SHIMA SEIKI

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

Financial Results for the Year Ended March 31, 2010

April 27, 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 financial results for the year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

(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	%
Year ended March 31, 2010	36,874	(24.7)	651	(92.4)	148	(96.9)	(1,885)	–
Year ended March 31, 2009	48,970	(29.9)	8,528	(47.4)	4,814	(74.8)	1,765	(82.3)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2010	(54.52)	–	(2.1)	0.1	1.8
Year ended March 31, 2009	49.88	48.56	1.9	3.8	17.4

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	110,062	87,473	79.5	2,529.67
As of March 31, 2009	119,777	91,063	76.0	2,633.55

Reference: Shareholders' equity
As of March 31, 2010: 87,467 million yen As of March 31, 2009: 91,063 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2010	6,746	(2,759)	(6,681)	16,317
Year ended March 31, 2009	1,977	70	(4,294)	19,310

2. Cash dividends

	Cash dividends per share					Total amount of dividends	Dividends payout ratio (Consolidated)	Dividends on net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2009	−	25.00	−	15.00	40.00	1,392	80.2	1.5
Year ended March 31, 2010	−	20.00	−	10.00	30.00	1,037	−	1.2
Year ending March 31, 2011 (forecast)	−	17.50	−	17.50	35.00		30.3	

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
Interim period	23,000	21.1	4,000	−	4,000	−	2,500	−	72.30
Full year	45,000	22.0	6,500	898.1	6,500	−	4,000	−	115.69

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that involve changes in scope of consolidation): None

(2) Changes in accounting principles, procedures, presentation methods, and other practices for preparing consolidated financial statements (changes listed on “Significant changes in basis of preparing consolidated financial statements”)

1) Changes due to revision in accounting standards: None

2) Changes other than those above: None

(3) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the year (including treasury stock)

As of March 31, 2010: 36,600,000　　As of March 31, 2009: 36,600,000

2) Number of treasury stock at the end of the year

As of March 31, 2010: 2,023,379　　As of March 31, 2009: 2,021,620

<Reference>

1. Non-consolidated financial results for the year ended March 31, 2010 (April 1, 2009 - March 31, 2010)

(1) Non-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	%
Year ended March 31, 2010	29,572	(25.1)	1,521	(72.2)	1,548	9.4	(1,176)	―
Year ended March 31, 2009	39,486	(35.1)	5,474	(63.5)	1,414	(89.7)	240	(96.6)

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2010	(34.03)	―
Year ended March 31, 2009	6.79	6.56

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2010	98,091	80,444	82.0	2,326.55
As of March 31, 2009	101,698	82,677	81.3	2,391.01

Reference: Shareholders' equity
As of March 31, 2010: 80,444 million yen As of March 31, 2009: 82,677 million yen

2. Forecast of non-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
Interim period	19,000	32.5	2,500	675.1	3,000	―	1,500	―	43.38
Full year	38,000	28.5	5,000	228.7	5,500	255.2	3,000	―	86.76

*Note
Statements contained in this summary 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.

1. Operating Results

(1) Analysis of operating results

[Operating results for the current fiscal year]

During the consolidated fiscal year under review, the global recession triggered by the financial crisis in the fall of 2008 finally bottomed out. By fiscal year-end, the momentum of recovery had picked up despite variances from region to region, propelled by economic packages introduced by the governments of various countries and high growth in China and other developing nations. Japan also showed signs of modest recovery, led by growth in exports to Asia and an upturn in capital investment.

Although the management environment for the Shima Seiki Group benefited from a rebound in capital investment in the Chinese market during the fourth quarter, a slump in consumer apparel spending in advanced nations, appreciation of the yen and intensifying price competition from rival manufacturers resulted in ongoing harsh conditions. Under such circumstances, the Group has gone out of its way to develop and market products and software, which contribute to improvements in production efficiency and high-quality product manufacturing in order to generate a quick response to the varying needs of the global users.

Orders bounced back from the start of the year in the Company's main markets of China and Hong Kong, as well as in Italy, Turkey and other countries. However, overall capital spending was generally stalled throughout the fiscal year. Consequently, total sales decreased to ¥36,874 million (down 24.7% year on year).

Also on the earnings front, the gross margin fell, and operating income dropped to ¥651 million (down 92.4% year on year), as a result of lower net sales and falling unit selling prices and production volumes of its mainstay products. Meanwhile, a rise in the value of the yen generated an exchange loss and ordinary income totaled ¥148 million (down 96.9% year on year), while amortization of goodwill and other extraordinary losses during the year led to a net loss of ¥1,885 million, compared with net income during the previous term of ¥1,765 million.

Performance of each segment is as follows:

Flat Knitting Machine Segment

The Company's core business of flat knitting machines suffered a decrease in sales, amid severe operating conditions in both domestic and overseas markets, impacted by stagnant capital investment in the industries in which its users operate.

In our main markets of China and Hong Kong, we enjoyed a major turnabout in demand, arising from a shift from manually operated machines to computerized flat knitting machines to counter growth in personnel costs, labor shortages in the textile industry and other factors. However, exports of knit products decreased as a consequence of a slump in the U.S. consumer market and capital investment was stagnant. Demand rallied during the fourth quarter of the year, bringing a boost to orders, but this was insufficient to offset the first-half depression. Meanwhile, in Italy, we focused on proposals for the top-of-the-line MACH2®X that facilitates high-speed knitting of highly fashionable, quality WHOLEGARMENT®, but this failed to counter trends toward investment constraint by users, so expenditure on upgrade equipment remained lackluster. Sales recovered in Turkey on a year-on-year basis, but other major knitwear producing countries suffered production declines affected by weak global consumption, which generally dampened capital spending.

Knit products output did not grow in the domestic market either, reflecting a decline in clothing consumption, which therefore did not lead to an expansion in capital spending.

As a result, sales in the Flat Knitting Machine segment totaled ¥31,585 million (down 24.0% year on year).

Design System Segment

The Design System segment promoted sales of the SDS®-ONE design system, which provides total support for high-quality, stylish manufacturing and the state-of-the-art P-CAM® series of automatic fabric cutting machines equipped with the projector and high performance camera. However, overall capital investment being lackluster, sales contracted to ¥1,255 million (down 19.1% year on year).

Glove and Sock Knitting Machine Segment

The Glove and Sock Knitting Machine segment remained sluggish as a whole with sales falling to ¥249 million (down 78.0% year on year).

Other Business Segment

In the Other Business segment, which includes such business as sales of parts, booked sales of ¥3,783 million (down 19.8% year on year).

[Outlook for the following period]

The economy going forward is expected to continue high growth for the developing nations, led by China, and progressive upward momentum in the economy. In the United States, personal consumption will recover with the rate of growth going up, thanks to a stop in the falling of employment and the improvement in household income, but recovery in Japan and Europe may yet take time to materialize.

In our mainstay markets of China and Hong Kong, in addition to a recovery in U.S.-bound exports and a rise in domestic demand, investment demand is growing for computerized flat knitting machines, which offer a potential solution to escalating labor costs and a shortage of younger workers. Based around local subsidiaries in Hong Kong and Shanghai, we are reinforcing our technical support system and aggressively developing sales strategies to cover the whole of China. These initiatives are effectively expanding our share of sales in these markets. Shima Seiki is courting major knitwear manufacturers in Hong Kong by promoting the SSG® and SIG® series, which fit for volume production, and the introduction of the MACH2®X WHOLEGARMENT® flat knitting machines, which promises greater share of the market segment for high-end products. At knitwear production sites neighboring Asian nations, we are bolstering our finely tuned marketing activities to gain market penetration. We also are fortifying proposal-based marketing in Turkey, which features cost competitiveness and technological excellence and is attracting attention as an alternative to dissipate risk of over-reliance on production in China. The momentum of top-grade knitwear production targeting the high-grade market segment is on the rise in Europe, centered on Italy. Accordingly, Shima Seiki is reinforcing its marketing network of offshore sales subsidiaries and technical support services, in anticipation of sales expansion led by the MACH2®X.

In the domestic market, we are revising our organizational structure in the severe business environment and enhancing our technical services to interact closely with knitwear production areas, spearheaded by the establishment of seven Technical Service Centers (TSCs) under the the Tokyo Branch, East Japan Branch, and West Japan Branch. In addition, the Company is revitalizing the market through its proposal-based business models, centered on WHOLEGARMENT® flat knitting machines.

In the Design System business, we will make manufacturing proposals that can drastically reduce costs and lead-time in producing samples using the 3D virtual simulation of the SDS®-ONE APEX. Furthermore, we are cultivating new demand, with our newly established Design System Sales Group as a hub, expanding the range of targeted users throughout the fashion industry.

As described above, the Company will actively apply sales programs tailored to each region of the markets across the globe. With the continued supply of high-valued products developed by advanced technologies, we will pursue the reactivation of the industry overall and step up the growth of the Group. We will address thoroughgoing cuts in production costs and operating expenses to enhance profitability.

As a result of these initiatives, for the fiscal year ending March 31, 2011, we anticipate that consolidated net sales will rise 22.0% year on year, to ¥45.0 billion, with operating income growing ¥5,848 million, to ¥6.5 billion, ordinary income increasing ¥6,351 million, to ¥6.5 billion, and net income of ¥4.0 billion, an increase of ¥5,885 million.

Our assumed exchange rates for the performance forecasts are ¥92 to the U.S. dollar and ¥123 to the Euro.

＊MACH2, SDS, SIG, SSG, P-CAM and WHOLEGARMENT are registered trademarks of Shima Seiki Mfg., Ltd.

(2) Analysis of financial position

[Analysis of status of assets, liabilities, net assets, and cash flow]

Total assets as of March 31, 2010, were ¥110,062 million, down ¥9,715 million from a year earlier. Downward factors included decreases in trade receivables and goodwill. Liabilities fell ¥6,124 million, from the end of the previous year, to ¥22,589 million. Principal factors included decreases in short-term loans and bonds with stock acquisition rights. Net assets decreased ¥3,590 million from the end of the previous year, to ¥87,473 million, due principally to the decrease in retained earnings. As a result, the Company's equity ratio rose 3.5 percentage points, to 79.5%.

Cash and cash equivalents for the current fiscal year decreased ¥2,992 million, to ¥16,317 million.
Cash flow status for each activity is as stated below.

[Cash flow from operating activities]

Net cash provided by operating activities was ¥6,746 million (a ¥4,768 million year on year increase). This was primarily due to a refund of corporate income taxes and a decrease in trade receivables,

[Cash flow from investing activities]

Net cash used in investing activities was ¥2,759 million due to purchases of property, plant and equipment, compared with ¥70 million provided by these activities in the previous year.

[Cash flow from financing activities]

Net cash used in financing activities was ¥6,681 million (a ¥2,387 million year on year decrease). Major factors included the repayment of short-term loans and payment of cash dividends.

(Reference) Trends in Company cash flow indicators

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Equity ratio	87.2%	69.2%	73.2%	76.0%	79.5%
Market-to-market equity ratio	110.0%	84.2%	127.3%	56.2%	65.7%
Ratio of cash flow to interest-bearing liabilities	52.9%	71.4%	14.5%	578.4%	100.8%
Interest coverage ratio	147.8	145.8	202.9	13.7	53.0

Equity ratio	Shareholders' equity／Total assets
Market-to-market equity ratio	Market capitalization／Total assets
Ratio of cash flow to interest-bearing liabilities	Interest-bearing liabilities／Cash flow
Interest coverage ratio	Cash flow／Interest payment

Notes: 1. Each indicator is calculated using consolidated financial data.
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. Cash flow constitutes cash flow from operating activities as indicated in the statement of consolidated cash flow.

4. Interest-bearing liabilities include all liabilities on the consolidated balance sheet upon which interest is paid. In addition, interest payments equal the amount of interest paid as indicated in the statement of consolidated cash flow.

(3) Basic policy on profit sharing and dividends for the current and the following fiscal year

Shima Seiki treats return of profits to shareholders as a a priority management issue.

With regard to profit sharing, the Company aggressively strives to maintain long-term stable dividends based on business performance enhancement, taking into account forecasts for future profits and business expansion for the future. We also take an aggressive stance toward purchases of treasury stock to implement our capital policy expeditiously in response to changes in the operating environment. The Company also intends to utilize retained earnings in an active and timely manner for medium- to long-term and proactive investment in property, plant and equipment, R&D, and market strategies in preparation for reinforcement of the Group’s business infrastructure and future business operations.

As for the current fiscal year, the Company intends to propose at the shareholders’ meeting a year-end dividend of ¥10.00 per share as revised on March 19, 2010; thus ¥30.00 per share for the full business year, including the previously paid interim dividend of ¥20.00 per share.

As for dividends for the following fiscal year, the Company plans to pay an interim dividend of ¥17.50 per share. The year-end dividend will be ¥17.50 per share, with a ¥7.50 increase in anticipation of earnings recovery for the full year. This will bring dividends for the full business year to ¥35.00 per share, ¥5.00 higher than for the current fiscal year.

(4) Business risks and uncertainties

The Group recognizes the following major items as possible risk factors in its operations, which may affect the management performance and financial position of the Group:

1. Risks of dependency on particular overseas markets

Overseas sales account for more than 90% of the Group’s total sales, with sales to China and Hong Kong accounting for the majority of overseas sales. There is a concern over economic and political changes, including competition with other knitting machine manufacturers, changes in monetary policies and tax systems, and trade friction with other regions in this market, which could lead to a decline in orders, and thus affect the performance and financial position of the Group.

2. Risks associated with fluctuations in currency exchange rates

Since the Group sells products worldwide, some transactions are conducted in denominations other than yen. Although the Group employs forward exchange contracts and other hedges to minimize foreign exchange risks, it is possible that sales activities may not be conducted as planned as a result of declining price competitiveness due to the rising value of the yen. Since such situations could easily occur, sharp fluctuations in exchange rates could affect the performance and financial position of the Group.

3. Risks associated with credit and accounts receivable recovery

The Group conducts direct sales in the Chinese, Hong Kong and the European markets, which represent major markets in terms of the Group’s global sales strategy. This enables the Group to implement comprehensive global sales and marketing strategies by properly managing customer credit to maintain a balance between receivables recovery risks and sales. As the role of the precise handling of credit in consolidated business operations gains even greater significance, performance, changes in credit standing and country risks of each customer could affect the performance and financial position of the Group.

4. Risks associated with the protection of intellectual property rights

In some countries and regions, it is virtually impossible, or possible only to a limited extent, to completely protect the Group's proprietary technology and know-how in terms of its intellectual property rights due to a lack of awareness concerning legal compliance. Consequently, the Group may not be able to effectively prevent a third party from illegally using the Group's intellectual property rights and producing imitation products, and the accompanying deterioration in sales and price competition could affect the performance and financial position of the Group.

5. Risks associated with overconcentration of production on a particular production site

The Group promotes efficiency by concentrating its product production in Wakayama Prefecture, where the Headquarters is located, to allow all operations, from development to manufacturing, to be integrated into one process. Therefore, natural disasters, such as a large earthquake in and around Wakayama Prefecture, which may involve a long halt in production, could affect the performance and financial position of the Group.

6. Risks associated with social and institutional changes in business areas

The Group's deployment of business encompasses not only Japan but spans the entire world. Therefore, the areas where the Group conducts business pose the following inherent risks that could affect the performance and financial position of the Group:

1) Stagnant demand resulting from deteriorating economic conditions
2) Unforeseen changes in laws and regulations
3) Social turmoil due to terrorism, war, political upheaval, deteriorating civil order, and other causes
4) Natural disasters including earthquakes

7. Risks associated with changes in consumer apparel spending and unseasonable weather

The Group's products are sold primarily to apparel and knitwear manufacturers in Japan and overseas. Moreover, department and discount store sales tend to be influenced by individual apparel preferences and fashion trends. Unseasonable weather events, such as heat waves and warm winters, coupled with damage caused by strong winds and flooding, constitute another major factor that could influence market trends in the apparel industry, and thus affect the performance and financial position of the Group.

2. 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.

(Domestic manufacturing)
Flat knitting machines, design systems, glove and sock knitting machines, and other
◎Shima Fine Press Co., Ltd.
◎TSM Industrial Co., Ltd.
◎Kainan Seimitsu Co., Ltd.

Shima Seiki Mfg., Ltd. (the Company)
(Manufacturing and sales)
Flat knitting machines, design systems, glove and sock knitting machines, and other

(Domestic sales)
Flat knitting machines, design systems, and other
◎Tsukada Shima Seiki Co., Ltd.

(Overseas sales)
Flat knitting machines, design systems, glove and sock knitting machines, and other
◎Shima Seiki Europe Ltd.
◎Shima Seiki U.S.A. Inc.
◎Shima Seiki (Hong Kong) Ltd.
◎Shima Seiki Italia S.p.A.
◎Shima Seiki Win Win Shanghai Ltd.
◎Shima Seiki Spain, S.A.U.
◎Shima Seiki Win Win Dongguan Ltd.
◎Shima Seiki (Thailand) Co., Ltd.
○Shima Seiki Mexico, S.A. de C.V.
○Shima Seiki Shanghai, Ltd.
○Shima Seiki Korea Inc.
○Shima Seiki Portugal, Unipessoal LDA
○Shima Seiki Services Tunisie Sarl

(Japan)
Other business
◎Marquise Co., Ltd.
◎Toyoboshi Kogyo Co., Ltd.
○South Terrace Co., Ltd.

Customers

The ◎ symbol represents a consolidated subsidiary.
The ○ symbol represents a non-consolidated subsidiary.

→ shows the flow of goods and services.

3. Management policy

(1) Basic management policy

Since its foundation, based on its corporate motto of “Ever Onward” and under its basic policy to provide highly advanced products at economical prices leveraging its creative and ingenious edge, the Group has continued to provide products that do not exist anywhere in the world from the perspective of counterparties (customers).

The textile industry underpins apparel that is indispensable for daily life and faces an issue to make a shift from a traditional labor-intensive industry into a knowledge-intensive industry, which enables multi-products/small lots production and quick response. The Company has made full efforts to develop proprietary technology in order to propose a business model of manufacturing new and attractive products that never existed before. In addition, the Group intends to provide overall services and information that cover not only hardware and software but also know-how and design, contributes to revitalize user industries, including the fashion industry, and creates an apparel culture that spiritually enriches people in its efforts to maintain stable growth of the Group.

(2) Targeted management benchmark

The Group believes that increased profitability through continuous operational success on a consolidated basis and business growth facilitated by development of new technology will contribute to enhancement of corporate value. In the endeavor to attain this goal, the Company has decided to emphasize the consolidated return on equity (ROE) as the management benchmark and set the objective of achieving ROE of 10% or more.

(3) Medium- to long-term management strategy of, and challenges faced by, the Company

Overseas sales of the Group has exceeded 90% of the total in accordance with a proactive sales strategy that is focused on its core Flat Knitting Machine segment. While apparel production in the world continues dispersing to other emerging countries from volume production in China, the imminent task of the consumer regions of Europe, the United States, and Japan is to shift into the manufacture of products offering higher added value and corresponding to wide variety of small quantities. Amidst such business condition, the Company will integrate flexible sales strength and cutting-edge technology in striving to ensure enhanced medium- to long-term performance. In addition, the Company is committed to the following management strategies listed below as significant challenges for the Company.

1. Increasing market share in the Asian market

In the Southeast Asian market, which is led by China and Hong Kong, rising labor costs temporarily led to growing demand for computerized flat knitting machines. Coupled with the introduction of new models with an eye on market needs, orders continued coming in. However, sales have significantly fallen due to the decelerating growth of the North American consumer market followed by the global financial crisis after the Lehman shock in 2008. In China, all participants, including Shima Seiki, European manufacturers, and local Chinese companies that are in fierce competition to gain market share in the world’s largest knitwear production base (which is expected to continue to grow and expand in the future) are required to further distinguish themselves from competitors in terms of product competitiveness, sales strategies and technical support and gain overwhelming market share in order to survive. In the Chinese and Hong Kong markets, where management of credit and accounts receivable together with the expansion of sales constitute key issues to secure growth in the future, the Company will strengthen its management system through the subsidiaries.

Mechanization in knitwear production is lagging behind in the South Asian region including

Bangladesh, although it is a key industry at the present time. The Company will build a strong sales structure to enhance its presence in these attractive markets as the China-plus-one.

2. Further penetrating and expanding sales of the WHOLEGARMENT® flat knitting machines

The strengths of the WHOLEGARMENT® flat knitting machine offered by Shima Seiki are advantages to the consumer such as wearer comfort, and production optimality in consumer countries associated with its low susceptibility to production and opportunity losses stemming from the ability to provide a quick response by manufacturing extra quantities of products. By providing not only the hardware but also unique and total planning, the higher added value, fashionability, and advantages derived from the consumer market-oriented production of WHOLEGARMENT® have been widely recognized. In addition, WHOLEGARMENT® has been highly praised for its global environmental friendliness.

The Company endeavors to thoroughly deliver and expand sales of WHOLEGARMENT® in the global market to reduce the high dependency on China and improve the sales structure through cooperation with design centers in Italy and the United States, technical support in China, together with the latest WHOLEGARMENT® flat knitting machines, MACH2®, and SDS®-ONE design systems loaded with new features.

3. Revitalizing the apparel industry through the Total Fashion System

The Company has offered its design system, based on its traditional computer graphics technology, to the entire industry spectrum, from apparel to knitwear manufacturers, as a visual communication tool capable of integrating the apparel industry.

In the future, the Company, while continuously improving the functionality and operability of its SDS®-ONE design system, intends to enhance sales of the system by vigorously promoting it as a solution to realize the challenges facing apparel-related industries, such as market-oriented manufacturing of a wide variety of products in small quantities and quick responses both in Japan and abroad, and also as a highly functional and economical design tool that enables processes, such as the virtual production of samples.

4. Establishing a stronger financial position by striving to enhance competitiveness

The Company intends to further increase its earning power to attain more confidence in the global market. On the product level, the Company will undertake a review of factory costs from the development design stage by putting into action cost cutting projects organized across the Company, and implement further reductions in material purchasing and manufacturing costs. The Company will also concentrate on improving its profit margin by shifting its production toward items of high added value. Efforts will also be made to enhance cost competitiveness by further improving production efficiency and the efficiency improvement on indirect operation while reducing administrative expenses of the entire Group to continuously reinforce profitability.

In the financial aspects, the Company strives to reduce its receivables turnover period through stronger accounts receivable management in order to reduce risks and improve operating cash flows, and also facilitate collecting receivables and curb cases in the delayed receipt of receivables. As for inventories, it strives to reduce and improve efficiency through its sales strategies and stronger coordination with flexible manufacturing systems.

5. Enhancing the risk management system

The Group set up a risk management system that allows for monitoring of risks at any time in order to reduce risks with a high probability of occurrence that could affect performance.

The Group actively hedges against foreign exchange risks by increasing yen-denominated transactions and using forward exchange contracts in order to minimize the impact of sudden fluctuations in exchange rates.

The Group is also attempting to manage credit risks by establishing a direct sales system in main overseas markets to implement comprehensive sales strategies, taking into account credit risks. It also closely monitors industry trends in each country and region, as well as the business performance and credit standing of its overseas agents, and the credit management status of each overseas agent is reported to the Board of Directors' Meeting on a monthly basis. Moreover, the Group intends to review the terms and conditions upon which it extends credit to major customers, including methods of financing, collection schemes and credit lines, thereby dispersing and controlling the concentration of credit risks and ultimately practicing a well-balanced form of credit risk management.

(Segment information)

1. Business segment information

(1) Year ended March 31, 2009 (from April 1, 2008 to March 31, 2009) (Millions of yen)

	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Other	Total	Corporate/ elimination	Consolidated
Ⅰ.Sales and operating income							
Sales							
(1) Sales to customers	41,568	1,550	1,133	4,717	48,970	—	48,970
(2) Intersegment sales or transfer	—	—	—	—	—	—	—
Total	41,568	1,550	1,133	4,717	48,970	—	48,970
Operating costs and expenses	27,679	1,549	934	5,036	35,199	5,242	40,441
Operating income (loss)	13,889	1	198	(318)	13,770	(5,242)	8,528
Ⅱ.Assets, depreciation, impairment loss on fixed assets and capital expenditures:							
Assets	76,560	2,119	851	7,825	87,357	32,420	119,777
Depreciation	1,482	55	28	273	1,840	517	2,358
Impairment loss on fixed assets	—	—	—	246	246	—	246
Capital expenditures	2,848	55	40	420	3,364	782	4,147

(2) Year ended March 31, 2010 (from April 1, 2009 to March 31, 2010) (Millions of yen)

	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Other	Total	Corporate/ elimination	Consolidated
Ⅰ. Sales and operating income							
Sales							
(1) Sales to customers	31,585	1,255	249	3,783	36,874	—	36,874
(2) Intersegment sales or transfer	—	—	—	—	—	—	—
Total	31,585	1,255	249	3,783	36,874	—	36,874
Operating costs and expenses	25,584	1,348	271	4,550	31,754	4,468	36,222
Operating income (loss)	6,001	(93)	(21)	(767)	5,119	(4,468)	651
Ⅱ.Assets, depreciation, impairment loss on fixed assets and capital expenditures:							
Assets	66,688	1,945	318	6,367	75,320	34,742	110,062
Depreciation	1,282	42	9	231	1,564	598	2,163
Impairment loss on fixed assets	—	—	—	—	—	79	79
Capital expenditures	1,071	24	3	230	1,329	823	2,153

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 design system, knitting CAD system and apparel CAD/CAM system

(3) Glove and Sock Knitting Machine ・・・・・Seamless glove and sock knitting machine

(4) Other ・・・・・Parts for knitting machines and design systems, manufacturing and sales of knitwear products, machine repair and maintenance, and hotel business

2. Geographical segment information

(1) Year ended March 31, 2009 (from April 1, 2008 to March 31, 2009) (Millions of yen)

	Japan	Southeast Asia	Europe	North America	Total	Corporate / elimination	Consolidated
Ⅰ. Sales and operating income							
Sales							
(1) Sales to customers	11,680	27,021	8,987	1,280	48,970	―	48,970
(2) Intersegment sales or transfer	28,791	53	225	3	29,073	(29,073)	―
Total	40,471	27,075	9,212	1,284	78,043	(29,073)	48,970
Operating costs and expenses	29,588	24,752	9,130	1,993	65,465	(25,023)	40,441
Operating income (loss)	10,882	2,322	82	(708)	12,578	(4,050)	8,528
Ⅱ. Assets	75,158	23,594	17,234	1,173	117,161	2,616	119,777

(2) Year ended March 31, 2010 (from April 1, 2009 to March 31, 2010) (Millions of yen)

	Japan	Southeast Asia	Europe	North America	Total	Corporate / elimination	Consolidated
Ⅰ. Sales and operating income							
Sales							
(1) Sales to customers	12,487	16,774	7,099	513	36,874	―	36,874
(3) Intersegment sales or transfer	17,900	394	0	43	18,339	(18,339)	―
Total	30,387	17,169	7,099	556	55,213	(18,339)	36,874
Operating costs and expenses	24,435	16,233	7,625	1,040	49,355	(13,112)	36,222
Operating income (loss)	5,952	935	(525)	(484)	5,877	(5,226)	651
Ⅱ. Assets	67,739	20,823	14,465	553	103,581	6,481	110,062

Note: Significant countries or areas outside Japan belonging to each area are as follows:
(1) Southeast Asia･･･China
(2) Europe･･････････U.K., Italy and Spain
(3) North America････U.S.A.

3. Overseas sales

(1) Year ended March 31, 2009 (from April 1, 2008 to March 31, 2009) (Millions of yen)

	Europe	Southeast Asia	Other areas	Total
Ⅰ. Overseas sales	9,083	31,614	3,862	44,560
Ⅱ. Consolidated sales				48,970
Ⅲ. Ratio of overseas sales to consolidated sales	18.5%	64.6%	7.9%	91.0%

(2) Year ended March 31, 2010 (from April 1, 2009 to March 31, 2010) (Millions of yen)

	Europe	Southeast Asia	Other areas	Total
Ⅰ. Overseas sales	7,175	23,639	2,959	33,774
Ⅱ. Consolidated sales				36,874
Ⅲ. Ratio of overseas sales to consolidated sales	19.5%	64.1%	8.0%	91.6%

Note: Significant countries or areas belonging to each area are as follows:
(1) Europe･･････････Italy and U.K.
(2) Southeast Asia･･･China, South Korea and Taiwan
(3) Other areas･･････Brazil, U.S.A. and Turkey

Status of production, orders, and sales

(1) Production

(Millions of yen)

Name of segment	Production	Year-on-year (%)
Flat Knitting Machine	28,452	88.7
Design System	1,015	82.9
Glove and Sock Knitting Machine	190	18.4
Total	29,658	86.3

(2) Orders

(Millions of yen)

Name of segment	Orders	Year-on-year (%)	Order backlog	Year-on-year (%)
Flat Knitting Machine	31,176	113.5	7,197	94.6
Design System	1,386	95.1	241	219.8
Glove and Sock Knitting Machine	378	39.2	142	1,083.5
Total	32,942	110.2	7,581	98.1

(3) Sales

(Millions of yen)

Name of segment	Sales	Year-on-year (%)
Flat Knitting Machine	31,585	76.0
Design System	1,255	80.9
Glove and Sock Knitting Machine	249	22.0
Other	3,783	80.2
Total	36,874	75.3