

SHIMA SEIKI MFG., LTD.

Representative: Mitsuhiro Shima, President

Code number: 6222

Stock listings: Tokyo Stock Exchange (1st section)

Notice regarding revision of earnings forecast and dividend forecast

SHIMA SEIKI MFG., LTD. (the “Company”) announces that it has revised its earnings forecast and dividends forecast for the fiscal year ended March 31, 2019 announced on October 24, 2018 based on recent performance trends.

Notes

1. Revision of earnings forecast for the year ended March 31, 2019

(1) Revised consolidated earnings forecast for FY2018 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	58,000	8,000	8,200	6,000	Yen 164.33
Revised forecast (B)	51,300	4,300	4,700	3,400	93.63
Increase or decrease (B-A)	-6,700	-3,700	-3,500	-2,600	—
Percentage change (%)	-11.6	-46.3	-42.7	-43.3	—
<Reference> Previous results (FY2017)	71,858	14,905	15,525	11,279	316.82

(2) Revised non-consolidated earnings forecast for FY2018 (April 1, 2018 – March 31, 2019)

(Millions of yen)

	Net sales	Ordinary income	Net income attributable to owners of the parent	Net income per share
Previous forecast (A)	46,200	5,200	3,800	Yen 104.08
Revised forecast (B)	39,300	2,200	3,200	88.13
Increase or decrease (B-A)	-6,900	-3,000	-600	—
Percentage change (%)	-14.9	-57.7	-15.8	—
<Reference> Previous results (FY2017)	61,038	10,435	7,495	210.53

(3) Reasons for the revision

For the current term, the introduction of WHOLEGARMENT flat knitting machines centering on the Chinese market expanded steadily; however, the capital investment in the computerized flat knitting machines remained sluggish in Bangladesh, an OEM production base dedicated to apparel for developed countries, because of the domestic political situation in that country. Moreover, the capital investment grew stagnant in Turkey in the Middle East because of the weak currency. In addition, sales of computerized flat knitting machines for the production of shoes in the Asian market became sluggish as a result of the intensification of competition. We anticipated that our ongoing marketing efforts would defuse the situation and that a recovery would begin in the fourth quarter when users' capital investment reached a peak. Based on this assumption, we announced the previous earnings forecast. However, in the midst of increased uncertainty in the trend for apparel production due to the economic deceleration around the world, many of the users pulled back from capital investment, which led to the failure to recover sales in our core product of computerized flat knitting machines. Each profit level under the category of operating income is projected to become much lower than the previous estimates due to the decline in the gross profit, which resulted from production adjustments made in response to a decrease in the number of orders received and an increase in the allowance for doubtful accounts in response to delays in payment by some customers. In light of these conditions, we must regrettably revise our earnings forecast for the whole fiscal year (consolidated and unconsolidated) again.

2. Revision of year-end dividend forecast for the year ended March 31, 2019

(1) Details of revision to dividend forecast

	Dividend per share (Yen)				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Total
Previous forecast (October 24, 2018)	—	—	—	Not decided	—
Revised forecast	—	—	—	25.00	55.00
Current results	—	30.00	—		
Previous results (FY2017)	—	25.00	—	35.00	60.00

(2) Reasons for the revision of the dividend forecast

While the year-end dividend for the fiscal year ending March 31, 2019 had not been determined, we decided to set the dividend at 25.00 yen per share based on the revised earnings forecast. The Company considers profit returns to shareholders as one of the most important managerial issues and is determined to make ongoing efforts to ensure the payment of stable dividends to shareholders over the long term.

* 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.