

Financial Results for the First Quarter Ended June 30, 2010

July 29, 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 first quarter ended June 30, 2010

(April 1, 2010 - June 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	%
Three months ended June 30, 2010	13,857	14.6	3,105	246.0	96	(93.4)	(241)	—
Three months ended June 30, 2009	12,094	(35.6)	897	(86.3)	1,464	(82.7)	885	(81.8)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2010	(7.00)	—
Three months ended June 30, 2009	25.62	24.94

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2010	112,024	86,392	77.1	2,498.30
As of March 31, 2010	110,062	87,473	79.5	2,529.67

Reference: Shareholders' equity

As of June 30, 2010: 86,381 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	—	—	—	—	—
Year ending March 31, 2011 (forecast)	—	17.50	—	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
First half	24,000	26.4	4,500	—	2,300	—	1,000	—	28.92
Full year	46,000	24.7	7,000	974.9	5,000	—	2,500	—	72.30

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 June 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 June 30, 2010: 2,023,770 As of March 31, 2010: 2,023,379

3) Average number of shares outstanding during the period

Three months ended June 30, 2010: 34,576,455

Three months ended June 30, 2009: 34,578,342

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

Economic conditions in the first quarter of the year under review were compounded by concerns over a global economic slowdown against the backdrop of widespread uncertainty in the eurozone financial markets triggered by concerns over financial conditions in Greece. In contrast to the continuing recovery trend in the Japanese economy fueled by the strong Asian economy, the employment situation remains severe, while negative factors in corporate earnings have emerged, such as the further appreciation of the yen and the fall in stock prices.

Amidst the current economic conditions, the knitwear and apparel industry, to which the Company belongs, witnessed growth in knit garment manufacturing due to a recovery in apparel consumption in the United States and growing personal consumption in emerging countries, resulting in higher demand for capital spending on computerized flat knitting machines across the global knit manufacturing markets. In the Chinese market especially, higher labor costs and a shortage of young labor accelerated the shift from manually operated machines to computerized flat knitting machines. Capital spending also increased in Turkey, the manufacturing base for Europe and Russia. In light of this situation, the Flat Knitting Machine segment, the Company's core business, posted net sales of ¥12,235 million (up 13.8% year on year).

The Design System segment posted net sales of ¥378 million (up 51.4% year on year) in tandem with the growing capital spending on computerized flat knitting machines. The Glove and Sock Knitting Machine segment recovered significantly with ¥322 million in net sales, compared with ¥25 million in the previous year).

As a result, total sales for the three months ended June 30, 2010, rose to ¥13,857 million (up 14.6% year on year). On the earnings front, operating income increased dramatically to ¥3,105 million (up 246.0% year on year) as a result of the improved ratio in gross profit to net sales attributable to the higher production volume and lower selling, general, and administrative expenses obtained from company-wide cost reduction efforts. Meanwhile, ordinary income was ¥96 million (down 93.4% year on year) impacted by the large exchange losses arising from the rapid appreciation of the yen. In addition, loss on revaluation of investment securities and loss on adjustment for changes of accounting standard for asset retirement obligations resulted in net loss of ¥241 million for the first quarter under review, compared with net income of ¥885 million in the previous first quarter.

(2) Qualitative information concerning consolidated financial position

Total assets as of the end of this first quarter increased ¥1,962 million from the end of the previous fiscal year, to ¥112,024 million. Shareholders' equity after deducting minority interests from net assets amounted to ¥86,381 million with the shareholders' equity ratio decreasing by 2.4 percentage points to 77.1% from the end of the previous fiscal year.

As for cash flow, net cash provided by operating activities was ¥920 million, compared with ¥2,410 million in the previous first quarter. This was primarily due to an increase in trade payables, although trade receivables increased. Net cash provided by investing activities was ¥487 million due to the proceeds from sales of short-term investments and other factors, compared with ¥769 million used in these activities in the previous year. Net cash used in financing activities was ¥472 million, compared with ¥3,933 million during the same period of the previous year, mainly due to the cash dividends paid. Consequently, the cash and cash equivalents totaled ¥16,670 million as of the end of this first quarter, up ¥353 million from the end of the previous fiscal year.

(3) Qualitative information concerning forecast of consolidated financial results

As for the future earnings forecast, against the backdrop of the generally robust knit manufacturing sector, which is expected to remain strong in the near future, the Company is expected to achieve the net sales and operating income targets as planned by implementing aggressive sales strategies in the global market. However, as no recovery from the rapid appreciation of the yen in the first quarter can be expected in the

near future, the Company factors in the exchange losses to revise the consolidated earnings forecast for the first six months and full fiscal year ending March 31, 2011. The same goes for the forecast of the parent only earnings.

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 first 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 ¥2 million, respectively, and to increase loss before income taxes by ¥127 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 first quarter)

(1) Production

(Millions of yen)

Name of segment	Production	Year-on-year
Flat Knitting Machine	10,513	139.7%
Design System	333	131.9%
Glove and Sock Knitting Machine	389	3,229.6%
Total	11,236	144.2%

(2) Orders

(Millions of yen)

Name of segment	Orders	Year-on-year	Order backlog	Year-on-year
Flat Knitting Machine	11,691	155.7%	6,653	152.6%
Design System	356	124.7%	219	150.6%
Glove and Sock Knitting Machine	354	1,125.8%	174	936.4%
Total	12,401	158.5%	7,047	155.8%

(3) Sales

(Millions of yen)

Name of segment	Sales	Year-on-year
Flat Knitting Machine	12,235	113.8%
Design System	378	151.4%
Glove and Sock Knitting Machine	322	1,240.3%
Other	921	86.6%
Total	13,857	114.6%