

## Financial Results for the Third Quarter Ended December 31, 2010

January 28, 2011

### 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 one million yen are omitted)

### 1. Consolidated financial results for the third quarter ended December 31, 2010

(April 1, 2010 - December 31, 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	%
Nine months ended December 31, 2010	30,996	24.9	4,458	—	(356)	—	(1,194)	—
Nine months ended December 31, 2009	24,807	(38.9)	(1,382)	—	(1,568)	—	(777)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2010	(34.56)	—
Nine months ended December 31, 2009	(22.49)	—

#### (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, 2010	112,916	84,485	74.8	2,442.07
As of March 31, 2010	110,062	87,473	79.5	2,529.67

Reference: Shareholders' equity

As of December 31, 2010: 84,435 million yen

As of March 31, 2010: 87,467 million yen

### 2. Dividends

	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, 2010	—	20.00	—	10.00	30.00
Year ending March 31, 2011	—	17.50			
Year ending March 31, 2011 (forecast)			—	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
Full year	48,000	30.2	8,000	—	3,500	—	1,300	—	37.60

### 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 December 31, 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 December 31, 2010: 2,024,539 As of March 31, 2010: 2,023,379

3) Average number of shares outstanding during the period

Nine months ended December 31, 2010: 34,576,167

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

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

In the nine months ended December 31, 2010, driven by increasing exports to emerging countries, the economic developments in the United States and the advanced nations of Europe began to show some bright spots with the growth in the earnings outlook. However, the job market remained dismal stopping short of full-scale recovery. Japan is also on track to recover corporate earnings on the back of demand from emerging countries. Yet, the economic outlook is still uncertain reflecting the ongoing strength of the yen, the sluggish stock market, and anxiety over employment.

Amidst the current economic conditions, in the Company's core business of flat knitting machine, recovery in demand for clothing helped the production of knit products grow in major knit-producing areas of the world, prompting the recovery of capital spending for computerized flat knitting machines. The third quarter (October - December), which otherwise is a growth season for knit products, stagnated in terms of capital spending. All in all, however, the current fiscal period for the year to date saw favorable trends in sales. In particular, the key market of China saw a shift from manually-operated to computerized flat knitting machines behind the growing factors of surging labor costs and a lack of a young labor force. Growing capital investment in Turkey, Italy, Brazil and emerging nations in Asia brought the aggregate sales of the Company in the Flat Knitting Machine segment to ¥25,552 million, up 22.9% quarter-on-quarter.

In the Design System segment, brisk sales of the SDS-ONE design system came to ¥1,173 million, up 34.7% quarter-on-quarter. The Glove and Sock Knitting Machine segment saw capital investment grow in the emerging nations in Asia, with sales recovering to ¥1,205 million, up 604.5% quarter-on-quarter.

As a result, total sales for the nine months ended December 31, 2010, rose to ¥30,996 million, up 24.9% quarter-on-quarter. On the earnings front, operating income increased to ¥4,458 million, compared with ¥1,382 million loss in the same period of the previous year, as a result of the improved ratio in gross profit to net sales attributable to the higher production volume and cost-cutting activities and lower selling, general and administrative expenses obtained from company-wide expense reduction initiatives. Meanwhile, ordinary loss was ¥356 million, compared with ¥1,568 million in the previous year, impacted by the large exchange losses arising from the rapid appreciation of the yen. In addition, loss on revaluation of investment securities and other extraordinary loss resulted in net loss of ¥1,194 million for the third quarter under review, compared with ¥777 million in the previous third quarter.

### (2) Qualitative information concerning consolidated financial position

Total assets as of the end of this third quarter increased ¥2,853 million from the end of the previous fiscal year, to ¥112,916 million. Shareholders' equity after deducting stock acquisition rights and minority interests from net assets amounted to ¥84,435 million with the shareholders' equity ratio decreasing by 4.7 percentage points to 74.8% from the end of the previous fiscal year.

As for cash flow, net cash provided by operating activities was ¥1,568 million, compared with ¥3,413 million in the previous third quarter. This was primarily due to an increase in trade payables, although inventories increased. Net cash used in investing activities was ¥1,854 million due to the purchases of short-term investments and property, plant and equipment, compared with ¥2,519 million during the same period of the previous year. Net cash provided by financing activities was ¥4,396 million, compared with ¥4,883 million used in these activities in the previous year, mainly due to an increase in short-term loans and long-term debt. Consequently, the cash and cash equivalents totaled ¥18,882 million as of the end of this third quarter, up ¥2,564 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 27, 2010.

## 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 third 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 by ¥6 million, to increase ordinary loss by ¥6 million and to increase quarterly loss before income taxes by ¥132 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 third quarter)

### (1) Production

(Millions of yen)

Name of segment	Production	Quarter-on-quarter
Flat Knitting Machine	26,139	133.1%
Design System	1,394	196.2%
Glove and Sock Knitting Machine	1,279	1,068.0%
Total	28,813	140.8%

### (2) Orders

(Millions of yen)

Name of segment	Orders	Quarter-on-quarter	Order backlog	Quarter-on-quarter
Flat Knitting Machine	26,139	126.6%	7,784	104.3%
Design System	1,196	132.7%	263	188.5%
Glove and Sock Knitting Machine	1,223	738.7%	159	2,102.5%
Total	28,558	131.5%	8,208	107.9%

### (3) Sales

(Millions of yen)

Name of segment	Sales	Quarter-on-quarter
Flat Knitting Machine	25,552	122.9%
Design System	1,173	134.7%
Glove and Sock Knitting Machine	1,205	704.5%
Other	3,064	103.3%
Total	30,996	124.9%