

## Financial Results for the year ended March 31, 2006

April 28, 2006

### 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

Adoption of U.S. Accounting Standard: No

(Amounts less than 1 million yen are omitted)

### 1. Consolidated results for FY2006 (from April 1, 2005 to March 31, 2006)

#### (1) Consolidated operating results

(%: 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	(%)
FY2006	37,879	(-17.8)	4,023	(-56.5)	5,634	(-39.8)	3,404	(-42.6)
FY2005	46,094	(-0.7)	9,257	(-15.6)	9,363	(-9.2)	5,930	(5.4)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	Yen	Yen	%	%	%
FY2006	91.92	-	3.6	5.2	14.9
FY2005	159.97	-	6.6	8.9	20.3

Reference:1) Investment profit or loss on equity method

FY2006: N/A

FY2005: N/A

2) Average number of shares during the period (consolidated)

FY2006:36,664,398

FY2005: 36,703,248

3) Changes in accounting method: Yes

#### (2) Consolidated financial position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2006	109,302	95,330	87.2	2,599.24
FY2005	107,234	92,115	85.9	2,510.71

Reference: Number of shares outstanding at the end of period (consolidated)

FY2006: 36,663,377

FY2005: 36,665,557

#### (3) Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2006	4,754	(3,512)	(1,386)	9,110
FY2005	3,346	(819)	(823)	8,998

(4) Matters related to scope of consideration and application of the equity method

Number of consolidated subsidiaries: 8

Number of non-consolidated subsidiaries accounted for under the equity method: None

Number of affiliated companies accounted for under the equity method: None

(5) Change in scope of consolidation and application of the equity method

Consolidated (New): 1 (Excluded): None Equity method (New): None (Excluded): None

**2. Forecast of consolidated financial results for FY2007** (from April 1, 2006 to March 31, 2007)

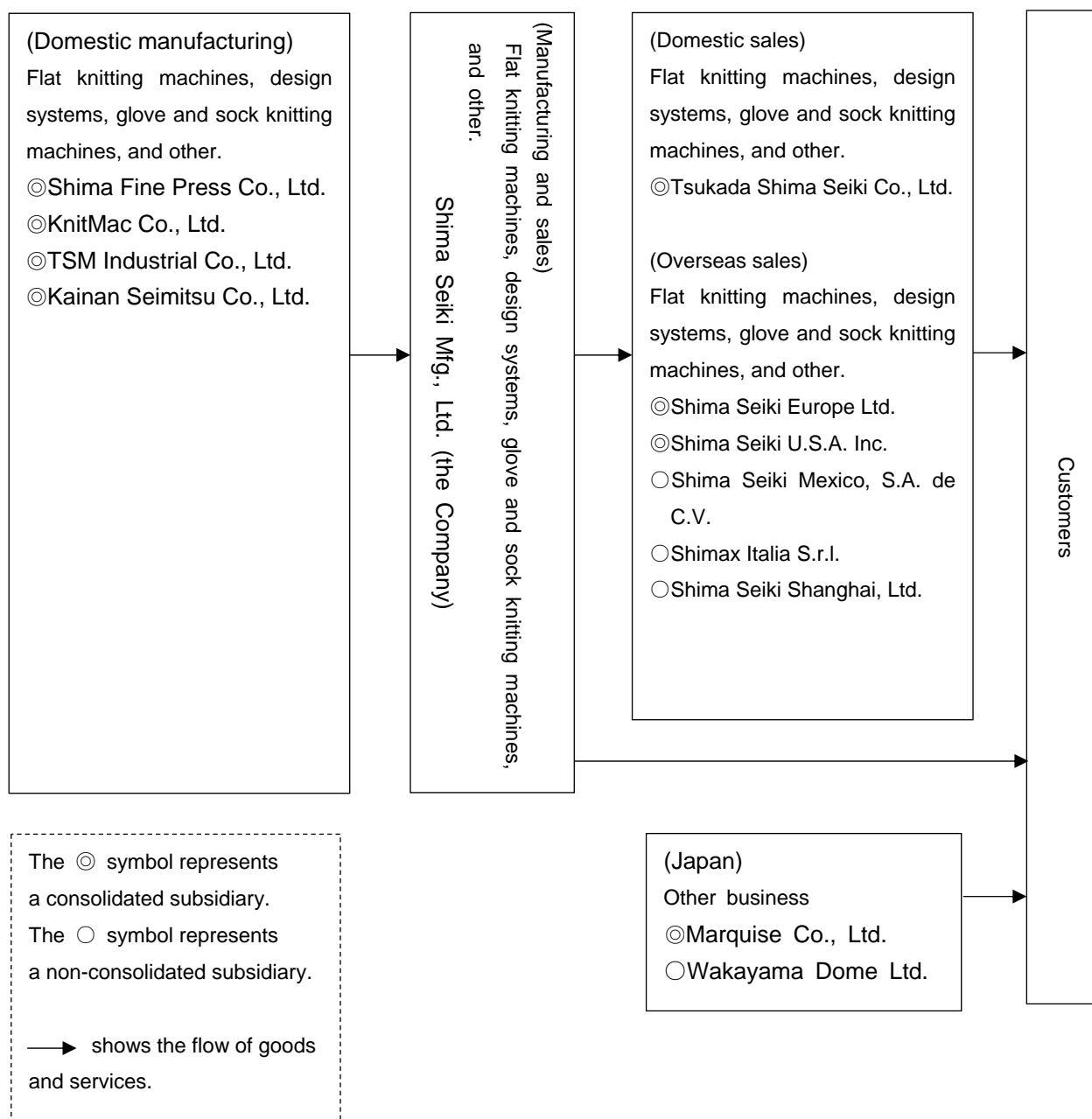
	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim period	21,000	3,000	2,000
Full year	41,000	6,000	4,000

Reference: Estimated net income per share (full year): 109.10 yen

## 1. Status of Shima Seiki Group

The Group's businesses consist of the manufacturing and sales of flat knitting machines, design systems, and glove and sock knitting machines, together with the manufacturing and sales of parts related to the other segments and other services.

The positions of manufacturing and sales subsidiaries, which bear part of all the business segments of the Company, in principle, in the Group business, are shown below.



## **2. Operating Results and Financial Position**

### **• Operating results**

#### **(1) Performance**

The world economy during the current consolidated fiscal year continued to prosper, while our nation's economy also emerged from a period of sluggishness and exhibited steady recovery. In the knitwear and apparel industry, however, production of textile products around the world became engulfed in a state of turmoil following the termination of textile import quotas (quota-free) last January, ensuing global surge in the imports of Chinese textile products and generating trade conflict with Europe and the United States. Quota-free, which had far wider impact than had initially been anticipated by the industry, resulted in the stagnation of capital investment in the European market, which had cut its way as a consumer production center, even in Turkey in the Middle East, which had continued to enjoy its distinct edge through its cost competitiveness and advanced technology. Even China and Hong Kong had been cautious about capital investments due to uncertainties over the government's trade negotiations and voluntary export restriction policy. The Company's performance was also significantly affected by market confusion. Nevertheless, orders received from China and Hong Kong picked up somewhat at the end of the period due to trade in textile products, which has begun to show signs of stabilizing following the conclusion of the USA-China Textile Agreement in November 2005. Consequently, overseas sales decreased by 18.1% compared to the previous year and accounts for 87.1% of the total.

Despite positive factors for consumption and demand in the domestic market, such as the cold spell and the "warm biz" movement, with increasing knitwear imports primarily from China, the industry continued to be enveloped in a harsh climate causing capital investments to drop, resulting in a 16.1% year-on-year decrease in sales. As a result, consolidated net sales during the period totaled 37,879 million yen (down by 17.8% year-on-year).

On the earnings side, the total decrease in net sales and a rise in SG&A (selling, general and administrative) expenses, resulting from the increase in event participation expenses, such as the expenses for exhibitions and fashion shows, and the transfer of the allowance for losses on debt guarantees, pushed operating income down to 4,023 million yen (a 56.5% year-on-year decrease). Ordinary income was 5,634 million yen (a 39.8% year-on-year decrease) due to such factors as exchange gains resulting from the continued weakness of the yen. The Company reported a net income of 3,404 million yen (a 42.6% year-on-year decrease) mainly because it recorded impairment loss on fixed assets.

Performance of each segment is as follows.

#### ***Flat Knitting Machine Segment***

In the Flat Knitting Machine segment, which is the Company's core business, amidst further polarization of the global market, stagnation resulting from countermeasures implemented by Europe and the United States against rapid export growth and the governments' voluntary export restrictions, despite growing demand for computerized flat knitting machines due to further improvements in the efficiency of production systems, caused widespread uncertainty in China and Hong Kong, the world's greatest centers among the labor-intensive markets during the period under review. Sales to Turkey in the Middle East, which had been strong in the first half of the fiscal year also dropped off significantly during the second half of the fiscal year due to the effects of price competition with China in their exports to Europe and Russia.

For consumer regions, the Company held the WHOLEGARMENT<sup>®</sup> 10th anniversary commemorative fashion show in July 2005 to release a wide variety of latest WHOLEGARMENT<sup>®</sup> samples with immense appeal. The company participated in IKME (the International Exhibition of Finishing and Knitting Technology), which was held in Milan in November 2005 and proposed total solutions leveraging new machines, including WHOLEGARMENT<sup>®</sup> flat knitting machines to consumer knitwear and apparel

industry, which has been suffering from stagnation. In Europe, on the other hand, the Company focused particular attention on the expansion of sales of the WHOLEGARMENT<sup>®</sup> flat knitting machines primarily in Italy to bring the high praise received at IKME linked directly to sales, which fell below expectations.

Despite aggressive follow-up with customers in the domestic market with the aim of revitalizing the market through WHOLEGARMENT<sup>®</sup> following the fashion show, the severe business climate with an increase in imported knitwear products and the lower trend in apparel prices resulted in weakened capital investments. As a result, the Flat Knitting Machine segment recorded sales of 30,163 million yen (a 22.6% year-on-year decrease).

\* WHOLEGARMENT is a registered trademark of Shima Seiki Mfg., Ltd.

### ***Design System Segment***

The Design System segment was engaged in the aggressive proposal and sales of SDS-ONE, as the core tool offering total solutions to the knitwear and apparel industries through the enhancement of virtual sample functions and other new functions, which had provided reduction in time and cost by putting emphasis on its high functionality and operability. However, slightly lower pace than those in the first half of the fiscal year observed both in overseas and domestic markets caused sales to fall to 1,802 million yen (a 4.9% year-on-year decrease).

### ***Glove and Sock Knitting Machine Segment***

The Glove and Sock Knitting Machine segment, despite the effects of imitation machines on the Chinese market, performed strongly due to the recovery in South Korea, the major market for general work gloves, in addition to the stepped up production in the newly emerging nations of Asia. As a result, this segment recorded sales of 3,126 million yen (a 19.8% year-on-year increase).

### ***Other Business Segment***

The Other Business segment, which is mainly involved in the parts business, recorded sales of 2,787 million yen (a 6.8% year-on-year increase).

Geographical segment information is omitted because the rate of Japan goes over 90% against total sales amount of all segments.

## **(2) Profit sharing for the current period**

As for dividends, the Company has already paid interim dividends of 17.50 yen per share. The Company intends to pay a year-end dividend of 20.00 yen per share as originally planned. As a result, the Company plans to pay 37.50 yen per share for the full business year including the previously paid interim dividend.

## **(3) Outlook for the following period**

As for the economic climate in the future, while the economy in the United States is expected to remain strong, inflationary concerns due to persistently high oil prices and a slowdown in economic growth resulting from continued interest rate hikes are also anticipated. There has been concern about new trade conflicts from the trade imbalance between the two global economic leaders, the United States and China. Japan, which has broken an economic deadlock through recovery in corporate earnings, is considered to be negatively affected by the trend. Under these economic circumstances, the environment surrounding the industry is considered to remain uncertain despite consistently growing global consumer sentiment. The Group intends to rejuvenate the entire industry through the continuous supply of high value added products leveraging its advanced technology.

Turing to the overseas market, the Chinese and Hong Kong market, which has become much more

important than ever, is expected to remain strong considering demand and orders that have been fueled by a resolution in the trade conflict. The Group will also provide intensified technology services to the largest markets and implement vibrant marketing strategies to further expand demand. We believe it will take some time to recover investment sentiment in Turkey in the Middle East, which provides labor-intensive solutions to the European and other markets, due to the negative impact of competition with Chinese-made products, though potential demand exists. In the European market, which is a consumer market, the Company anticipates growing demand centering around the Italian apparel industry, as a result of the advantages of WHOLEGARMENT® flat knitting machines being re-recognized through the positive impact of IKME.

In the domestic market, the Company continues to offer a business model of knitwear product manufacturing using its core WHOLEGARMENT® and SDS-ONE in accordance with momentum in the industry revitalized through innovative plans and solutions offered at the fashion show. However, the industry is expected to encounter difficulties due to the onslaught of Chinese imports.

In addition, the Company will devote full efforts to improve business performance and secure stable profits through its efforts to hedge risks based on foreign exchange risk management approaches to address the growing overseas sales ratio, reduce accounts receivable through such measures as improved sales methods, further streamline all business operations, improve efficiency and productivity, and reduce manufacturing costs from the development stage.

The Company's projection for the following year assumes net sales of 41,000 million yen, operating income of 6,000 million yen, ordinary income of 6,000 yen, and net income of 4,000 million yen. Exchange rates assumed for the performance forecasts are 113 yen to the US dollar and 137 yen to the Euro.

## ▪ Financial Position

Cash and cash equivalents at the end of the current fiscal year increased by 112 million yen compared to the previous year to 9,110 million yen (a 1.2% year-on-year increase).

Cash flow status for each activity is as stated below.

### [Cash flows from operating activities]

Cash flows from operating activities generated 4,754 million yen (a 42.1% year-on-year increase) reflecting the Company's efforts to liquidate its accounts receivable and initiate prompt collection.

### [Cash flows from investing activities]

Cash used in investing activities totaled 3,512 million yen (a 328.7% year-on-year increase) due primarily to the acquisition of property, plant, and equipment.

### [Cash flows from financing activities]

Cash flows from financing activities resulted in 1,386 million yen expenditures (a 68.3% year-on-year increase) due to factors such as the payment of cash dividends.

Trends in Company cash flow indicators are shown below.

	FY2002	FY2003	FY2004	FY2005	FY2006
Equity ratio	88.3%	87.7%	85.5%	85.9%	87.2%
Market-to-market equity ratio	91.3%	125.3%	153.2%	112.1%	110.0%
Debt redemption period	0.0 years	0.0 years	-	0.8 years	0.5 years
Interest coverage ratio	771.4	98.3	-	218.0	147.8

Note: 1. Each indicator is calculated using consolidated financial data and the following formula:

Equity ratio	Shareholders' equity/Total assets
Market-to-market equity ratio	Market capitalization/Total assets
Debt redemption period	Interest-bearing liabilities/Operating cash flow
Interest coverage ratio	Operating cash flow/Interest payment

2. Market capitalization is calculated by multiplying the closing price of Company shares at the end of the period by the number of shares outstanding at the end of the period (net of any treasury stock).
3. Interest-bearing liabilities include all liabilities on the consolidated balance sheet upon which interest is paid.
4. "Cash flow from operating activities" and "interest expense paid" as presented on the consolidated statements of cash flow are used as operating cash flow and interest payments.
5. Debt redemption period and interest coverage ratio for the year ended March 31, 2004 are not available due to negative "cash flow from operating activities".

### 3. Consolidated Statements of Income

(Millions of yen)

	FY 2006 (Apr. 1, 2005- Mar. 31, 2006)		FY 2005 (Apr. 1, 2004- Mar. 31, 2005)		Increase (Decrease)	
	Amount	%	Amount	%	Amount	% change
<b>I. Net sales</b>	<b>37,879</b>	<b>100.0</b>	<b>46,094</b>	<b>100.0</b>	<b>(8,214)</b>	<b>(17.8)</b>
<b>II. Cost of sales</b>	<b>21,100</b>	<b>55.7</b>	<b>25,276</b>	<b>54.8</b>	<b>(4,176)</b>	<b>(16.5)</b>
<b>Gross profit</b>	<b>16,779</b>	<b>44.3</b>	<b>20,817</b>	<b>45.2</b>	<b>(4,037)</b>	<b>(19.4)</b>
<b>III. Selling, general, and administrative expenses</b>	<b>12,756</b>	<b>33.7</b>	<b>11,559</b>	<b>25.1</b>	<b>1,196</b>	<b>10.4</b>
<b>Operating income</b>	<b>4,023</b>	<b>10.6</b>	<b>9,257</b>	<b>20.1</b>	<b>(5,234)</b>	<b>(56.5)</b>
<b>IV. Non-operating income</b>	<b>1,699</b>	<b>4.5</b>	<b>462</b>	<b>1.0</b>	<b>1,236</b>	<b>267.6</b>
Interest income	356		255		100	
Dividend income	104		77		26	
Exchange gains	1,150		-		1,150	
Other	88		129		(40)	
<b>V. Non-operating expenses</b>	<b>87</b>	<b>0.2</b>	<b>356</b>	<b>0.8</b>	<b>(268)</b>	<b>(75.4)</b>
Interest expense	32		18		13	
Exchange losses	-		178		(178)	
Other	55		159		(103)	
<b>Ordinary income</b>	<b>5,634</b>	<b>14.9</b>	<b>9,363</b>	<b>20.3</b>	<b>(3,728)</b>	<b>(39.8)</b>
<b>VI. Extraordinary gains</b>	<b>-</b>	<b>-</b>	<b>227</b>	<b>0.5</b>	<b>(227)</b>	<b>-</b>
Gain on sales of fixed assets	-		11		(11)	
Gain on sales of investment securities	-		215		(215)	
<b>VII. Extraordinary losses</b>	<b>341</b>	<b>0.9</b>	<b>72</b>	<b>0.2</b>	<b>268</b>	<b>371.0</b>
Impairment loss on fixed assets	271		-		271	
Other	69		72		(2)	
<b>Income before income taxes and minority interests</b>	<b>5,293</b>	<b>14.0</b>	<b>9,518</b>	<b>20.6</b>	<b>(4,224)</b>	<b>(44.4)</b>
Income taxes (current)	2,202	5.8	2,739	5.9	(537)	(19.6)
Income taxes (deferred)	(302)	(0.8)	813	1.7	(1,116)	-
Minority interests in gains or losses	(11)	(0.0)	34	0.1	(45)	-
<b>Net income</b>	<b>3,404</b>	<b>9.0</b>	<b>5,930</b>	<b>12.9</b>	<b>(2,525)</b>	<b>(42.6)</b>



#### 4. Consolidated Statements of Surplus

(Millions of yen)

	FY2006 (Apr. 1, 2005- Mar. 31, 2006)	FY2005 (Apr. 1, 2004- Mar. 31, 2005)
	Amount	Amount
<b><i>(Capital surplus)</i></b>		
<b>I . Capital surplus at beginning of year</b>	<b>21,724</b>	<b>21,724</b>
<b>II . Increase in capital surplus</b>	<b>0</b>	<b>0</b>
Gain on appropriation of treasury stock	0	0
<b>III . Capital surplus at end of year</b>	<b>21,724</b>	<b>21,724</b>
<b><i>(Retained earnings)</i></b>		
<b>I . Retained earnings at beginning of year</b>	<b>63,381</b>	<b>60,408</b>
<b>II . Increase in retained earnings</b>	<b>3,704</b>	<b>5,930</b>
Net income	3,404	5,930
Increase resulting from increase in consolidated subsidiaries	299	-
<b>III . Decrease in retained earnings</b>	<b>2,076</b>	<b>2,957</b>
Cash dividends	1,374	1,377
Bonuses to directors and statutory auditors	59	58
Reversal of land revaluation difference	642	1,522
<b>IV . Retained earnings at end of year</b>	<b>65,008</b>	<b>63,381</b>

## 5. Consolidated Balance Sheets

(Millions of yen)

	FY2006 (As of Mar. 31, 2006)		FY2005 (As of Mar. 31, 2005)		Increase (Decrease)
	Amount	%	Amount	%	Amount
<b>Assets</b>					
<b>I . Current assets</b>					
Cash and deposits	9,976		10,187		(211)
Trade accounts and notes receivables	53,624		55,581		(1,956)
Short-term investments	564		219		344
Inventories	12,133		10,934		1,199
Deferred tax assets	1,904		1,452		452
Other	1,278		739		539
Allowance for doubtful accounts	(2,909)		(2,253)		(656)
<b>Total current assets</b>	<b>76,573</b>	<b>70.1</b>	<b>76,862</b>	<b>71.7</b>	<b>(288)</b>
<b>II . Fixed assets</b>					
<b>1. Property, plant, and equipment</b>					
Buildings and structures	6,707		5,453		1,254
Machinery and equipment	838		908		(70)
Tools, furniture, and fixtures	1,137		1,145		(8)
Land	10,645		10,611		33
Construction in progress	121		86		35
<b>Property, plant, and equipment, net</b>	<b>19,449</b>	<b>17.8</b>	<b>18,205</b>	<b>17.0</b>	<b>1,244</b>
<b>2. Intangible fixed assets</b>	<b>143</b>	<b>0.1</b>	<b>138</b>	<b>0.1</b>	<b>4</b>
<b>3. Investments and other assets</b>					
Investments in securities	5,785		4,447		1,337
Long-term loans receivables	658		257		400
Deferred tax assets	797		944		(147)
Deferred tax assets for land revaluation	3,049		3,485		(435)
Other	3,987		3,867		119
Allowance for doubtful accounts	(1,141)		(975)		(166)
<b>Total investments and other assets</b>	<b>13,136</b>	<b>12.0</b>	<b>12,028</b>	<b>11.2</b>	<b>1,108</b>
<b>Total fixed assets</b>	<b>32,729</b>	<b>29.9</b>	<b>30,372</b>	<b>28.3</b>	<b>2,357</b>
<b>Total assets</b>	<b>109,302</b>	<b>100.0</b>	<b>107,234</b>	<b>100.0</b>	<b>2,068</b>

(Millions of yen)

	FY2006 (As of Mar. 31, 2006)		FY2005 (As of Mar. 31, 2005)		Increase (Decrease)
	Amount	%	Amount	%	Amount
<i>Liabilities</i>					
<b>I . Current liabilities</b>					
Trade accounts and notes payables	4,231		5,429		(1,197)
Short-term loans	2,515		2,520		(5)
Accrued income taxes	1,025		1,385		(359)
Accrued bonuses to employees	778		708		70
Allowance for losses on debt guarantees	542		-		542
Other	2,214		2,508		(293)
<b>Total current liabilities</b>	<b>11,307</b>	<b>10.3</b>	<b>12,550</b>	<b>11.7</b>	<b>(1,243)</b>
<b>II . Long-term liabilities</b>					
Allowance for retirement benefits	1,547		1,498		49
Allowance for directors' and statutory auditors' retirement benefits	925		886		39
<b>Total long-term liabilities</b>	<b>2,472</b>	<b>2.3</b>	<b>2,384</b>	<b>2.2</b>	<b>88</b>
<b>Total liabilities</b>	<b>13,780</b>	<b>12.6</b>	<b>14,935</b>	<b>13.9</b>	<b>(1,154)</b>
<i>Minority interests</i>					
<b>Minority interests</b>	<b>191</b>	<b>0.2</b>	<b>183</b>	<b>0.2</b>	<b>7</b>
<i>Shareholders' equity</i>					
<b>I . Common stock</b>	<b>14,859</b>	<b>13.6</b>	<b>14,859</b>	<b>13.9</b>	<b>-</b>
<b>II . Capital surplus</b>	<b>21,724</b>	<b>19.9</b>	<b>21,724</b>	<b>20.3</b>	<b>0</b>
<b>III . Retained earnings</b>	<b>65,008</b>	<b>59.5</b>	<b>63,381</b>	<b>59.1</b>	<b>1,627</b>
<b>IV . Land revaluation difference</b>	<b>(4,493)</b>	<b>(4.1)</b>	<b>(5,135)</b>	<b>(4.8)</b>	<b>642</b>
<b>V . Net unrealized holding gain on securities</b>	<b>913</b>	<b>0.8</b>	<b>155</b>	<b>0.1</b>	<b>757</b>
<b>VI . Foreign currency translation adjustments</b>	<b>5</b>	<b>0.0</b>	<b>(189)</b>	<b>(0.2)</b>	<b>195</b>
<b>VII . Treasury stock</b>	<b>(2,687)</b>	<b>(2.5)</b>	<b>(2,680)</b>	<b>(2.5)</b>	<b>(6)</b>
<b>Total shareholders' equity</b>	<b>95,330</b>	<b>87.2</b>	<b>92,115</b>	<b>85.9</b>	<b>3,215</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>109,302</b>	<b>100.0</b>	<b>107,234</b>	<b>100.0</b>	<b>2,068</b>

## 6. Consolidated Statements of Cash Flows

(Millions of yen)

	<b>FY2006</b> <b>(Apr. 1, 2005-</b> <b>Mar. 31, 2006)</b>	FY2005 (Apr. 1, 2004- Mar. 31, 2005)
	Amount	Amount
<b>I. Cash flow from operating activities</b>		
Income before income taxes and minority interests	5,293	9,518
Depreciation and amortization	1,026	997
Impairment loss on fixed assets	271	-
Increase in allowance for doubtful accounts	796	689
Increase in allowance for losses on debt guarantees	542	-
Interest and dividend income	(460)	(333)
Decrease (increase) in trade receivables	2,065	(3,950)
Increase in inventories	(1,152)	(452)
Increase (decrease) in trade payables	(1,194)	616
Other	(244)	338
<b>Subtotal</b>	<b>6,942</b>	<b>7,423</b>
Interest and dividend income received	470	326
Interest expense paid	(32)	(15)
Income taxes paid	(2,626)	(4,388)
<b>Net cash provided by operating activities</b>	<b>4,754</b>	<b>3,346</b>
<b>II. Cash flow from investing activities</b>		
Net decrease (increase) in time deposits	400	(230)
Net decrease (increase) in short-term investments	(279)	65
Purchases of property, plant, and equipment	(2,495)	(1,318)
Proceeds from sales of property, plant, and equipment	129	590
Purchases of investments in securities	(1,831)	(1)
Proceeds from sales of investments in securities	1,547	421
Other	(983)	(346)
<b>Net cash used in investing activities</b>	<b>(3,512)</b>	<b>(819)</b>
<b>III. Cash flow from financing activities</b>		
Net increase (decrease) in short-term loans	(5)	800
Purchases of treasury stock	(8)	(246)
Cash dividends paid	(1,374)	(1,376)
Other	1	(0)
<b>Net cash used in financing activities</b>	<b>(1,386)</b>	<b>(823)</b>
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>159</b>	<b>24</b>
<b>V. Net increase in cash and cash equivalents</b>	<b>15</b>	<b>1,728</b>
<b>VI. Cash and cash equivalents at beginning of year</b>	<b>8,998</b>	<b>7,269</b>
<b>VII. Increase in cash and cash equivalents due to a newly consolidated subsidiary</b>	<b>96</b>	<b>-</b>
<b>VIII. Cash and cash equivalents at end of year</b>	<b>9,110</b>	<b>8,998</b>

**(Segment information)**

**1. Business segment information**

(1) FY2006 (from April 1, 2005 to March 31, 2006)

(Millions of yen)

	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Other	Total	Corporate/elimination	Consolidated
<b>I . Sales and operating income</b>							
<b>Sales</b>							
(1) Sales to customers	30,163	1,802	3,126	2,787	37,879	-	37,879
(2) Intersegment sales or transfer	-	-	-	-	-	-	-
<b>Total</b>	<b>30,163</b>	<b>1,802</b>	<b>3,126</b>	<b>2,787</b>	<b>37,879</b>	<b>-</b>	<b>37,879</b>
Operating costs and expenses	22,650	1,358	2,290	2,618	28,916	4,939	33,856
Operating income (loss)	7,513	444	835	169	8,962	(4,939)	4,023
<b>II . Assets, depreciation, impairment loss on fixed assets, and capital expenditures:</b>							
Assets	72,703	4,834	3,278	4,468	85,285	24,016	109,302
Depreciation	551	12	46	53	663	362	1,026
Impairment loss on fixed assets	-	-	-	16	16	254	271
Capital expenditures	1,931	32	158	153	2,275	198	2,473

(2) FY2005 (from April 1, 2004 to March 31, 2005)

(Millions of yen)

	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Other	Total	Corporate/elimination	Consolidated
<b>I . Sales and operating income</b>							
<b>Sales</b>							
(1) Sales to customers	38,979	1,895	2,610	2,609	46,094	-	46,094
(2) Intersegment sales or transfer	-	-	-	-	-	-	-
<b>Total</b>	<b>38,979</b>	<b>1,895</b>	<b>2,610</b>	<b>2,609</b>	<b>46,094</b>	<b>-</b>	<b>46,094</b>
Operating costs and expenses	26,751	1,197	1,822	2,344	32,115	4,721	36,836
Operating income (loss)	12,227	698	787	265	13,979	(4,721)	9,257
<b>II . Assets, depreciation, and capital expenditures:</b>							
Assets	74,844	4,021	2,887	4,166	85,920	21,313	107,234
Depreciation	515	10	26	39	591	405	997
Capital expenditures	1,002	26	50	80	1,159	238	1,397

Note: Main products of each segment

- (1) Flat Knitting Machine . . . . . Computerized flat knitting machine and computerized semi-jacquard flat knitting machine
- (2) Design System . . . . . Computer graphic apparel design system, knitting CAD system, and apparel CAD/CAM system
- (3) Glove and Sock Knitting Machine . . . . . Computerized seamless glove and sock knitting machine  
Parts for knitting machines and design systems, yarn for
- (4) Other . . . . . glove knitting machines, machine repair and maintenance, and hotel business

## 2. Geographical segment information

The statement of geographical segment information is omitted because the rate of Japan goes over 90% against the total sales amount of all segments.

## 3. Overseas sales

(1) FY2006 (from April 1, 2005 to March 31, 2006)

(Millions of yen)

	Europe	Middle East	Southeast Asia	Other areas	Total
I . Overseas sales	4,444	3,441	23,349	1,757	32,992
II . Consolidated sales					37,879
III . Ratio of overseas sales to consolidated sales	11.7%	9.1%	61.6%	4.7%	87.1%

(2) FY2005 (from April 1, 2004 to March 31, 2005)

(Millions of yen)

	Europe	Middle East	Southeast Asia	Other areas	Total
I . Overseas sales	5,415	4,497	27,995	2,358	40,268
II . Consolidated sales					46,094
III . Ratio of overseas sales to consolidated sales	11.8%	9.8%	60.7%	5.1%	87.4%

Note: Significant countries or areas belonging to each area are as follows:

- (1) Europe·····Italy, Spain, and U.K.
- (2) Middle East·····Turkey and Syria
- (3) Southeast Asia···China, South Korea, and Taiwan
- (4) Other areas·····Brazil and U.S.A.

## 7. Status of production, orders, and sales

### (1) Production

(Millions of yen)

Name of segment	Production	Year-on-year (%)
Flat Knitting Machine	29,163	72.1
Design System	2,173	144.6
Glove and Sock Knitting Machine	2,856	140.6
Total	34,193	77.8

### (2) Orders

(Millions of yen)

Name of segment	Orders	Year-on-year (%)	Order backlog	Year-on-year (%)
Flat Knitting Machine	31,969	80.6	5,475	149.2
Design System	1,780	94.3	52	70.2
Glove and Sock Knitting Machine	3,200	123.7	360	126.2
Total	36,950	83.7	5,888	146.1

### (3) Sales

(Millions of yen)

Name of segment	Sales	Year-on-year (%)
Flat Knitting Machine	30,163	77.4
Design System	1,802	95.1
Glove and Sock Knitting Machine	3,126	119.8
Other	2,787	106.8
Total	37,879	82.2