April 20, 2010

Shima Seiki Mfg., Ltd.
Representative: Masahiro Shima, President
Code number: 6222
Stock listings: Tokyo Stock Exchange and Osaka Securities Exchange (1st section)

Notice regarding revision of earnings forecast and booking of extraordinary income and loss

Shima Seiki Mfg., Ltd. announced that it has revised its fiscal earnings forecast announced on January 29, 2010 based on recent performance trends. In addition, it has decided to book the extraordinary income and losses for the fiscal year ended March 31, 2010.

Notes

1. Revision of earnings forecast for the year ended March 31, 2010

(1) Revised consolidated earnings forecast for the year ended March 31, 2010

(April 1, 2009 - March 31, 2010) (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	37,000	0	-700	-2,000	Yen -57.84
Revised forecast (B)	36,800	650	150	-1,900	-54.95
Increase or decrease (B-A)	-200	650	850	100	—
Percentage change (%)	-0.5%	—	—	—	—
<Reference> Previous results (year ended March 31, 2009)	48,970	8,528	4,814	1,765	49.88

(2) Revised non-consolidated earnings forecast for the year ended March 31, 2010

(April 1, 2009 - March 31, 2010) (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	29,000	1,000	1,000	-1,400	Yen -40.49
Revised forecast (B)	29,500	1,500	1,500	-1,200	-34.70
Increase or decrease (B-A)	500	500	500	200	—
Percentage change (%)	1.7%	50.0%	50.0%	—	—
<Reference> Previous results (year ended March 31, 2009)	39,486	5,474	1,414	240	6.79

(3) Reasons behind the revisions

① Net sales

Centered on the Chinese market, the Company saw inquiries and new orders on sales grow during the fourth quarter, and earnings on a parent-only basis are expected to beat earlier forecasts.

② Operating income and Ordinary income

Operating income is forecast to surpass earlier projections thanks to the reduced cost of sales enabled by the improvements in production efficiency associated with the increase in production and the effects from cutting operating expenses. The Company expects to log exchange losses of ¥1,240 million on a consolidated basis and ¥760 million on a parent-only basis, respectively. However, ordinary income is expected to offset these losses, topping early projections.

③ Net income

With respect to current net income, the Company booked such extraordinary losses as amortization of goodwill on a group basis and loss on devaluation of shares of subsidiaries on a parent-only basis as described below. The extent of the loss is shrinking more than previously projected.

2. Booking of extraordinary income

During the fourth quarter ended March 31, 2010 (patent-only basis), the Company merged and consolidated its subsidiary, KnitMac Co., Ltd. This resulted in booking the gains on extinguishment of tie-in shares of ¥1,475 million. However, such gains have been eliminated in the process of consolidated accounting, leaving little change in the consolidated final earnings.

3. Booking of extraordinary loss

(1) Loss on devaluation of shares of subsidiaries and loss on revaluation of investment securities on a parent-only basis

As a result of taking into account the net assets and earnings outlook of the subsidiaries, the Company recorded loss on devaluation of shares of subsidiaries. For the investment securities held by the Company that have significantly lost market value, a loss on revaluation of investment securities was recorded.

(A) Valuation losses for the 4th quarter for the year ended March 31, 2010 (from January 1, 2010 to March 31, 2010) (＝a－b)	(Millions of yen)
Loss on devaluation of shares of subsidiaries	3,523
Loss on revaluation of investment securities	-12
Total	3,510
(a) Valuation losses for the fiscal year ended March 31, 2010 (from April 1, 2009 to March 31, 2010)	
Loss on devaluation of shares of subsidiaries	3,544
Loss on revaluation of investment securities	26
Total	3,570
(b) Valuation losses for the nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)	
Loss on devaluation of shares of subsidiaries	21
Loss on revaluation of investment securities	38
Total	59

※The Company uses reversal method for the valuation of securities for quarter accounting period.

(2) Amortization of goodwill and loss on revaluation of investment securities in consolidated financial accounting

By booking loss on devaluation of shares of subsidiaries on a parent-only basis, the part of impairment loss out of the unamortized balance of goodwill related to the applicable subsidiaries will be temporarily amortized with such amounts recorded as extraordinary loss in consolidated financial accounting. For the investment securities held by the Company Group that have significantly lost market value, a loss on revaluation of investment securities was recorded.

(A) Valuation losses for the 4th quarter for the year ended March 31, 2010 (from January 1, 2010 to March 31, 2010) （＝a－b）	(Millions of yen)
Amortization of goodwill	1,517
Loss on revaluation of investment securities	-12
Total	1,505
(a) Valuation losses for the fiscal year ended March 31, 2010 (from April 1, 2009 to March 31, 2010)	
Amortization of goodwill	1,517
Loss on revaluation of investment securities	26
Total	1,543
(b) Valuation losses for the nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)	
Amortization of goodwill	―
Loss on revaluation of investment securities	38
Total	38

※The Company uses reversal method for the valuation of securities for quarter accounting period.

○Ratio to net assets, ordinary income and net income

	Non-consolidated	Consolidated
(B) Net assets as of March 31, 2009	¥82,677 million	¥91,063 million
（A / B × 100）	4.2%	1.7%
（a / B × 100）	4.3%	1.7%
(C) Ordinary income for the year ended March 31, 2009	¥1,414 million	¥4,814 million
（A / C × 100）	248.1%	31.3%
（a / C × 100）	252.3%	32.1%
(D) Net income for the year ended March 31, 2009	※ ¥3,780 million	¥1,765 million
（A / D × 100）	92.9%	85.3%
（a / D × 100）	94.4%	87.4%

※ (D) Current net income stands at ¥240 million for the year ended March 31, 2009 on a parent-only basis, which is less than ¥1 billion. The Company averages current net income over the most recent five fiscal years.

*The above figures were estimated according to the related information available at the time the data were made public. Hence, actual operating results may differ due to a variety of the factors arising in the future.