SHIMA SEIKI

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

Financial Results for the Third Quarter Ended December 31, 2008

January 30, 2009

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 third quarter ended December 31, 2008

(April 1, 2008 - December 31, 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	%
Nine months ended December 31, 2008	40,573	-	9,467	-	3,532	-	908	-
Nine months ended December 31, 2007	52,889	82.7	14,607	223.7	16,520	195.4	9,118	378.0

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2008	25.48	24.80
Nine months ended December 30, 2007	254.17	238.37

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2008	122,232	90,558	74.1	2,618.89
As of March 31, 2008	133,745	101,647	73.2	2,677.47

Reference: Shareholders' equity
As of December 31, 2008: 90,558 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)	-	-	-	15.00	40.00

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	49,000	-29.9	9,000	-44.5	2,000	-89.5	0	-	0.00

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 December 31, 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 December 31, 2008: 2,020,910 As of March 31, 2008: 1,052,466

3) Average number of shares outstanding during the period

Nine months ended December 31, 2008: 35,659,890

Nine months ended December 31, 2007: 35,874,403

*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”.

<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
Full year	40,000	-34.3	6,000	-60.0	-500	-	-800	-	-23.14

【*Qualitative Information and Financial Statements*】

1. Qualitative information concerning consolidated operating results

Economic conditions for the nine months ended December 31, 2008 saw the financial crisis sparked in the United States having a serious impact on the real economy of the world, taking on the look of a global recession. The management environment surrounding the Company Group is becoming far more severe than anticipated, which includes the unexpected upsurge in the value of the yen, worsening stock market, declines in consumer spending at home and abroad, and the intensifying price competition. Amid such circumstances, the European market saw knit production moving back accompanied by a recovery in sales. In contrast, the leading markets of China and Hong Kong suffered a decline in exports of knit products hit by the slumping consumer market in the United States. Further compounded by the factors of the credit tightening and rising labor cost, capital spending since the second quarter sharply cooled off. In light of this situation, the Flat Knitting Machine segment, the core business of the Group, decreased to ¥34,443 million (down 25.3% year on year).

The Design System business showed growth in sales for the P-CAM® computerized fabric cutting system. However, with little growth in the SDS®-ONE design system, total sales came to ¥1,235 million (down 7.1% year on year).

The Glove and Sock Knitting Machine business remained sluggish as a whole with sales falling to ¥1,055 million (down 31.2% year on year).

As a result, total sales for the nine months ended December 31, 2008, decreased to ¥40,573 million (down 23.3% year on year). Also on the earnings side, operating income fell to ¥9,467 million (down 35.2% year on year) mainly due to decreasing gross profit to net sales associated with lower sales and production volumes. Meanwhile, a sharp rise in the value of the yen generated a substantial exchange loss and ordinary income totaled ¥3,532 million (down 78.6% year on year), while net income was ¥908 million with valuation loss booked on investment securities, each of which fell significantly year on year.

2. Qualitative information concerning consolidated financial position

Total assets as of the end of this third quarter decreased ¥11,513 million from the end of the previous fiscal year, to ¥122,232 million. Shareholders' equity amounted to ¥90,558 million with the shareholders' equity ratio increasing by 0.9 points to 74.1% from the end of the previous fiscal year.

As for cash flow, net cash used in operating activities was ¥1,145 million because of the payment of corporate taxes. Net cash provided by investing activities amounted to ¥994 million due to sales of investments in securities. Net cash used in financing activities was ¥2,372 million due to the purchases of treasury stock and share acquisition from minority shareholders. Consequently, the cash and cash equivalents totaled ¥19,509 million as of the end of this third quarter, down ¥3,133 million from the end of the previous fiscal year.

3. Qualitative information concerning forecast of consolidated financial results

In addition to the significant decline in earnings sustained in the third quarter below the initial forecast, capital spending in the markets of China and Hong Kong remains inactive and the yen continues to strengthen at an unprecedented speed. Therefore, it appears to be difficult to foresee a quick recovery in the business environment facing the Group and, for the full-year earnings outlook, the Company will revise the consolidated earnings forecast announced on July 31, 2008. The same goes for the forecast of the parent only earnings.

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 third 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 ¥3,453 million, operating income by ¥3,010 million, ordinary income by ¥310 million, and quarterly net income before income taxes by ¥245 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.