

Financial Results for the Third Quarter Ended December 31, 2009

January 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 1 million yen are omitted)

1. Consolidated results for the third quarter ended December 31, 2009

(April 1, 2009 - December 31, 2009)

(1) Consolidated operating results (cumulative)

(%: change from the same period of the 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, 2009	24,807	-38.9	-1,382	—	-1,568	—	-777	—
Nine months ended December 31, 2008	40,573	—	9,467	—	3,532	—	908	—

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2009	-22.49	—
Nine months ended December 31, 2008	25.48	24.80

(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, 2009	112,017	88,771	79.2	2,567.17
As of March 31, 2009	119,777	91,063	76.0	2,633.55

Reference: Shareholders' equity

As of December 31, 2009: 88,765 million yen

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

2. Cash 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, 2009	—	25.00	—	15.00	40.00
Year ending March 31, 2010	—	20.00	—	—	—
Year ending March 31, 2010 (forecast)	—	—	—	—	—

*The amount of the year-end dividend for FY2010 remains undecided at this time.

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	37,000	-24.4	0	—	-700	—	-2,000	—	-57.84

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 December 31, 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 December 31, 2009: 2,022,690 As of March 31, 2009: 2,021,620

3) Average number of shares outstanding during the period

Nine months ended December 31, 2009: 34,577,929

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

*Note

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. Regarding payment and amount of stock dividend for the year, the Company will make a public announcement based upon future business conditions.

[Qualitative Information and Financial Statements]

1. Qualitative information concerning consolidated operating results

The economic downturn continued in the world centered around Europe and the United States in the third quarter of this fiscal period. The Japanese economic condition remained severe with the progressive appreciation of the Yen, deflationary recession and rising unemployment rate. In the knit apparel industry, to which our machine users belong, sales of knitted products were stagnant due to sluggish consumption all over the world.

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, and therefore capital spending on computerized flat knitting machines remained 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 ¥20,797 million (down 39.6% year on year).

The Design System segment, which is linked to stagnant capital investment in the computerized flat knitting machines, logged sales of ¥871 million (down 29.5% year on year). Meanwhile, sales in the Glove and Sock Knitting Machine segment recorded ¥171 million (down 83.8% year on year).

As a result, total sales for the nine months ended December 31, 2009, declined to ¥24,807 million (down 38.9% year on year). Also on the earnings side, the 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 expenses ratio rose, resulted in ¥1,382 million operating loss (compared with ¥9,467 million income in the same period of the previous fiscal year). Foreign exchange losses partly contributed to ¥1,568 million ordinary loss (compared with ¥3,532 million income) and ¥777 million net loss (compared with ¥908 million income).

2. Qualitative information concerning consolidated financial position

Total assets as of the end of this third quarter decreased ¥7,760 million from the end of the previous fiscal year, to ¥112,017 million. Shareholders' equity amounted to ¥88,765 million with the shareholders' equity ratio increasing 3.2 percentage points to 79.2% from the end of the previous fiscal year.

As for cash flow, net cash provided by operating activities was ¥3,413 million with the refund of income taxes and decrease in trade receivable, although inventories increased. Net cash used in investment activities was ¥2,519 million due to the purchases of property, plant, and equipment and investments in securities. Net cash used in financing activities was ¥4,883 million due to the repayment of short-term loans and payment of cash dividends. Consequently, the cash and cash equivalents totaled ¥14,985 million as of the end of this third quarter, down ¥4,324 million from the end of the previous fiscal year.

3. Qualitative information concerning forecast of consolidated financial results

As for the full fiscal forecast, difficult business conditions are expected to continue despite partial recovery of the economy, due to stagnant consumption, suppressed capital investment and continuing appreciation of the Yen. The Company Group will stimulate demand by marketing innovative new products and develop proactive sales strategies in order to overcome its current severe business environment. In addition, it will increase profitability by reducing manufacturing costs and operating expenses. However, as recovery from the bleak economic situation as well as stagnant capital spending in the knit manufacturing sector cannot be expected at an early stage, the Company is announcing a downward revision of its fiscal forecast for the year ending March 2010, originally released on October 28, 2009. The same will apply to 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
- 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 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: No