SHIMA SEIKI

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

Financial Results for the First Quarter Ended June 30, 2008

July 31, 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 first quarter ended June 30, 2008 (April 1, 2008 - June 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	%
Three months ended June 30, 2008	18,771	-	6,528	-	8,486	-	4,871	-
Three months ended June 30, 2007	20,628	75.9	6,523	236.4	7,885	278.9	4,581	281.4

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2008	133.18	129.90
Three months ended June 30, 2007	130.63	119.39

(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, 2008	136,387	107,168	75.2	2,803.31
As of March 31, 2008	133,745	101,647	73.2	2,677.47

Reference: Shareholders' equity
As of June 30, 2008: 102,545 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	-	-	-	-	-
Year ending March 31, 2009 (forecast)	-	25.00	-	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
First half	34,000	-	9,000	-	10,500	-	6,000	-	164.02
Full year	62,000	(-11.3)	14,000	(-13.7)	15,500	(-18.8)	8,500	(-14.6)	232.37

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 June 30, 2008: 37,600,000 As of March 31, 2008: 37,600,000
2) Number of treasury stock at the end of the period
As of June 30, 2008: 1,019,881 As of March 31, 2008: 1,052,466
3) Average number of shares outstanding during the period
Three months ended June 30, 2008: 36,580,271
Three months ended June 30, 2007: 35,070,490

*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

The first quarter economic and market trends began to show that the Unites States economy was sliding into a recession triggered by the subprime loan issue, and inflationary pressure was rising across the globe due to the surging prices of oil and raw materials. In addition, the economy of Japan began to show signs of a slow-down from the worsening of corporate earnings and weakening of personal consumption.

In recent years, China and Hong Kong, the primary markets of the Company, are rapidly converting to computerized flat knitting from the conventional manual type against the backdrop of rising labor costs and labor shortages in the textile industry. This first quarter began to see the export of textile products bound for the United States falling, while the industry refrained from capital investments. In light of this situation, sales of flat knitting machines, the core business of the Shima Seiki Group, declined to ¥16,475 million (down 11.0% year on year).

In the Design System business, the Company worked to enhance the SDS®-ONE function that provides the total solution tool in the knitwear and apparel industry, engaging in the promotion and sales of this system. However, sales of this business ended at ¥452 million yen (down 3.3% year on year).

The Glove and Sock Knitting Machine business remained sluggish as a whole with sales falling to ¥256 million (down 43.7% year on year).

As a result, total sales for this first quarter declined to ¥18,771 million (down 9.0% year on year). In earnings, however, operating income increased to ¥6,528 million yen (up 0.1% year on year) on the back of rising manufacturing economy of scale including improved cost to sales ratio, despite the decrease in sales. Ordinary income added to the exchange gain reflecting the weaker yen compared to the end of the previous fiscal year grew to ¥8,486 million (up 7.6% year on year). Thus, net income for the first quarter of this fiscal year totaled ¥4,871 million yen (up 6.3% year on year), marking all-time highs for every level of earnings.

2. Qualitative information concerning consolidated financial position

Total assets as of the end of this first quarter increased ¥2,641 million to ¥136,387 million from the end of the previous fiscal year. Shareholders' equity after deducting minority interests from net assets amounted to ¥102,545 million with the shareholders' equity ratio increasing by 2.0 points to 75.2% from the end of the previous fiscal year.

For cash flow, expenditures in operating activities amounted to ¥3,291 million due to the fact that the payment of corporate income taxes stayed high in the wake of favorable performance during the previous consolidated fiscal year. Proceeds from investing activities amounted to ¥1,891 million due to the sales of marketable securities. In financing activities, ¥999 million was spent to pay dividends. As a consequence, the cash and cash equivalents totaled ¥20,719 million yen as of the end of this first quarter, down ¥1,924 million yen from the end of the previous fiscal year.

3. Qualitative information concerning forecast of consolidated financial results

With respect to earnings projections, given the uncertainties of the economic outlook, such as the slackening of the U.S. consumer market, the strong yuan and weak dollar, the credit tightening policy, which will affect capital investment for computerized flat knitting machines, is expected to stay for some time in the markets of China and Hong Kong. Consequently, the Company will revise downward its consolidated earnings forecast for the six months ending in September 30, 2008 as well as for the full year ending March 31, 2009 announced on May 2, 2008. The same will apply to the outlook for parent-only earnings.

＜Reference＞

Forecast of non-consolidated financial results for the year ending 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
First half	28,000	-	6,000	-	7,000	-	4,500	-	123.02
Full year	54,000	(-11.3)	11,000	(-26.6)	12,000	(-12.5)	7,000	(-1.3)	191.36

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

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 first 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 first quarter, which has been changed to use the average rate of foreign exchange from this quarterly consolidated fiscal year.

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 decreased by ¥92 million, operating income by ¥109 million, ordinary income by ¥25 million, and quarterly net income before income taxes by 25 million yen, 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.