

## Financial Results for the Second Quarter Ended September 30, 2009

October 28, 2009

### Shima Seiki Mfg., Ltd.

Stock listings: Tokyo Stock Exchange and Osaka Securities Exchange (1<sup>st</sup> 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, 2009

(April 1, 2009 - September 30, 2009)

#### (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, 2009	18,991	-43.8	5	-99.9	-847	—	-930	—
Six months ended September 30, 2008	33,787	—	9,512	—	8,906	—	4,965	—

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2009	-26.91	—
Six months ended September 30, 2008	137.35	133.91

#### (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, 2009	113,812	89,542	78.7	2,589.46
As of March 31, 2008	119,777	91,063	76.0	2,633.55

Reference: Shareholders' equity

As of September 30, 2009: 89,537 million yen

As of March 31, 2009: 91,063 million yen

### 2. Cash dividends

Record date	Cash dividends per share				
	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	—	25.00	—	15.00	40.00
Year ending March 31, 2010	—	20.00			
Year ending March 31, 2010 (forecast)			—	20.00	40.00

### 3. Forecast of consolidated financial results for the year ending March 31, 2010

(April 1, 2009 - March 31, 2010)

	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	40,000	-18.3	1,500	-82.4	0	—	-1,000	—	-28.92

### 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: No

2) Changes other than those above: No

(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, 2009: 36,600,000      As of March 31, 2009: 36,600,000

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

As of September 30, 2009: 2,022,431      As of March 31, 2009: 2,021,620

3) Average number of shares outstanding during the period

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

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

#### \*Note

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.

## **[Qualitative Information and Financial Statements]**

### **1. Qualitative information concerning consolidated operating results**

Economic development in the second quarter languished against the background of the growing global recession. Exports of China have yet to rebound, although China has maintained a high rate of economic growth through aggressive fiscal spending. Consumer sentiment in Japan remains frozen with corporate capital spending slumped as well.

In the Company's core business of flat knitting machines, the output in the mainstay markets of China and Hong Kong fell reflecting the difficult economic conditions as exports of knitted products primarily bound for the U.S. market declined with capital spending on computerized flat knitting machines remaining sluggish. However, the potential needs to mechanize the production of knitted products remain in China and Hong Kong thanks to rising labor costs and lack of a labor force. Meanwhile, capital spending for knitted products did not grow in the major producing countries of Italy and Turkey, which have been hit by the economic downturn. In light of this situation, the Flat Knitting Machine segment posted net sales of ¥16,423 million (down 43.9% year on year).

The Design System segment, which is linked to stagnant capital investment in the computerized flat knitting machines, logged sales of ¥617 million (down 34.6% year on year). Meanwhile, sales in the Glove and Sock Knitting Machine segment recorded ¥102 million (down 87.3% year on year).

As a result, total sales for the six months ended September 30, 2009, declined significantly to ¥18,991 million (down 43.8% year on year). Also on the earnings side, cost of sales rose as the unit price of products plunged facing tough sales competition and the production volume fell. In addition, selling, general and administrative ratio rose, operating income dropped significantly to ¥5 million (down 99.9% year on year). Foreign exchange losses from the strong yen and weak dollar surfaced from July through late September, which partly contributed to ¥847 million ordinary loss (compared with ¥8,906 million income in the same period of the previous year) and ¥930 million net loss (compared with ¥4,965 million income).

### **2. Qualitative information concerning consolidated financial position**

Total assets as of the end of this second quarter decreased ¥5,965 million from the end of the previous fiscal year, to ¥113,812 million. Shareholders' equity amounted to ¥89,537 million with the shareholders' equity ratio increasing by 2.7 points to 78.7% from the end of the previous fiscal year.

As for cash flow, net cash provided by operating activities was ¥3,612 million with the refund of corporate taxes and the cut in inventories, although trade receivable increased. Net cash used in investment activities was ¥2,277 million due to the purchases of short-term investments and property, plant, and equipment. Net cash used in financing activities was ¥4,008 million due to the repayment of short-term loans. Consequently, the cash and cash equivalents totaled ¥16,050 million as of the end of this second quarter, down ¥3,260 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, 2009.

#### 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
- 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 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: No