

Financial Results for the Second Quarter Ended September 30, 2010

October 27, 2010

Shima Seiki Mfg., Ltd.

Stock listings: Tokyo Stock Exchange and Osaka Securities Exchange (1st section)

Code number: 6222

URL: <http://www.shimaseiki.co.jp>

Representative: Masahiro Shima, President

(Amounts less than one million yen are omitted)

1. Consolidated financial results for the second quarter ended September 30, 2010

(April 1, 2010 - September 30, 2010)

(1) Consolidated operating results (cumulative)

(%: change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2010	25,191	32.6	4,838	—	1,285	—	749	—
Six months ended September 30, 2009	18,991	(43.8)	5	(99.9)	(847)	—	(930)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2010	21.67	21.26
Six months ended September 30, 2009	(26.91)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2010	112,242	86,771	77.3	2,508.82
As of March 31, 2010	110,062	87,473	79.5	2,529.67

Reference: Shareholders' equity

As of September 30, 2010: 86,745 million yen

As of March 31, 2010: 87,467 million yen

2. Dividends

	Cash dividends per share				
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	—	20.00	—	10.00	30.00
Year ending March 31, 2011	—	17.50	—	—	—
Year ending March 31, 2011 (forecast)	—	—	—	17.50	35.00

3. Forecast of consolidated financial results for the year ending March 31, 2011

(April 1, 2010 - March 31, 2011)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	48,000	30.2	8,000	—	3,500	—	1,300	—	37.60

4. Others

(1) Changes in significant subsidiaries during the period: None

(2) Adoption of simplified and specific accounting methods: Yes

(3) Changes in accounting principles, procedures, presentation methods and other practices

1) Changes due to amendment of accounting standards: Yes

2) Changes other than those above: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury stock)

As of September 30, 2010: 36,600,000 As of March 31, 2010: 36,600,000

2) Number of treasury stock at the end of the period

As of September 30, 2010: 2,023,999 As of March 31, 2010: 2,023,379

3) Average number of shares outstanding during the period

Six months ended September 30, 2010: 34,576,302

Six months ended September 30, 2009: 34,578,112

Notes:

1. Implementation status of quarterly review procedures

This summary of quarterly financial results is exempt from the quarterly review procedures based on the Financial Instruments and Exchange Law of Japan. Review procedures for the quarterly financial statements have not been completed at the time of disclosure of this summary.

2. Forward-looking statements

Statements contained in this summary regarding the Company's plans, strategies, and expectations for future performance, which are based on information available to the Company at the time of writing. They are therefore subject to a number of uncertainties and unknowable factors, and actual results may thus differ substantially from those projected.

5. Qualitative information on quarterly financial results

(1) Qualitative information concerning consolidated operating results

In the second quarter of the year under review, economic conditions in the emerging nations are maintaining high rates of growth, while the economic outlooks of the advanced nations have remained uncertain. Japanese economy showed signs of recovery due to the demand from the developing countries. However, the advance of the surging strong yen and stock market downturn slammed the brakes on the recovering economy, raising the likelihood of putting the economy on a short-term plateau.

Amidst the current economic conditions, the flat knitting machine industry has turned a corner in the demand downturn touched off by the global financial crisis known as the Lehman shock and output grew in the global knit producing regions with signs of recovery of capital spending in the computerized flat knitting machines. In particular, the key market of China saw a shift from manually-operated to computerized flat knitting machines behind the growing factors of surging labor costs and a lack of a young labor force. Growing capital investment in Turkey, Italy, Brazil and emerging nations in Asia brought the aggregate sales of the Company in the Flat Knitting Machine segment to ¥21,434 million, up 30.5% year-on-year.

In the Design System segment, brisk sales of the SDS-ONE design system also came to ¥872 million, up 41.3% year-on-year. The Glove and Sock Knitting Machine segment saw capital investment grow in the emerging nations in Asia, with sales recovering to ¥783 million, up 661.6% year-on-year.

As a result, total sales for the six months ended September 30, 2010, rose to ¥25,191 million, up 32.6% year-on-year. On the earnings front, operating income increased dramatically to ¥4,838 million, compared with ¥5 million in the same period of the previous year, as a result of the improved ratio in gross profit to net sales attributable to the higher production volume and cost-cutting activities and lower selling, general and administrative expenses obtained from company-wide expense reduction initiatives. Meanwhile, ordinary income was ¥1,285 million, compared with ¥847 million loss in the previous year, impacted by the large exchange losses arising from the rapid appreciation of the yen. In addition, loss on revaluation of investment securities and other extraordinary loss resulted in net income of ¥749 million for the second quarter under review, compared with net loss of ¥930 million in the previous second quarter.

(2) Qualitative information concerning consolidated financial position

Total assets as of the end of this second quarter increased ¥2,179 million from the end of the previous fiscal year, to ¥112,242 million. Shareholders' equity after deducting stock acquisition rights and minority interests from net assets amounted to ¥86,745 million with the shareholders' equity ratio decreasing by 2.2 percentage points to 77.3% from the end of the previous fiscal year.

As for cash flow, net cash provided by operating activities was ¥841 million, compared with ¥3,612 million in the previous second quarter. This was primarily due to an increase in trade payables, although trade receivables increased. Net cash used in investing activities was ¥247 million due to the purchases of property, plant and equipment and other factors, compared with ¥2,277 million during the same period of the previous year. Net cash provided by financing activities was ¥1,931 million, compared with ¥4,008 million used in these activities in the previous year, mainly due to an increase in short-term loans. Consequently, the cash and cash equivalents totaled ¥17,647 million as of the end of this second quarter, up ¥1,329 million from the end of the previous fiscal year.

(3) Qualitative information concerning forecast of consolidated financial results

The Company has not changed the consolidated earnings forecast released on October 22, 2010.

6. Others

(1) Changes in significant subsidiaries during the period: None

(2) Adoption of simplified and specific accounting methods

① Simplified accounting methods

Collectability of deferred tax assets is determined by using the future earnings forecast and tax planning used for the previous consolidated fiscal year as there have been no significant changes in the business environment and the occurrence of temporary differences recognized since the end of the previous consolidated fiscal year.

② Specific accounting methods for preparing quarterly consolidated financial statements

For income tax expenses, overseas consolidated subsidiaries reasonably estimate the effective tax rate after applying tax effect accounting to income before income taxes for the consolidated accounting period, which includes this second quarter under review, and then calculate these expenses by multiplying the quarterly income before income taxes by such estimated effective tax rate.

(3) Changes in accounting principles, procedures, presentation methods and other practices

Application of the “Accounting Standards for Asset Retirement Obligations”

Effective April 1, 2010, the “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and the “Implementation Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31, 2008) have been adopted.

The effect of this adoption was to decrease operating income and ordinary income by ¥4 million, respectively, and to decrease income before income taxes by ¥130 million. The adoption of this accounting standard resulted in a ¥178 million change in asset retirement obligations.

7. Supplementary information

Status of production, orders and sales (current second quarter)

(1) Production

(Millions of yen)

Name of segment	Production	Year-on-year
Flat Knitting Machine	19,318	140.1%
Design System	858	189.3%
Glove and Sock Knitting Machine	844	1,327.8%
Total	21,021	146.9%

(2) Orders

(Millions of yen)

Name of segment	Orders	Year-on-year	Order backlog	Year-on-year
Flat Knitting Machine	19,186	137.9%	4,950	97.1%
Design System	754	116.5%	124	88.1%
Glove and Sock Knitting Machine	935	886.8%	294	1,863.5%
Total	20,877	142.3%	5,369	102.2%

(3) Sales

(Millions of yen)

Name of segment	Sales	Year-on-year
Flat Knitting Machine	21,434	130.5%
Design System	872	141.3%
Glove and Sock Knitting Machine	783	761.6%
Other	2,101	113.7%
Total	25,191	132.6%