

SHIMA SEIKI MFG., LTD.

Representative: Mitsuhiro Shima, President

Code number: 6222

Stock listings: Tokyo Stock Exchange (1st section)

**Notice regarding Posting of Extraordinary Loss and Amendments
to Full-year Earnings Forecasts**

SHIMA SEIKI MFG., LTD. (the "Company") is expected to post an impairment loss of fixed assets and a loss on the valuation of stocks of subsidiaries and affiliates as an extraordinary loss in the consolidated accounting period for the fiscal year ending March 2021. The Company hereby announces that in relation to this, full-year consolidated and unconsolidated earnings forecasts for the fiscal year ending March 2021, which were published on October 29, 2020, are amended as described below.

Notes

1. Posting of extraordinary loss**(1) Impairment loss**

The Company examined the future recoverability of fixed assets of land and manufacturing facilities owned by it and its consolidated subsidiaries based on the Accounting Standard for the Impairment of Fixed Assets. As a result of the examination, it is expected to post an extraordinary loss (impairment loss) of about 10.190 billion yen on a consolidated basis and about 8.860 billion yen on an unconsolidated basis, respectively, for the fiscal year ending March 2021.

(2) Loss on valuation of stocks of subsidiaries and affiliates

As a result of the valuation of stocks of the consolidated subsidiary Shima Seiki U.S.A. Inc. and one unconsolidated subsidiary (one Japanese company) of the Company based on the Accounting Standard for Financial Instruments, an impairment loss will be recognized on an unconsolidated basis. Consequently, it is expected to post as an extraordinary loss (loss on valuation of stocks of subsidiaries and affiliates) an impairment loss of about 0.2 billion yen on a consolidated basis and about 0.56 billion yen on an unconsolidated basis, respectively, for the fiscal year ending March 2021.

2. Revision to consolidated earnings forecast for the year ending March 31, 2021**(1) Revised consolidated earnings forecast for the year ending March 31, 2021**

(April 1, 2020 – March 31, 2021)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	25,000	-8,500	-7,000	-7,200	^{Yen} -208.63
Revised forecast (B)	24,400	-9,100	-7,200	-17,800	-515.77

Increase or decrease (B-A)	-600	-600	-200	-10,600	—
Percentage change (%)	-2.4	—	—	—	—
<Reference> Previous results (FY2019)	33,206	-5,602	-5,583	-8,427	-239.68

(2) Revised non-consolidated earnings forecast for the year ending March 31, 2021
(April 1, 2020 – March 31, 2021)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	18,600	-7,100	-5,900	-5,900	-170.96 ^{Yen}
Revised forecast (B)	18,300	-7,000	-5,200	-14,600	-423.05
Increase or decrease (B-A)	-300	100	700	-8,700	—
Percentage change (%)	-1.6	—	—	—	—
<Reference> Previous results (FY2019)	26,096	-5,807	-5,775	-8,053	-229.05

(3) Reasons for the revision

There is uncertainty about a recovery in the demand environment surrounding the Company's main user apparel industry due to the impact of the spread of COVID-19 worldwide. During this, the movement to reduce excess manufacturing and the volume of stocks remains unchanged on the back of increasing environmental awareness. Under such an environment, capital investment is generally low in the apparel industry, and so it is expected that an improvement in the business environment surrounding the Company and full-scale recovery of orders received will require time.

The Company examined future recoverability for the fourth quarter, taking into account prospects for business results. Consequently, it is expected to recognize an impairment loss of fixed assets of land and manufacturing facilities owned by the Company and its consolidated subsidiaries. In relation to posting an impairment loss and a loss on the valuation of stocks of subsidiaries and affiliates as stated in the above paragraph 1. as part of the extraordinary loss, it is expected that net income attributable to owners of the parent and net income will be largely below the forecasts announced last time on a consolidated basis and an unconsolidated basis, respectively. Given these conditions, the Company amends the full-year earnings forecasts (consolidated/unconsolidated).

* The above forecast of financial performance is based on information currently available to the Company, as well as certain assumptions deemed reasonable, and is not intended as a commitment by the Company to achieve such results. The actual results may differ significantly due to various factors.