SHIMA SEIKI

English translation from the original Japanese-language document, “KESSAN TANSHIN” (Summary for reference only)

Financial Results for the Second Quarter Ended September 30, 2008

October 30, 2008

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 1 million yen are omitted)

1. Consolidated results for the second quarter ended September 30, 2008

(April 1, 2008 - September 30, 2008)

(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, 2008	33,787	-	9,512	-	8,906	-	4,965	-
Six months ended September 30, 2007	37,192	80.1	10,870	278.0	12,298	287.0	6,664	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2008	137.35	133.91
Six months ended September 30, 2007	188.35	173.62

(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, 2008	133,517	101,888	72.9	2,783.11
As of March 31, 2008	133,745	101,647	73.2	2,677.47

Reference: Shareholders’ equity
As of September 30, 2008: 97,268 million yen　　As of March 31, 2008: 97,854 million yen

2. Cash dividends

	Cash dividends per share				
Record date	1st quarter	2nd quarter	3rd quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2008	-	25.00	-	30.00	55.00
Year ending March 31, 2009	-	25.00	-	-	-
Year ending March 31, 2009 (forecast)	-	-	-	30.00	55.00

3. Forecast of consolidated financial results for the year ending March 31, 2009

(April 1, 2008 - March 31, 2009)

	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	62,000	-11.3	14,000	-13.7	15,500	-18.8	8,500	-14.6	243.21

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that involve changes in scope of consolidation): No

(2) Adoption of simplified accounting methods and specific accounting methods for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures, presentation methods, and other practices for preparing quarterly consolidated financial statements (changes listed on "Significant changes in basis of preparing quarterly consolidated financial statements")

1) Changes due to revision in accounting standards: Yes

2) Changes other than those above: Yes

(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, 2008: 36,600,000   As of March 31, 2008: 37,600,000

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

As of September 30, 2008: 1,650,349   As of March 31, 2008: 1,052,466

3) Average number of shares outstanding during the period

Six months ended September 30, 2008: 36,150,840

Six months ended September 30, 2007: 35,383,101

*Notes

(1) Statements contained in this document regarding the Company's plans, strategies, and expectations for future performance fall into the category of "forward-looking statements," 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.

(2) Effective from the fiscal year ending March 31, 2009, the Company adopted the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No.12) and the "Implementation Guidance for Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No.14). Quarterly consolidated financial statements have been prepared in accordance with "Regulation for the Quarterly Consolidated Financial Statements".

【*Qualitative Information and Financial Statements*】

1. Qualitative information concerning consolidated operating results

Tracking the economic conditions for the six months ended September 30, 2008, there is currently concern over across-the-globe recession even involving emerging economies, which have seen continued strong growth, negatively affected by a mix of the worldwide spread of financial turmoil triggered in the United States sparked by the subprime loan crisis, unstable foreign exchange markets, and surging raw material prices.

Against such backdrops, the Group has adopted a more active sales strategy than ever to quickly respond to user needs. In contrast to Italy in Europe and Turkey in the Middle East, which have enjoyed sales growth, China and Hong Kong, the core markets, have suffered from increasingly slowing capital investment affected by decreasing exports of textile products bound for the United States, the strong Chinese yuan, and credit tightening. In light of this situation, sales of flat knitting machines, the core business of the Group, declined to ¥29,299 million (down 10.8% year on year).

The Design System segment worked to enhance the function of SDS®-ONE, our design system, engaging in the promotion and sales of the system. Combined with the growing sales of our P-CAM® series of computerized fabric cutting machines, the sales by the segment rose to ¥943 million (up 1.5% year on year).

The Glove and Sock Knitting Machine business remained sluggish as a whole with sales falling to ¥809 million (down 18.8% year on year).

As a result, total sales for the six months ended September 30, 2008, declined to ¥33,787 million (down 9.2% year on year). Also on the earnings side, operating income fell to ¥9,512 million (down 12.5% year on year) mainly due to decreasing gross profit to net sales associated with lower sales and production volumes. Ordinary income decreased to ¥8,906 million (down 27.6% year on year) reflecting an exchange loss generated by the further appreciation of the yen. Net income for the quarter also fell to ¥4,965 million (down 25.5% year on year).

2. Qualitative information concerning consolidated financial position

Total assets as of the end of this second quarter decreased ¥228 million to ¥133,517 million from the end of the previous fiscal year. Shareholders' equity after deducting minority interests from net assets amounted to ¥97,268 million with the shareholders' equity ratio decreasing by 0.3 points to 72.9% from the end of the previous fiscal year.

As for cash flow, net cash provided by operating activities increased by ¥747 million, which offset cash outflows such as income taxes paid. Net cash provided by investing activities amounted to ¥1,548 million due to sales of investments in securities. In financing activities, ¥1,611 million was spent to acquire treasury stock and pay dividends. Consequently, the cash and cash equivalents totaled ¥23,660 million yen as of the end of this second quarter, up ¥1,016 million yen from the end of the previous fiscal year.

3. Qualitative information concerning forecast of consolidated financial results

With respect to the earnings forecast under strong uncertainty over the economic outlook, business conditions included the slackening of the U.S. consumer market and a strong Chinese yuan against the dollar, which will affect capital investment for computerized flat knitting machines in China and Hong Kong, our core markets, and are expected to remain severe for some time to come. In order to overcome the tough business conditions, the Group will promote sales expansion in the global market by injecting new products that mobilize our industry's best technology level and by providing user-oriented follow-up services. In addition, the Group will reduce costs and expenditures by ensuring further cost reductions.

There are no changes from the full-year earnings forecast figures announced on July 31, 2008, at the moment despite the strong uncertainty over the performance in the second half taking into account the expected demand for knitwear products in the upcoming season.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that involve changes in scope of consolidation): No

(2) Adoption of simplified accounting methods and specific accounting methods for preparing quarterly consolidated financial statements

①Simplified 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.

②Specific accounting methods for preparing quarterly consolidated financial statements

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

(3) Changes in accounting principles, procedures, presentation methods, and other practices for preparing quarterly consolidated financial statements

①Changes due to revision in accounting standards

a. Application of the accounting standards related to the quarterly financial statements

Effective from the fiscal year ending March 31, 2009, the Company adopted the “Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No.12) and the “Implementation Guidance for Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No.14). The Company is also preparing its quarterly consolidated financial statements in accordance with the “Regulation for the Quarterly Consolidated Financial Statements”.

b. Basis of translating the important foreign currency-based assets and liabilities into the Japanese currency

Revenues and expenses for overseas subsidiaries of the Company used to be translated into yen currency using the spot exchange rate as of date of the closing books for the second quarter, which has been changed to use the average rate of foreign exchange from this first quarter consolidated accounting period .

This change was intended to more correctly represent earnings performance in the context of the actual status by using the average rate during the fiscal year, which reflects the exchange rate throughout the fiscal year.

As a result of the change, sales revenue increased by ¥199 million, operating income by ¥281 million, ordinary income by ¥45 million, and quarterly net income before income taxes by ¥43 million, respectively.

②Additional Information

Change in the estimated useful lives of tangible fixed assets

In the wake of the Corporation Tax Law revised in 2008, the Company and its domestic subsidiaries changed the estimated useful lives of tangible fixed assets after taking into account the status of using such assets from the first quarter of this fiscal year. The impact of this change on the financial position of the Company is insignificant.