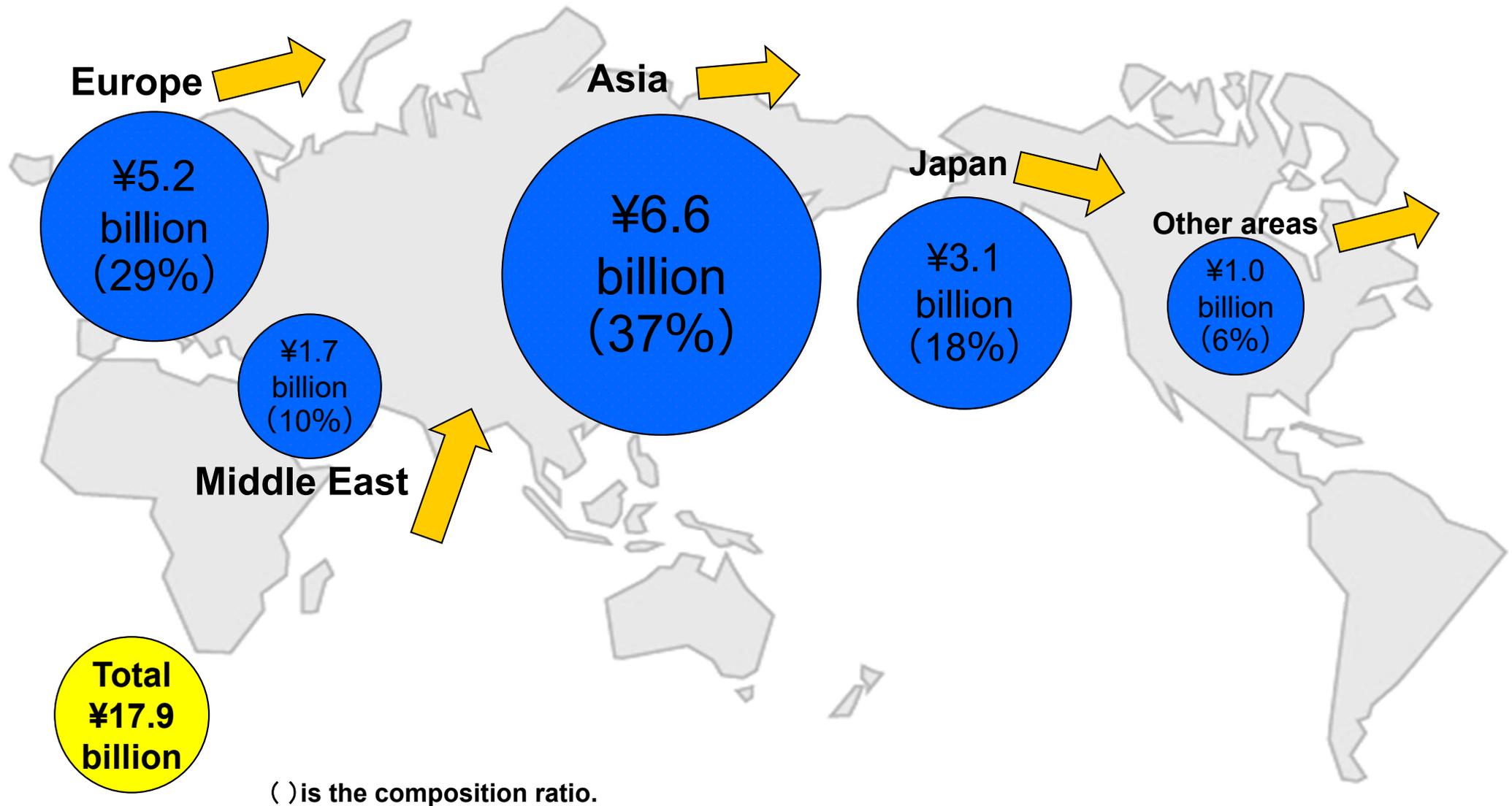


- Subscription software of Design System
- The software can be downloaded to PCs and makes it possible to create designs anytime and anywhere.

P-CAM's percentage of net sales of around remained 40%.



Sales by Region [Consolidated] (FY 2022 2Q)



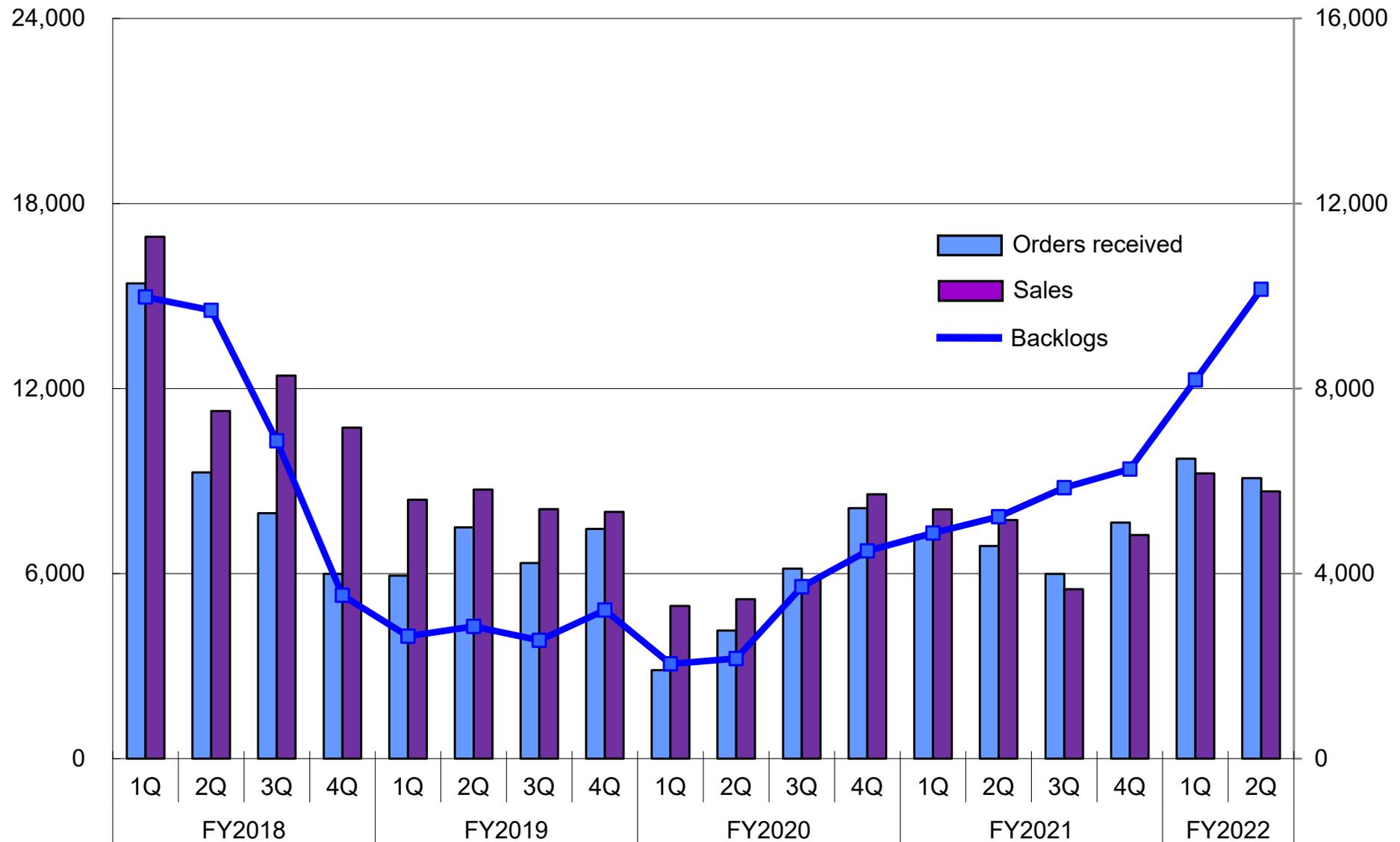
Consolidated Sales by Region [Consolidated] (FY 2022 2Q)

(million yen)	FY 2022 2Q	FY 2021 2Q	Comparison with previous year (%)
Japan	3,197	3,552	-10.0
Europe	5,211	4,520	+15.3
Asia	6,689	6,546	+2.2
Middle East	1,725	369	+367.5
Other Areas (Overseas)	1,094	825	+32.5
Total	17,918	15,814	+13.3

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

(Orders received/Sales) Million yen

(Backlogs) Million yen



Developments in Quarterly Results 〔Consolidated〕

	FY2020				FY2021				FY2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	4,954	5,171	5,787	8,574	8,081	7,733	6,691	8,491	9,252	8,665
Operating income	(1,970)	(2,213)	(2,371)	(2,588)	(358)	(997)	(1,639)	(1,273)	(712)	276
Ordinary income	(1,414)	(1,721)	(1,777)	(2,360)	(154)	(689)	(1,473)	(1,082)	(516)	309
Net income attributable to owners of the parent	(1,463)	(1,745)	(1,861)	(12,796)	(271)	(797)	(1,567)	(952)	(686)	174

*Operating income for the previous fiscal year and the first quarter of this fiscal year represents figures after the change in the presentation category.

Orders received	2,868	4,153	6,160	8,120	7,235	6,897	5,994	7,651	9,726	9,093
Backlogs	2,048	2,163	3,716	4,489	4,877	5,229	5,858	6,260	8,186	10,145

Balance Sheet [Consolidated] (FY 2022 2Q)

Cash and deposits	20,573 million yen in the first half of the fiscal year ending March 31, 2023 (24,339 million yen at the end of the previous period), down 3,765 million yen from the end of the previous period
Trade accounts receivable	44,899 million yen in the first half of the fiscal year ending March 31, 2023 (39,498 million yen at the end of the previous period), down 5,401 million yen from the end of the previous period
Inventories	18,685 million yen in the first half of the fiscal year ending March 31, 2023 (15,098 million yen at the end of the previous period), down 3,586 million yen from the end of the previous period
Equity Ratio	86.9% (87.2% End of fiscal year ended March 31, 2022)

(Million yen)	FY 2022 2Q	FY 2021	Increase / decrease
Current assets	80,693	74,536	6,157
Fixed assets	26,380	27,273	(892)
(Property, plant, and equipment)	16,172	16,250	(78)
(Intangible fixed assets)	2,234	2,114	119
(Investments and other assets)	7,973	8,907	(934)
Total assets	107,074	101,809	5,264
Current liabilities	9,495	8,188	1,307
Long-term liabilities	4,462	4,825	(362)
Total liabilities	13,958	13,013	944
Shareholder's equity	85,214	85,899	(685)
Accumulated other comprehensive income	7,863	2,862	5,000
Equity warrants	19	16	3
Non-controlling interest	18	17	0
Total net assets	93,115	88,795	4,320
Total liabilities and net assets	107,074	101,809	5,264

(Figures of less than one million are rounded down)

Statements of Cash Flows [Consolidated]

Cash flows from operating activities	Decreased 4,933 million yen due to an increase in trade receivables and inventory.
Cash flows from investing activities	Increased 513 million yen due to proceeds from the sales of investment securities.
Cash flows from financing activities	Decreased 665 million yen due to payment of lease obligations and dividends.
Cash and cash equivalents at end of year	Decrease of 3,749million yen from the end of the previous year.

Title of accounts (Terms: Million yen)	FY 2022 2Q	FY 2021 2Q
Cash flows from operating activities	(4,933)	2,079
Cash flows from investing activities	513	(863)
Cash flows from financing activities	(665)	(4,793)
Effect of exchange rate changes on cash and cash equivalents	1,336	1
Increase (decrease) in cash and cash equivalents	(3,749)	(3,576)
Cash and cash equivalents at beginning of year	24,271	25,582
Cash and cash equivalents at end of year	20,521	22,006

(Figures of less than one million are rounded down)

Forecast〔Consolidated〕

Revised earnings forecast, which had been published on May 10, 2022, as follows in light of recent earnings trend

(Million yen)

	FY 2022	Comparison with the previous year (%)	FY 2021
Net Sales	44,500	+43.6	30,998
Operating income	1,000	—	(4,268)
Ordinary Income	1,600	—	(3,400)
Net income Attributable to owners of the parent	800	—	(3,589)

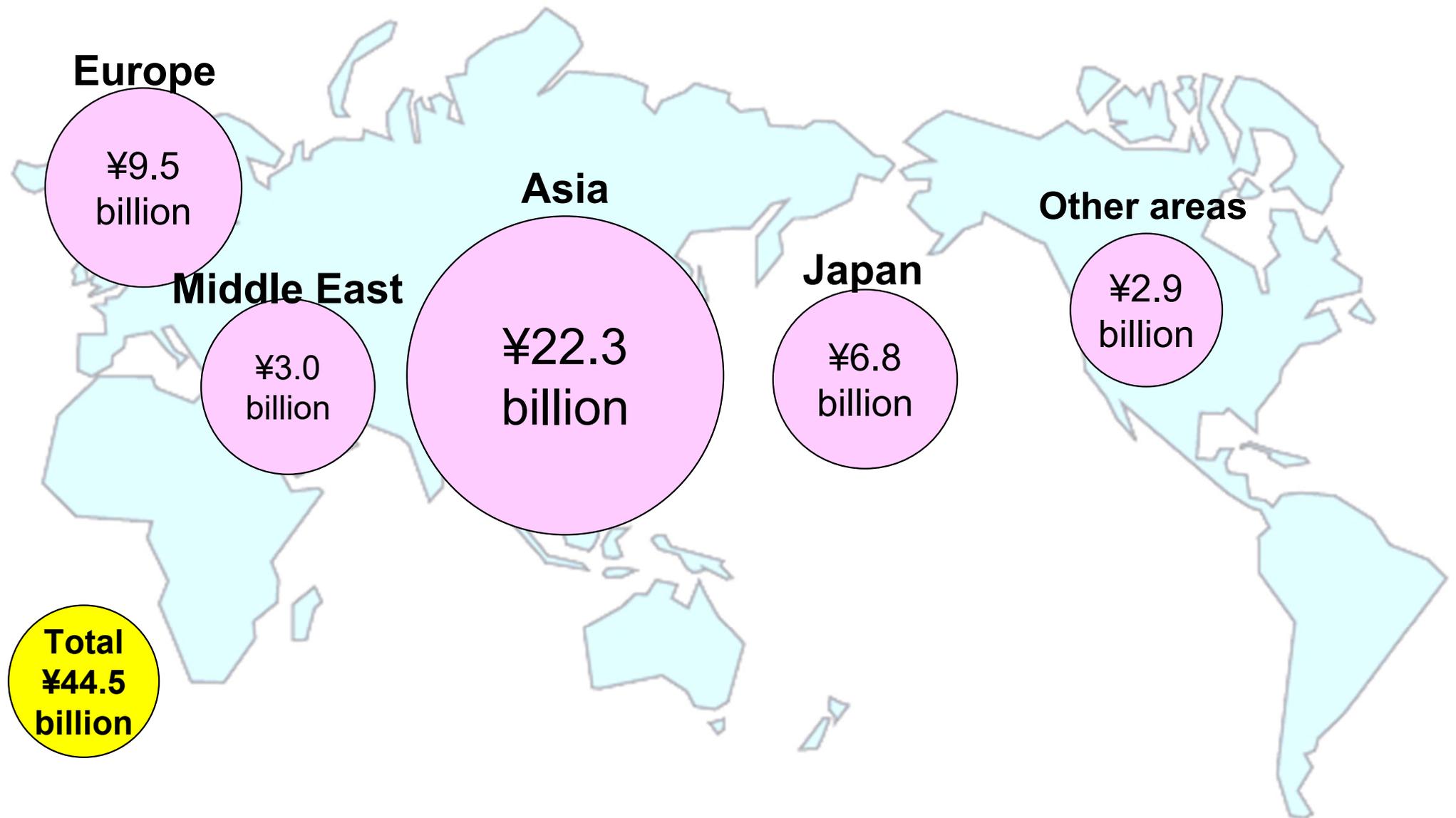
Forecast of currency rates for March 2023: 135 JPY/USD, 135 JPY/EUR

Sensitivity of operating income where the exchange rates fluctuate by 1 yen:
35 million yen for the USD, 5 million yen for the EUR

Sales and Operating Income Forecast by Segment

(million yen)	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
	Full-year forecast		Full-year forecast	
Flat Knitting Machine	34,700	+67.7	5,800	+850.5
Design System	3,200	+11.5	700	-4.3
Glove and Sock Knitting Machines	900	-63.2	30	+32.4
Other	5,700	+14.2	1,000	+89.6
Corporate elimination			(6,530)	
Total	44,500	+43.6	1,000	—

Forecast Sales by Region [Consolidated]



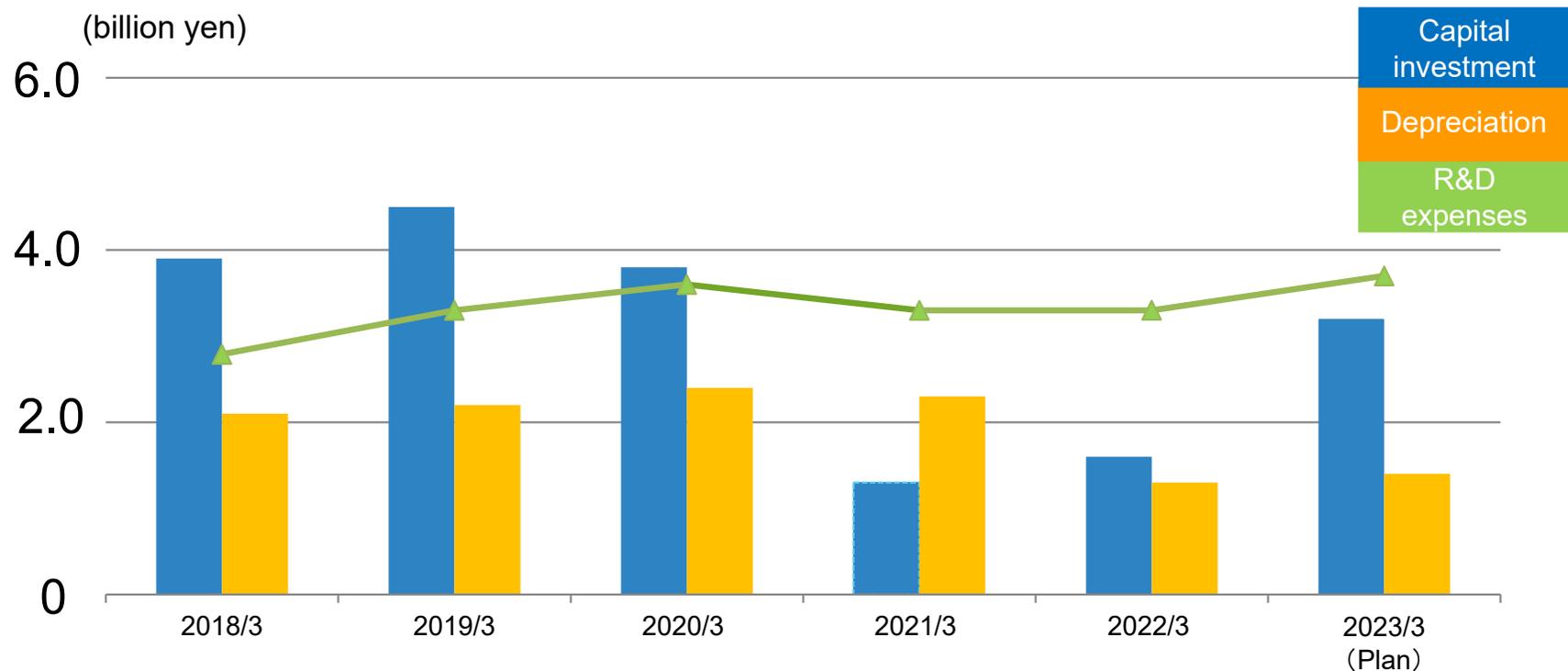
Maintain the pace of development

Fiscal year ending March 2023 2Q (Actual results)

Capital investment of 0.61 billion yen (including leased assets of 0.07 billion yen), depreciation and amortization of 0.67 billion yen, R&D of 1.81 billion yen

Fiscal year ending March 2023 (Plan)

Capital investment of 3.2 billion yen (including leased assets of 1.7 billion yen), depreciation and amortization of 1.4 billion yen, R&D of 3.7 billion yen

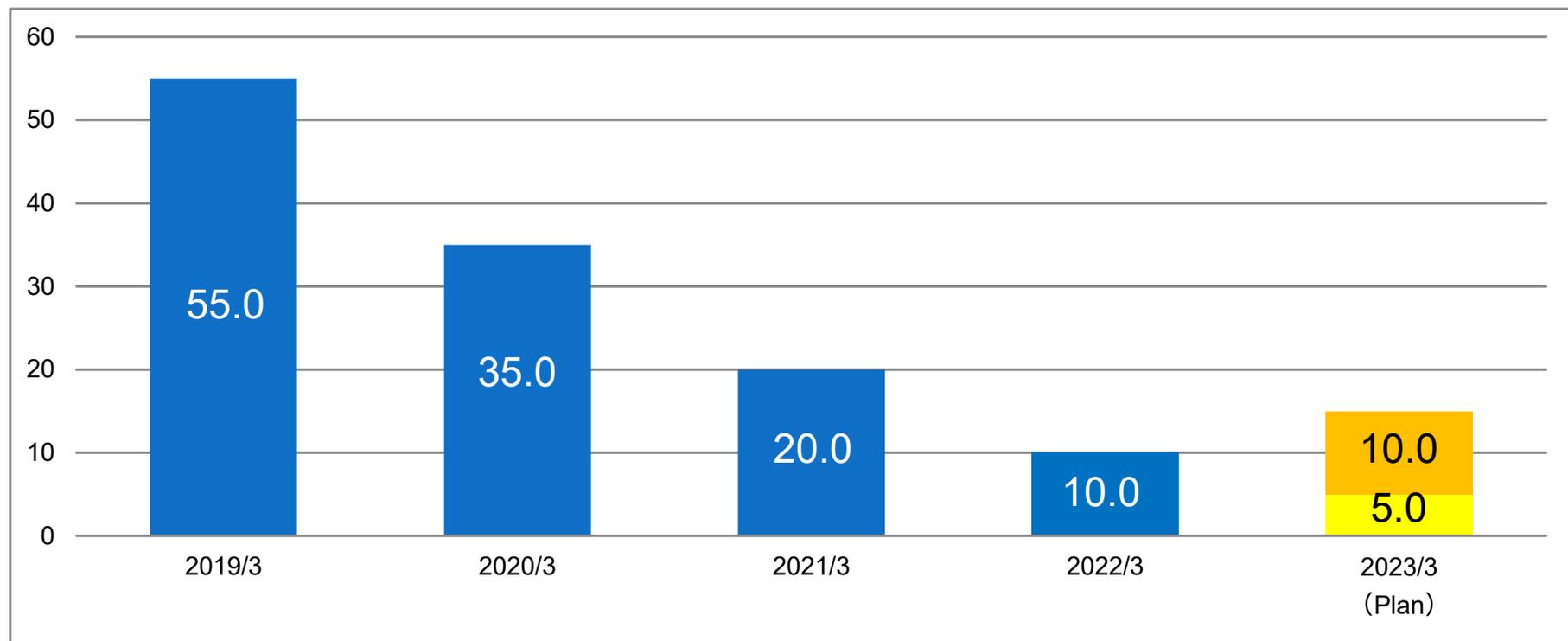


Shareholder Returns

Fiscal year ended March 31, 2023:

Interim dividend of 5.0 yen and year-end dividend of 10.0 yen (plan)

(yen)



Holding of the events commemorating the 60th anniversary of establishment

① Holding the anniversary events at the headquarters

Publishing a variety of exhibitions and experiences in the headquarters building of the Company for three months from September 1 to November 30 to make new proposals to customers.

Details

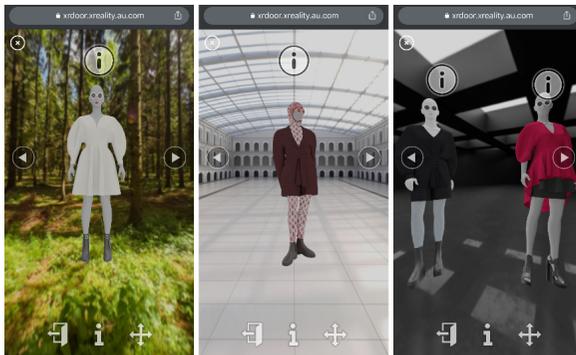
- Exhibitions about history/concept of the Company
- Virtual fashion show with special production
- XR (cross reality) experience
- Sustainable efforts made by affiliated companies
- Exhibition of a real machine and a sample of the latest model SWG®-XR
- Exhibition of a sample of the test model



Holding of the events commemorating the 60th anniversary of establishment

② Online special website also providing fulfilling contents

Opening the special website by November 30 (in plan) so that those who have difficulty visiting the headquarters can also enjoy the contents



XR contents enjoyable anytime and anyplace

- Online viewing of the virtual fashion show
- Possible to experience XR technology where the real is blended with the virtual on your device
- Possible to see detailed information of samples displayed at the headquarters and presented in the 360-degree VR showroom

URL for the special website commemorating the 60th anniversary of establishment:
<https://www.shimaseiki.com/60th/>



Archive delivery of videos of the online event

- Keynote speeches from related parties providing cooperation with the efforts of the Company
- Online presentation made by yarn manufactures registered with the yarn search service yarnbank®
- Introduction of overview of solutions suggested by the Company and use cases of suggested services

URL for archive delivery of the online events:
<https://www.shimaseiki.com/60th/event/archive/>



Sustainability-Related

• Expression of support for TCFD recommendations

Creation of measures to achieve
carbon neutrality by 2050



Building of the management system for climate change problem

Disclosure of impact on business and measures

Disclosure of greenhouse effect gas emissions and information about KPIs

• Establishment of sustainability committee

Launching June 2022 with executive officers serving as a member.

Dealing with a variety of issues related to climate change.

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.