



Consolidated Results for First Half of FY 2017

SHIMA SEIKI 

Summary of Operating Results for 2Q of the Fiscal Year Ending March 31, 2018

Achieved sales and profit growth with operating profit margin of 22%

(Million of yen)	2Q of the fiscal year ending March 31, 2018	2Q of the fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net Sales	35,569	29,615	62,432
Operating income	8,060	5,500	11,262
Ordinary income	8,884	2,310	10,043
Net income attributable to owners of the parent	6,529	1,683	7,198

Exchange rate (for 2Q)

USD/JPY	112.73	101.12	Exchange rate at the end of the period (upper row)
	111.18	105.91	Average exchange rate for translation of sales (lower row)
EUR/JPY	132.85	113.36	
	127.08	118.44	

Highlights

Overview of segments

Flat Knitting Machine Segment・・・

- Following the previous period, active capital expenditures were made in ASEAN countries and Bangladesh. The SVR and SSR series increased sales.
- In China, the introduction of WHOLEGARMENT flat knitting machines was advanced, and a shoes-related investment was made.
- In Europe, sales of WHOLEGARMENT flat knitting machines were flat to the previous fiscal year despite an increase in Italy.
- In Turkey and the Middle East, the segment showed recovery from around the summer, but it recorded a sales decline.

Design System Segment・・・

- The design system SDS-ONE APEX3 and the P-CAM automated cutting machine recorded solid sales.

Glove and Sock Knitting Machine Segment・・・

- The segment recorded slightly lower performance over the actual results of the previous period despite advanced replacement of facility of major manufacturers.

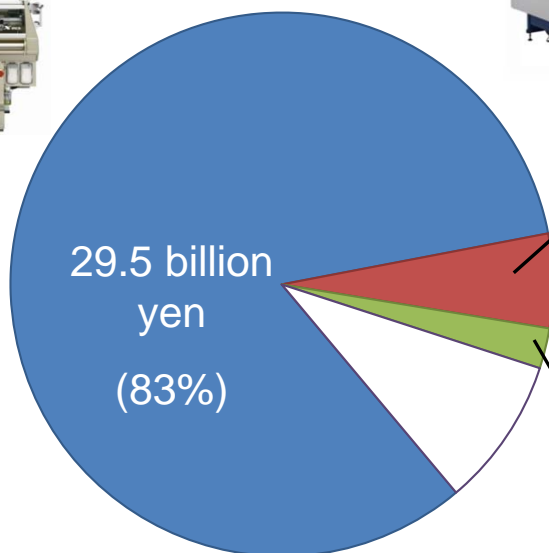
Profits

- Operating income increased because of sales growth and an improvement in the gross profit margin (48%) arising from the effect of increased production.
- Exchange profit and loss turned positive from the recording of the exchange loss in the previous fiscal year, and consequently ordinary income and net income attributable to owners of the parent sharply increased to more than three times the figures for the same period of the previous fiscal year.

Business Segment

A large sales growth in Flat Knitting Machine Segment

Computerized Flat Knitting Machines

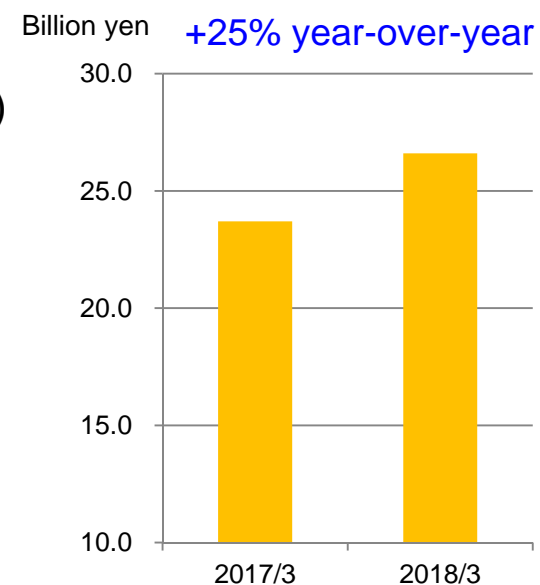


Design Systems
1.9 billion yen (6%)



Glove and Sock Knitting Machines
0.8 billion yen (2%)

Computerized Flat Knitting Machines Segment



Consolidated sales: 35.5 billion yen

() is the composition ratio.

Sales and Operating Income by Segment (Second quarter)

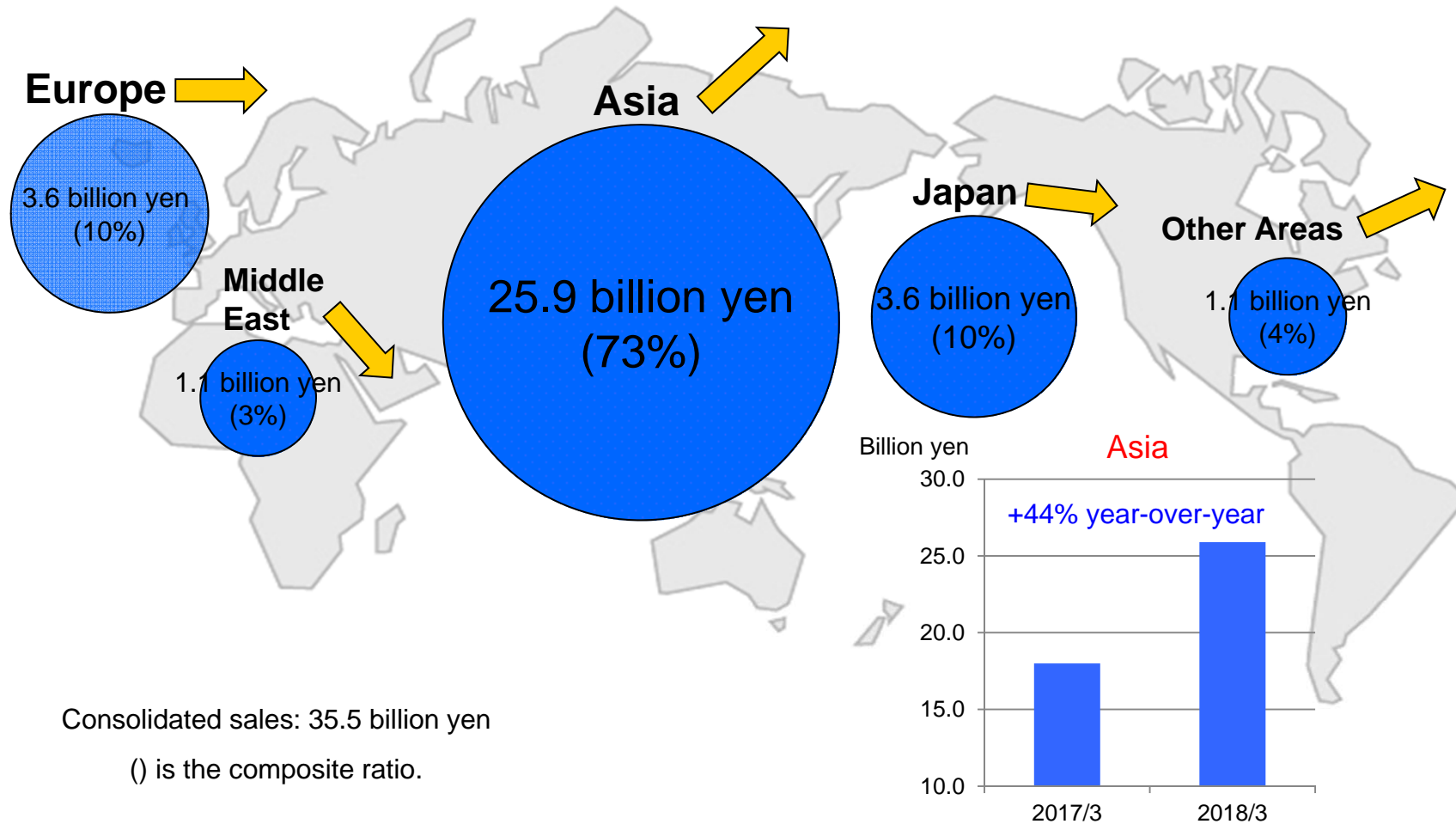
(Terms: Millions of yen)

	Net Sales	Comparison with previous year	Operating income	Comparison with previous year
Computerized Flat Knitting Machines	29,569	+24.5%	9,868	+33.9%
Design Systems	1,980	+9.9%	564	+54.0%
Glove & Sock Knitting Machines	869	(5.4%)	194	(11.4%)
Other	3,150	(0.1%)	388	+1.9%
Corporate elimination			(2,955)	—
Total	35,569	+20.1%	8,060	+46.5%

Consolidated Sales and Ratio by Region

A large sales growth because of favorable Asian markets

Terms: Japanese Yen



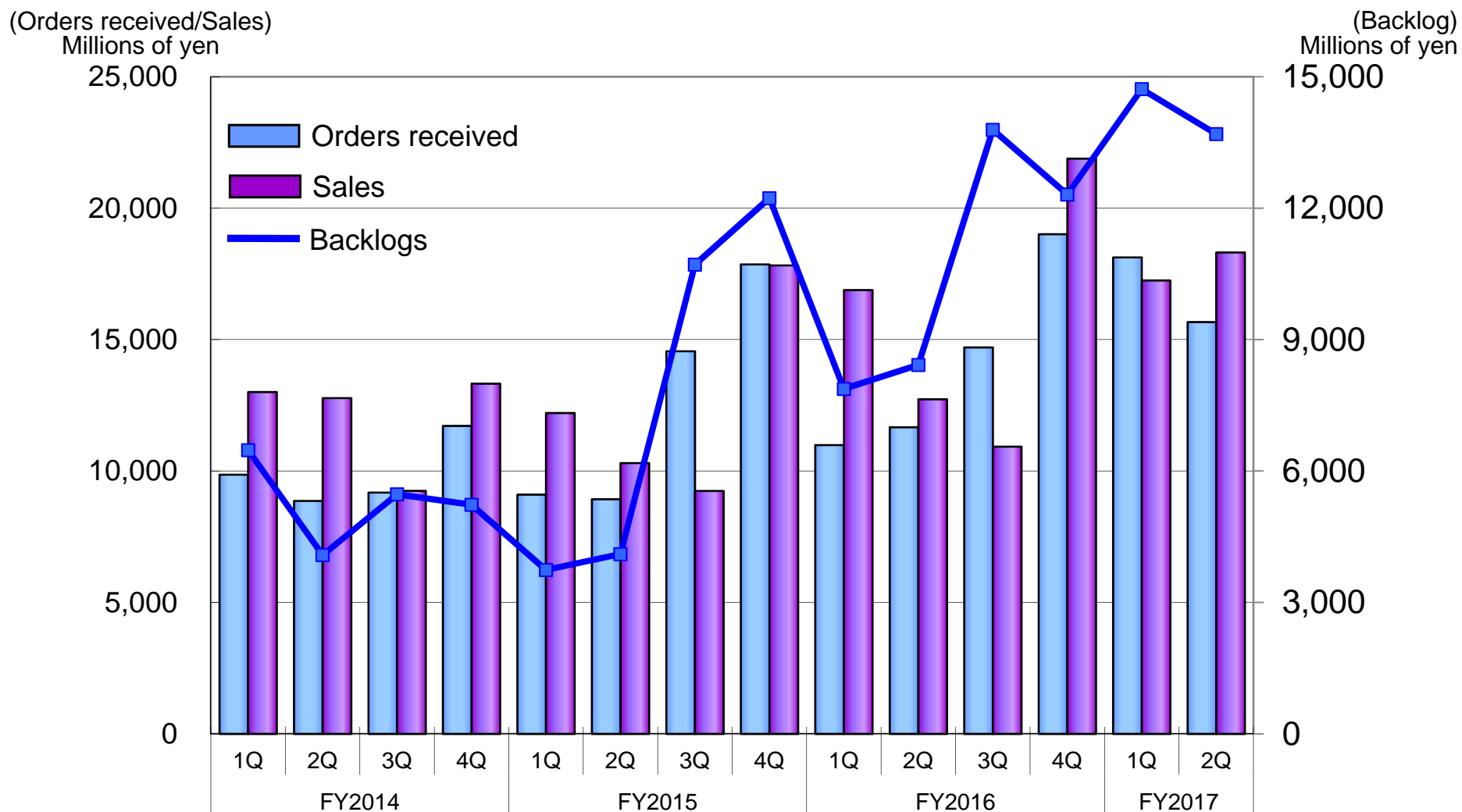
Consolidated Sales by Region (Second quarter)

(Terms: Millions of yen)

Area	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017	Comparison with previous year
Japan	3,620	3,964	(8.7%)
Europe	3,668	3,710	(1.1%)
Asia	25,962	18,075	+43.6%
Middle East	1,147	3,043	(62.3%)
Other Areas (overseas)	1,170	821	+42.4%
Total	35,569	29,615	+20.1%

Trends of Orders Received, Sales, and Backlog [Consolidated]

Solid orders received and a high level of backlog



Trend of Operating Results by Quarter [Consolidated]

	2016/3				2017/3				2018/3	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	12,207	10,305	9,244	17,825	16,885	12,730	10,929	21,886	17,251	18,318
Operating Income	1,192	800	697	3,091	3,791	1,709	899	4,862	3,747	4,313
Ordinary Income	2,218	219	707	1,387	990	1,320	2,629	5,102	4,181	4,702
Net income attributable to owners of the parent	1,422	198	366	1,282	873	810	1,802	3,711	3,048	3,480

Orders received	9,104	8,928	14,559	17,863	10,989	11,665	14,704	19,011	18,130	15,670
Backlog	3,741	4,103	10,712	12,229	7,873	8,421	13,790	12,312	14,718	13,693

Challenges for the Current Period

Joined in tradeshows and held personal exhibitions and seminars around the world

Invited domestic and foreign customers to the event commemorating the 55th anniversary of establishment of the company's foundation on November 16 and 17, 2017, where the leading-edge technologies were promoted



Medium-Term Management Plan「Ever Onward 2017」

The year ending March 31, 2018, is the last fiscal year of the medium-term management plan.

i) Strengthening the flat knitting business

We will further strengthen the flat knitting business by increasing customer satisfaction through innovative marketing strategies by employing Wholegarment solutions.

ii) Advancing unique business segments

We will advance our differentiation strategy by creating innovative business models that tap into our unique Wholegarment technology. We will also expand flat knitting technology into non-fashion fields and strengthen the automated cutting machine solution business.

iii) Improving the profit structure

We will achieve sustainable revenue growth and strategic cost reductions by reviewing our fundamental business practices and diversifying revenue sources through enhanced after-sale services and improved operating cash flows.

iv) Reinforcing the management infrastructure

We will reinforce overall management resources, including the recruiting of creative and diverse personnel, and build a management structure with greater emphasis on CSR.

FY2017 Consolidated Targets (Terms: Billions of yen)	Net Sales	73.0
		(Original Plan 70.0)
	Operating Income	15.0
	Ordinary Income	15.0
	Net Income	10.0
	R O E	8.5%

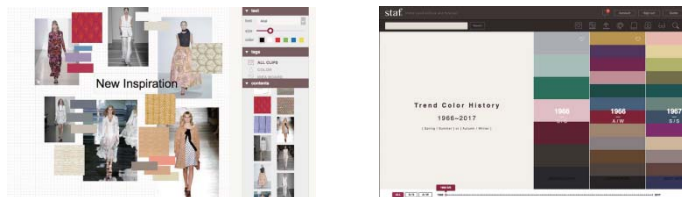
Challenges to New Fields

Started development of new software

- In September 2016, launched the new web service “staf” assisting the making of unique things
- In April 2017, launched Shima KnitPLM, the first PLM solution in the world dedicated for the flat knitting industry

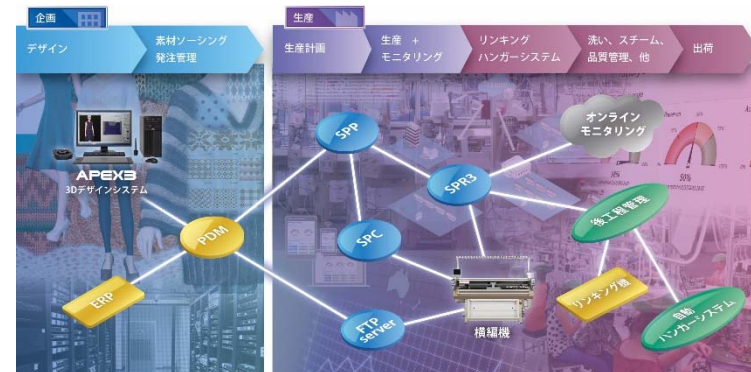
「staf」

Staf is the web service that provides fashion archives and trend information for the last 50 years and a variety of contents. The tool with intuitive and easy operation allows users to arrange information and make product plans and give support to the making of things in the fashion industry at all stages.



「Shima KnitPLM」

It is necessary to manufacture products at a higher pace and a shorter cycle as a result of globalization and diversification of the fashion market. Shima KnitPLM (PLM or product lifecycle management) increases the productivity of all processes of knit production through leading-edge IoT technology. It also optimizes production through production planning, management, and monitoring to increase productivity.



Develop a new field

We apply the technology for WHOLEGARMENT machines to various fields, not just the fashion industry, and pursue aggressively our original proposal with both flat knitting technology and cutting technology to expand demand.



3D Sharping



Inlay patterns limit typical stretch characteristics of knitwear



PET Monofilament



Carbon Fiber + Nylon



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



Operating Results Forecast for the Fiscal Year Ending March 31, 2018

「Ever Onward 2017」

(Millions of yen)	Fiscal year ending March 31, 2018 (forecast)	Comparison with the previous year (%)	Fiscal year ended March 31, 2017
Net Sales	73,000	+16.9	62,432
Operating income	15,000	+33.2	11,262
Ordinary income	15,000	+49.4	10,043
Net income attributable to owners of the parent	10,000	+38.9	7,198

Assumption of exchange rate for the full-year forecast: 110 JPY/ USD, 120 JPY/EUR

Sensitivity of operating income where the exchange rates fluctuate by 1 yen: 430 million yen for the USD, 20 million yen for the EUR

Sales and Operating Income Forecast by Segment (for the Year Ending March 31, 2018)

Driving force in the flat knitting machine segment

(Term: Millions of yen)

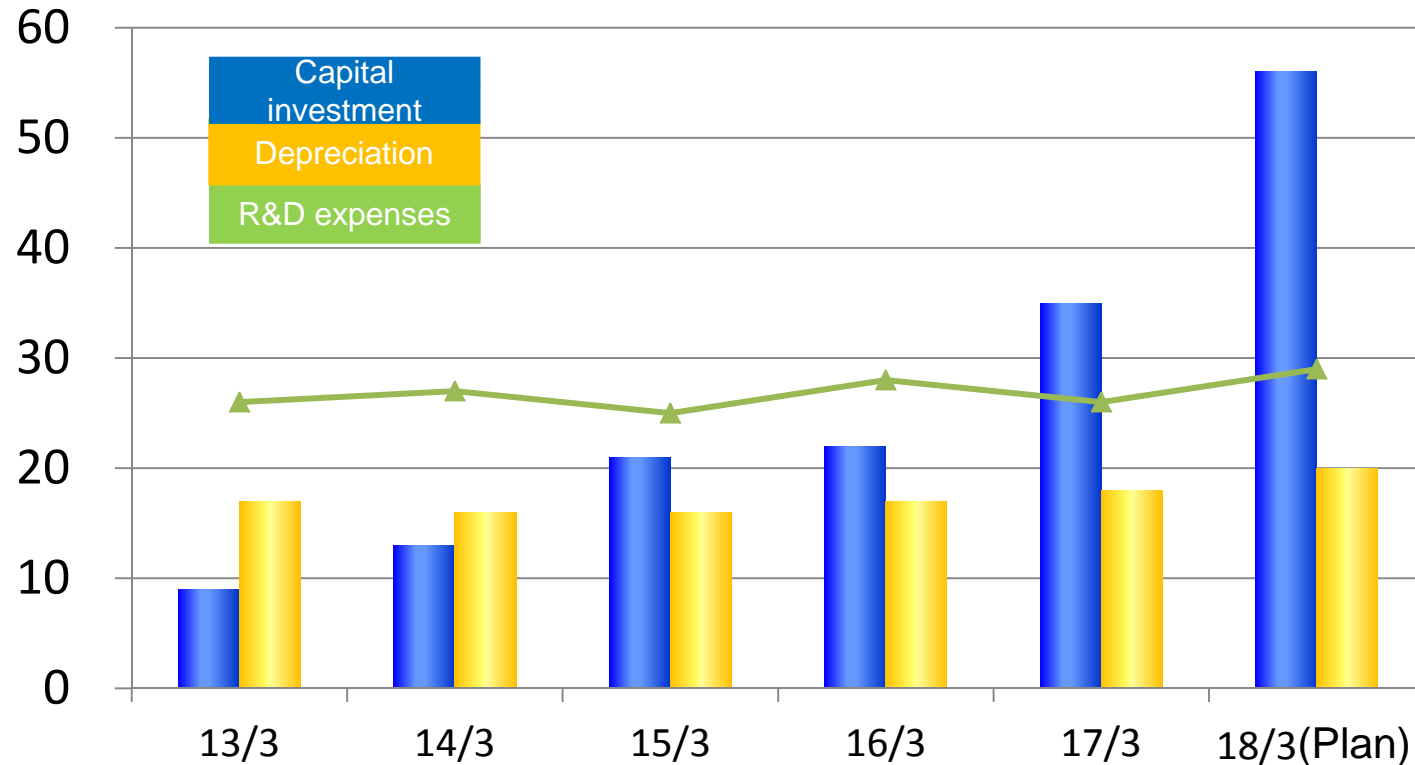
	Net Sales	Comparison with previous year (%)	Operating income	Comparison with previous year (%)
Computerized Flat Knitting Machines	59,260	+17.6%	18,590	+23.3%
Design Systems	5,140	+27.8%	1,240	+23.4%
Glove & Sock Knitting Machines	2,100	+11.3%	450	+22.6%
Other	6,500	+5.8%	720	+23.6%
Corporate elimination			(6,000)	-
Total	73,000	+16.9%	15,000	+33.2%

Trends of R&D Expenses and Capital Investment (i)

2Q of the fiscal year ending March 31, 2018 (actual results): capital investment: JPY 2 billion yen, depreciation: JPY 1 billion, R&D expenses: JPY 1.4 billion

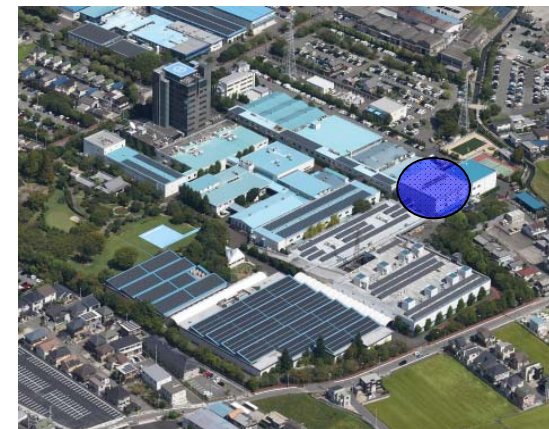
The fiscal year ending March 31, 2018 (plan): capital investment: JPY 5.6 billion, depreciation: JPY 2 billion, R&D expenses: JPY 2.9 billion

(100 millions of yen)



Trends of R&D Expenses and Capital Investment (ii)

Newly constructed plant: Scheduled for completion in October 2017 and the start of operations at full capacity in December 2017



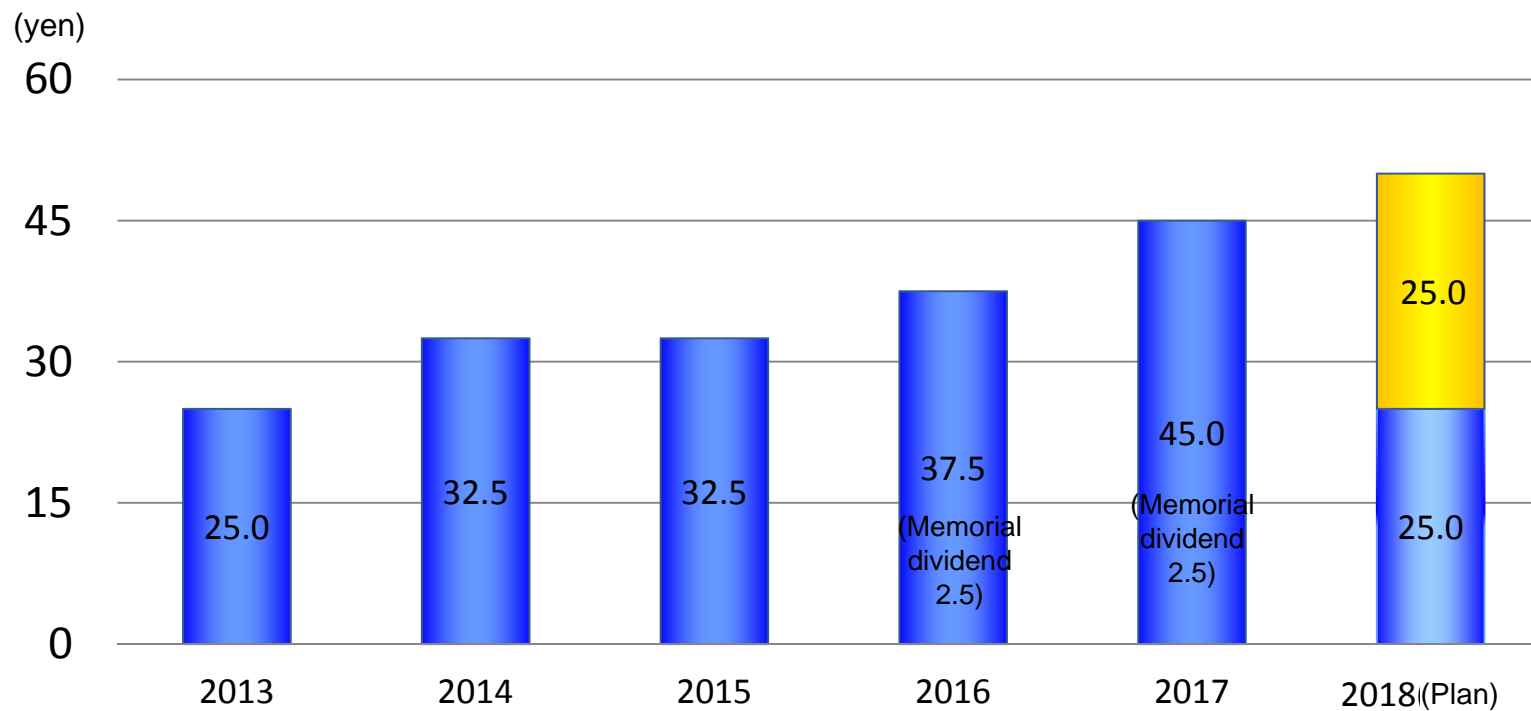
Cover shot of the headquarters and plants

<Strengthening production capacity>
Manufacturing parts for flat knitting machines and automated cutting machines, strengthening machine processing ability and advancing automation

Dividend

1. Number of held treasury stock: 87,263 shares (0.24% of total stock issued)
Used 2 million treasury stocks for issuance of share acquisition rights
(August 25)

2. Dividend for the fiscal year ending March 31, 2018:
Interim dividend (already decided): 25.0 yen (up 5 yen y-o-y)
Year-end dividend (planned): 25.0 yen



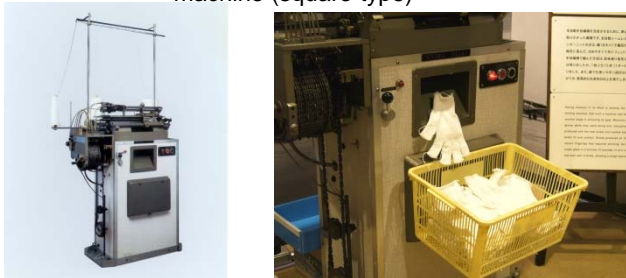
Topics (i)

Fully automated glove knitting machines (square-type) certified as Mechanical Engineering Heritage for FY 2017

[Summary]

Work gloves are knitting products developed in Japan. By development of this machine, the gloves had been knitted mainly by hand-operated machines and semi-automated machines. Therefore, the gloves always required manual procedures for the junction of fingers, palms, and wrists. Technological development started toward total automation, and in 1964, this machine was developed that could knit the gloves from fingertips to the wrists in one process line. For total automation, the technical factors with attention to safety and quality were adopted, including the method to knit rubber threads into a part of the wrists, as well as the sinker knit approach of knitting products with pressing down stitches. The time for knitting one glove largely depends on the level of skill of the workers, and even a semi-automatic machine required three minutes or more for one glove, and the number of the semi-automated machines managed by one worker was up to three units. This machine requires 2 minutes and 15 seconds for one glove, and the number of this machine managed by one worker was up to 30 units. The machine largely increased productivity. These technologies led to the current WHOLEGARMENT flat knitting machine that can manufacture seam-free knitwear.

Fully automated glove knitting machine (square-type)



Glove to WHOLEGARMENT



The Mechanical Engineering Heritage is that the Japan Society of Mechanical Engineers certifies historically significant machines in Japan in terms of technology as the heritage for the purpose of carefully preserving the historical heritage related to machine technology and transfers it as cultural heritage to the next generation.

Website of the Japan Society of Mechanical Engineers : <https://www.jsme.or.jp/kikaiisan/index.html>

Topics (ii)

Seam-free knitwear manufacturing system [WHOLEGARMENT] won GOOD DESIGN AWARD 2017 BEST 100.

[Summary]

The proposal for totally making things was appreciated because the combination of the WHOLEGARMENT flat knitting machine and the design system SDS-ONE APEX3 innovates the entire process in the textile industry from planning to design, production, distribution, marketing, and retail sales.

[Details of evaluation]

The textile industry had shifted production bases overseas because of lower personnel costs. The introduction of this system would create a consistent supply chain from planning to design, production, distribution, marketing, and retail sales. This improves production sites and makes it possible to produce spatial goods that sewing cannot create. In manufacturing that is required to shift to local production for local consumption and give consideration to the environment with no inventory risk, the system was expected and appreciated as an advanced case and won the award.

[GOOD DESIGN EXHIBITION 2017]

At the award-winning exhibition GOOD DESIGN EXHIBITION 2017, the system will be presented as a design awarded for the fiscal year.

(Knit sample and videos will be exhibited)

Period: November 1 (Wednesday) – November 5 (Sunday)

Place: TOKYO MIDTOWN (Roppongi, Minato-ku, Tokyo)



Information about Launch of NUONE + HADACARE

Products in the HADACARE series under NUONE, a brand of WHOLEGARMENT knitwear, received approval as goods recommended by the Japan Atopic Dermatitis Patients Association.

Products of <NUONE + HADACARE> series are produced, using CRABYON*, a good recommended by the Japan Atopic Dermatitis Patients Association, as the material for WHOLEGARMENT knitwear under the NUONE brand. The new products are developed as a new WHOLEGARMENT product with the function of the material.

WHOLEGARMENT products fit the human body well so that they are called a second skin and provide wear comfort familiar to the skin. Additionally, they have no seam allowance, and so they are easy even for persons with sensitive skin. Furthermore, CRABYON is the hypoallergenic functional material, and the WHOLEGARMENT products are easily worn by persons with delicate skin. The antibacterial natural ingredients of chitin and chitosan, which are used for the new products, prevent increases in germs and keep the products clean.

The new products provide persons with sensitive skin with comfort and safety.

The products are available at directly managed stores of NUONE nationwide, as well as retail stores, mail-order, and online store.

SHIMA Online Shop
<http://shima-onlineshop.com/>



*CRABYON is a registered trademark of Omikenshi Co., Ltd.

*Our subsidiary SHIMA CO., LTD. implements planning, production, and retail sales of the product and obtained approval as goods recommended by the Japan Atopic Dermatitis Patients Association.

The presentation materials include forecasts based on assumptions, prospects, and plans for the future as of October 1, 2017. Actual results may differ significantly from forecasts described herein because of the risks of fluctuations in the global situation, exchange rates, and interest rates and unstable factors.