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

Financial Results for the year ended March 31, 2008

May 2, 2008

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
Expected date of general shareholders' meeting: June 27, 2008
Expected date of dividends payment: June 30, 2008
Expected date for filing financial report: June 30, 2008

(Amounts less than 1 million yen are omitted)

1. Consolidated results for FY2008 (from April 1, 2007 to March 31, 2008)

(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	(%)
FY2008	69,897	(48.5)	16,213	(110.3)	19,085	(102.0)	9,958	(219.8)
FY2007	47,079	(24.3)	7,709	(91.6)	9,450	(67.7)	3,113	(-8.5)

	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	%	%	%
FY2008	276.13	261.43	10.6	14.5	23.2
FY2007	86.17	83.51	3.4	7.9	16.4

Reference: Investment profit or loss on equity method
FY2008: N/A FY2007: N/A

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	133,745	101,647	73.2	2,677.47
FY2007	129,161	92,810	69.2	2,546.71

Reference: Shareholders' equity
FY2008: 97,854 million yen FY2007: 89,315 million yen

(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
FY2008	21,747	(3,321)	(10,883)	22,643
FY2007	10,691	(16,222)	12,225	15,954

2. Cash dividends

	Cash dividends per share			Total dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends on net assets (Consolidated)
	Interim	Year-end	Annual			
	Yen	Yen	Yen	Millions of yen	%	%
FY2007	17.50	20.00	37.50	1,343	43.5	1.5
FY2008	25.00	30.00	55.00	2,017	19.9	2.1
FY2009 (Forecast)	25.00	30.00	55.00		20.1	

*Interim dividend for FY2008 : Ordinary dividend 22.50 yen Commemorative dividend 2.50 yen

3. Forecast of consolidated financial results for FY2009 (from April 1, 2008 to March 31, 2009)

	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	38,000	(2.2)	10,000	(-8.0)	9,500	(-22.8)	5,500	(-17.5)	150.49
Full year	70,000	(0.1)	18,000	(11.0)	17,000	(-10.9)	10,000	(0.4)	273.62

4. Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that involve changes in scope of consolidation): No
New: None
Excluded: None

(2) Changes in accounting principles, procedures, presentation methods, and other practices for presenting consolidated financial statements (changes listed on "Significant changes in basis of presenting consolidated financial statements")
1) Changes following revision of accounting standards: Yes
2) Changes other than those above: No

(3) Number of outstanding shares (common stock)
1) Number of shares outstanding at the end of the year (including treasury stock)
FY2008: 37,600,000 FY2007: 37,600,000
2) Number of shares of treasury stock at the end of the year
FY2008: 1,052,466 FY2007: 2,529,153

Reference: Summarized non-consolidated financial results

1. Non-consolidated results for FY2008 (from April 1, 2007 to March 31, 2008)

(1) Non-consolidated operating results

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
FY2008	60,850	(39.1)	14,993	(113.4)	13,709	(56.9)	7,093	(96.6)
FY2007	43,754	(19.7)	7,024	(113.6)	8,737	(67.2)	3,607	(19.8)

	Net income per share	Diluted net income per share
	Yen	Yen
FY2008	196.70	186.19
FY2007	99.83	96.77

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	118,079	90,027	76.2	2,463.30
FY2007	114,688	83,034	72.4	2,367.62

Reference: Shareholders' equity
FY2008: 90,027 million yen FY2007: 83,034 million yen

2. Forecast of non-consolidated financial results for FY2009 (from April 1, 2008 to March 31, 2009)

	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	32,000	(7.2)	7,500	(11.1)	7,000	(-0.7)	4,000	(16.8)	109.45
Full year	60,000	(-1.4)	14,000	(-6.6)	13,000	(-5.2)	7,500	(5.7)	205.21

1. Operating Results

(1) Analysis of operating results

[Operating results for the current fiscal year]

Economic trends during the current consolidated fiscal year are evidenced by the emerging subprime loan issue since July causing turmoil in global financial markets and the impact of the accompanying economic slowdown in the United States spreading to the EU countries. The emerging markets of Asia, the Middle East, and Russia have generally retained high growth rates despite the negative impact of falling exports to the United States. The Japanese economy has suffered from slow recovery due to deteriorating corporate earnings adversely affected by high raw material costs and the sharp rise in yen toward the end of the fiscal year.

Under these economic circumstances, the Group has promptly satisfied a wide range of global user needs more than ever and focused on the development and sales of products and software that improve production efficiency and contribute to the manufacture of high-quality products.

As for business results for the current consolidated fiscal year, the Company posted a substantial increase in net sales underpinned by buoyant demand for computerized flat knitting machines in the Chinese and Hong Kong markets, the world's largest knitwear production center. Sales in Italy, the center of the European market, has also recovered through aggressive business activities of the Company's sales subsidiary, which was established during the previous fiscal period. In Turkey and Korea, more users who have strengthened their competitive edge by improving manufacturing process efficiency have replaced their facilities. As a result, total sales hit a historic high of 69,897 million yen (a 48.5% year-on-year increase) with overseas sales accounting for 94.1%.

On the earnings side, in addition to the significant growth in net sales, the lower ratio of the cost of sales attributable to increased production and contributions to business results made by sales subsidiaries in Hong Kong and Italy, which have been consolidated into the Group accounts since the previous fiscal year, resulted in historic high earnings at every level including operating income of 16,213 million yen (a 110.3% year-on-year increase), ordinary income of 19,085 million yen (a 102.0% year-on-year increase), and net income of 9,958 million yen (a 219.8% year-on-year increase).

Performance of each segment is as follows:

Flat Knitting Machine Segment

The Flat Knitting Machine segment, which is the Company's core business, has achieved significant sales growth in the overseas markets though its growth has leveled off in the domestic market.

Within Southeast Asia, demand for a shift from manual flat knitting machines to computerized flat knitting machines has been robust throughout the period on the back of higher labor costs and the lack of labor in the textile industry in the core Chinese and Hong Kong market. Although competition with competitors is becoming fiercer in this market, the SSG® and SIG® series, the core machines, have maintained the distinct edge through the advantages of high productivity, operability, and stable quality. In addition, due to higher user satisfaction from full and detailed technology services provided in stronger cooperation with sales subsidiaries, the Company has enjoyed sales growth and extremely strong and continuous demand. In the surrounding Asian countries of Korea, Cambodia, and India, more users have replaced existing plants and added new facilities.

In Europe, mainly core users in Italy have regained their competitive edge by differentiating themselves from competitors offering high-fashion and high-quality knitwear products manufactured using the WHOLEGARMENT® flat knitting machine and by unique product planning. In addition, due to aggressive follow-up services offered to users by sales subsidiaries, they have replaced their facilities and significant sales growth was achieved. Sales growth was also achieved in Turkey in the Middle East, which had suffered from weak capital investment due to competition with Chinese-made knitwear products in the European and Russian markets, thanks to recovery in product exports and increasing demand for replacement with new facilities. In order to satisfy the robust demand for computerized flat knitting machines, the Company has continuously provided record high levels of manufacturing processes.

As a result, the Flat Knitting Machine segment recorded sales of 60,445 million yen (a 56.0% year-on-year increase).

Design System Segment

The Design System segment posted sales of 1,715 million yen (a 19.6% year-on-year increase) as a result of engaging in aggressive expansion of sales of both the SDS®-ONE, an All-in-One design system covering all the necessary functions from product planning through design, virtual sampling, manufacturing, and merchandizing to retail sales promotion as the core total solution tool in the knitwear and apparel industries, and a consistent production system integrating SDS®-ONE (p), an apparel CAD, and the P-CAM series, a computerized fabric cutting system.

Glove and Sock Knitting Machine Segment

The Glove and Sock Knitting Machine segment recorded a decline in sales mainly due to a sales decrease in its core Korean market, offsetting sales growth in the emerging Asian markets, to 1,832 million yen (a 16.2% year-on-year decrease).

Other Business Segment

In the Other Business segment, which includes such business as sales of parts, booked sales of 5,903 million yen (a 25.0% year-on-year increase).

[Outlook for the following period]

The economic outlook is clouded with uncertainties, with the anticipation that the global economy faces concerns about the spreading contagion of the effects of a recession in the United States and higher crude oil prices to other countries, and the Japanese economy suffers from concerns over the negative impact of higher raw material costs and the further rising yen on corporate earnings.

Under these severe market conditions anticipated for the period ahead based on the economic outlook discussed above, the Group aims to revitalize the entire industry and ensure the Group's growth by constantly providing products with high added value leveraging its advanced technology edge.

With the continued need for energy-saving despite the growing uncertainties over the adverse effects of higher costs and the slowdown in US consumption, even in China and Hong Kong, the Company's core market, the SSG® and SIG®, the core computerized flat knitting machine products, have been especially rated highly by many users as machines with the capabilities to improve production efficiency of knitwear manufacturing and high cost performance. The Company intends to ensure a prompt response to user needs and further increase market share in the face of intensifying competition by strengthening technical support under the Company's initiative through local subsidiaries and by aggressively implementing comprehensive sales strategies throughout China. With the expectation of production in the surrounding Asian countries of Cambodia, India, and Indonesia gaining momentum, which reflects the higher production costs in China, the Company will reinforce sales activities in these emerging regions. The Company will also sort out demand for replacement of existing machines in Turkey in the Middle East, which has been experiencing growth in production volume led by a recovery in exports to Europe and Russia.

In Europe, the Company intends to drive full market recovery in Italy, which saw expanded facilities replacement during the previous fiscal period, through full and detailed follow-up services offered to users by the sales subsidiaries. In this region, the Company also focuses on offering the manufacture of products for leading industrialized consumer regions leveraging the cutting-edge WHOLEGARMENT® flat knitting machine, which enables on-demand production to satisfy each consumer's individual taste and breaks into new knitwear fashion areas, and the SDS®-ONE design system in addition to SSG® and SIG®.

Within the context of the domestic market, the Company will offer a business model for the manufacture of knitwear products using the WHOLEGARMENT® flat knitting machine and SDS®-ONE as the core to revitalize the market in response to the increasing trend within the industry of a return to the domestic production market.

As a large number of users not only from Asia but also from all over the world are expected toattend ITMA ASIA+CITME 2008, the exhibition of textile machines to be held in Shanghai, China, in July 2008, the Company intends to offer products taking advantage of the highest level of technology provided by the Company to revitalize the global knitwear and apparel manufacturers and differentiate itself from its competitors.

The Company, despite its aggressive efforts to implement sales schemes that accommodate the respective regions in the global market as stated above, forecasts modest earnings and currently projects net sales of 70,000 million yen (a 0.1% year-on-year increase), operating income of 18,000 million yen (a 11.0% year-on-year increase), ordinary income of 17,000 million yen (a 10.9% year-on-year decrease), and net income of 10,000 million yen (a 0.4% year-on-year increase) on a consolidated basis in the year ending March 31, 2009, as a result of uncertainties over future market conditions and foreign exchange trends and expected severe market conditions of intensifying competition in the core Chinese and Hong Kong markets and higher raw material costs.

Exchange rates assumed for the performance forecasts are 100 yen to the US dollar and 155 yen to the Euro.

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

(2) Analysis of financial position

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

Total assets at the end of the current fiscal year rose by 4,584 million yen from the previous year to 133,745 million yen. The major reasons for the increase include increase in cash and deposit and short-term investments. Liabilities decreased by 4,253 million yen, compared to the end of the previous year, to 32,098 million yen. The decrease was primarily due to the decrease of convertible bonds with stock acquisition rights and short-term loans. Net assets, including minority interests, increased by 8,837 million yen, compared to the end of the previous year, to 101,647 million yen. The increase was mainly due to the increase of retained earnings. As a result, equity ratio was 73.2%.

Cash and cash equivalents for the current consolidated fiscal year increased by 6,689 million yen to 22,643 million yen.

Cash flow status for each activity is as stated below.

[Cash flow from operating activities]

Cash flows from operating activities generated a net inflow of 21,747 million yen (a 11,055 million yen year-on-year increase) in the period under review mainly due to a significant increase in income before income taxes and minority interests and an increase in depreciation and amortization and trade payables.

[Cash flow from investing activities]

Net cash used in investing activities totaled 3,321 million yen (a 12,900 million yen year-on-year decrease) due to purchases of property, plant and equipment.

[Cash flow from financing activities]

Cash flows from financing activities recorded a net cash outflow of 10,883 million yen mainly attributable to repayments of short-term loans and purchases of treasury stock. (Proceeds of 12,225 million yen in the previous year.)

Trends in Company cash flow indicators are shown below.

	FY2004	FY2005	FY2006	FY2007	FY2008
Equity ratio	85.5%	85.9%	87.2%	69.2%	73.2%
Market-to-market equity ratio	153.2%	112.1%	110.0%	84.2%	127.3%
Ratio of cash flow to interest-bearing liabilities	-	75.3	52.9	71.4	14.5
Interest coverage ratio	-	218.0	147.8	145.8	202.9

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

Note: 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.
5. Ratio of cash flow to interest-bearing liabilities and interest coverage ratio for the year ended March 31, 2004 are not available due to negative cash flow from operating activities.

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

The Company believes that it is a priority management task to return profits to its shareholders.

As for profit sharing, the Company's approach is to maintain long-term stable dividends and actively pay dividends based on business performance enhancement, taking into account future earnings forecasts and business operations. The Company intends to actively purchase treasury stocks with implementation of flexible capital policies responsive to changes in the management environment as its objective. 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 30.00 yen per share as revised on January 31, 2008; thus 55.00 yen per share for the full business year, including the previously paid interim dividend of 25.00 yen per share.

As for dividends for the following fiscal year, the Company plans to treat a dividend of 2.50 yen per share to commemorate its 45th anniversary paid in the previous fiscal period as ordinary dividend and raise the ordinary dividend by 2.50 yen per share based on continuously positive demand environment to pay an interim dividend of 25.00 yen per share. As for the year-end dividend, the Company intends to pay 30.00 yen per share; thus 55.00 yen per share for the full business 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

Export sales account for more than 90% of the Group's total sales, with sales to China and Hong Kong accounting for approximately 70% of export sales. There is a concern over economic and political changes, including changes in monetary policies, import tariffs, 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 planed 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 currently conducts sales, which have been conducted through indirect sales by overseas agents, through direct sales in China, Hong Kong and the European market, which represent major markets in 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 over concentration of production on a particular production site

The Company 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 rising cost of raw materials

Emerging requests to raise material purchase price reflecting persistently high crude oil prices and rises in steel product prices are expected to push up manufacturing costs for the Group's products. Despite the Group's efforts to promote a reduction in the cost ratio by reducing costs from the development and design stages and maintaining a self-manufacturing rate of 75 percent or higher for parts processing, any prolonged and constant increases in raw material costs could affect the performance and financial position of the Group.

7. 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:

a) Stagnant demand resulting from deteriorating economic conditions
b) Unforeseen changes in laws and regulations
c) Social turmoil due to terrorism, war, political upheaval, deteriorating civil order, and other causes
d) Natural disasters including earthquakes

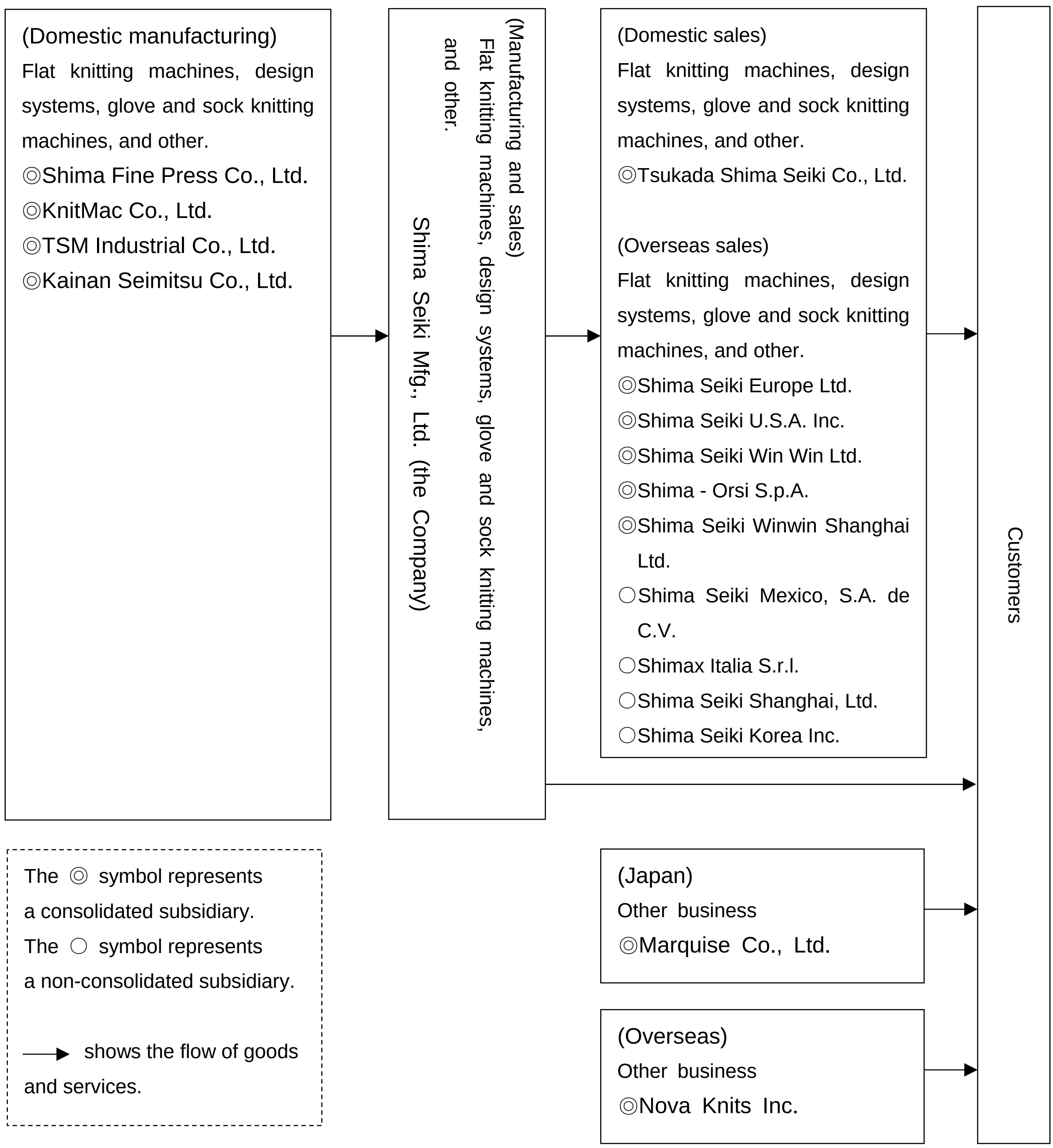
8. Risks associated with changes in consumer apparel spending and unseasonable weather

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.



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 Company has continued to provide products that do not exist anywhere in the world from the perspective of counterparties (customers).

In the textile industry, which underpins apparel that is indispensable for daily life and has been making an 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 Company 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 Company.

(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 new management benchmark and set the objective of constantly achieving ROE of 10 percent 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. The trend in the global apparel market to concentrate production in China, which is a mass production area, has been accelerated since the quota-free (termination of textile import quotas) in January 2005. Consequently, 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 the severe condition of further polarization of the global market, the Company will integrate market strategies that enable flexible responses to changes in the business environment and business strategies backed by 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 share in the Asian market

In spite of the temporary decline following the termination of textile import quotas (quota-free) in the Southeast Asian market, which is led by China and Hong Kong, recent orders of computerized flat knitting machines received from the market remain strong due to a rise in the demand driven by significant increases in labor costs combined with the injection of new models taking market needs into consideration. 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 market, where management of credit and accounts receivable together with the expansion of sales constitute key issues to secure growth in the future, Shima Seiki will strengthen its management system through the subsidiaries.

The Company will also make active sales in South Asia including India, which is an attractive market as the next China, although knitwear production is still not a major industry in this region.

2. Further penetrating and expanding the sales of the WHOLEGARMENT® flat knitting machine in consumer markets

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 consumer regions to reduce the high dependency on China and improve the sales structure through acquisition of subsidiaries and cooperation with design centers in Italy and the United States, together with the latest series of WHOLEGARMENT® flat knitting machines released at ITMA 2007 and 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 to 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 of indirect business 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 reduce and improve efficiency of inventories 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.

In order to promote medium- to long-term management strategies mentioned above, the Company continues to train its human resources, who simultaneously exemplify technique, sensibility and cost consciousness to promptly satisfy diversified customer needs. At the same time, the Company is committed to enhancing user skills to provide full knowledge of the Company's products through deployment of design centers.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2007 (As of Mar. 31, 2007)		**FY2008 (As of Mar. 31, 2008)**		Increase (Decrease)	
	Amount	%	Amount	%	Amount	% change
Assets						
Ⅰ. **Current assets**						
Cash and deposits	15,212		23,068		7,856	
Trade accounts and notes receivables	43,706		41,204		(2,502)	
Short-term investments	2,554		3,912		1,357	
Inventories	16,200		16,178		(21)	
Deferred tax assets	2,487		3,219		731	
Other	3,404		1,560		(1,843)	
Allowance for doubtful accounts	(2,325)		(2,226)		99	
Total current assets	**81,239**	**62.9**	**86,918**	**65.0**	**5,678**	**7.0**
Ⅱ. **Fixed assets**						
1. Property, plant and equipment						
Buildings and structures	6,534		6,640		106	
Machinery and equipment	2,943		4,311		1,368	
Tools, furniture and fixtures	1,299		1,377		78	
Land	10,668		10,491		(177)	
Construction in progress	54		37		(16)	
Property, plant and equipment, net	**21,500**	**16.6**	**22,859**	**17.1**	**1,358**	**6.3**
2. Intangible fixed assets						
Goodwill	10,767		9,066		(1,701)	
Other	154		144		(9)	
Total intangible fixed assets	**10,921**	**8.5**	**9,210**	**6.9**	**(1,711)**	**(15.7)**
3. Investments and other assets						
Investments in securities	9,579		7,513		(2,065)	
Long-term loans receivables	-		35		35	
Deferred tax assets	1,231		2,204		972	
Deferred tax assets for land revaluation	24		-		(24)	
Other	5,762		7,796		2,034	
Allowance for doubtful accounts	(1,098)		(2,216)		(1,117)	
Allowance for investment loss	-		(576)		(576)	
Total investments and other assets	**15,499**	**12.0**	**14,757**	**11.0**	**(742)**	**(4.8)**
Total fixed assets	**47,921**	**37.1**	**46,827**	**35.0**	**(1,094)**	**(2.3)**
Total assets	**129,161**	**100.0**	**133,745**	**100.0**	**4,584**	**3.5**

(Millions of yen)

	FY2007 (As of Mar. 31, 2007)		**FY2008 (As of Mar. 31, 2008)**		Increase (Decrease)	
	Amount	%	Amount	%	Amount	% change
Liabilities						
Ⅰ. **Current liabilities**						
Trade accounts and notes payables	7,481		9,773		2,292	
Short-term loans	4,561		142		(4,418)	
Accrued income taxes	2,383		7,225		4,841	
Accrued bonuses to employees	879		899		20	
Allowance for losses on debt guarantees	331		670		339	
Other	4,872		4,654		(217)	
Total current liabilities	**20,509**	**15.9**	**23,367**	**17.5**	**2,857**	**13.9**
Ⅱ. **Long-term liabilities**						
Convertible bonds	10,045		2,909		(7,136)	
Long-term debt	3,071		3,000		(71)	
Deferred tax liabilities for land revaluation	-		60		60	
Allowance for retirement benefits	1,711		1,673		(37)	
Allowance for directors' and statutory auditors' retirement benefits	1,012		1,086		74	
Total long-term liabilities	**15,841**	**12.2**	**8,731**	**6.5**	**(7,110)**	**(44.9)**
Total liabilities	**36,351**	**28.1**	**32,098**	**24.0**	**(4,253)**	**(11.7)**
Net assets						
Ⅰ. **Shareholders' equity**						
Common stock	14,859	11.5	14,859	11.1	-	-
Capital surplus	21,724	16.8	22,396	16.8	672	3.1
Retained earnings	66,713	51.7	74,924	56.0	8,210	12.3
Treasury stock	(6,995)	(5.4)	(5,322)	(4.0)	1,672	-
Total shareholders' equity	**96,301**	**74.6**	**106,857**	**79.9**	**10,556**	**11.0**
Ⅱ. **Valuation and translation adjustments**						
Net unrealized holding gain on securities	269	0.2	(572)	(0.4)	(841)	-
Land revaluation difference	(7,518)	(5.8)	(7,392)	(5.5)	125	-
Foreign currency translation adjustments	262	0.2	(1,038)	(0.8)	(1,300)	-
Total valuation and translation adjustments	**(6,986)**	**(5.4)**	**(9,003)**	**(6.7)**	**(2,016)**	**-**
Ⅲ. **Minority interests**	**3,494**	**2.7**	**3,792**	**2.8**	**297**	**8.5**
Total net assets	**92,810**	**71.9**	**101,647**	**76.0**	**8,837**	**9.5**
Total liabilities and net assets	**129,161**	**100.0**	**133,745**	**100.0**	**4,584**	**3.5**

(2) Consolidated Statements of Income

(Millions of yen)

		FY 2007 (Apr. 1, 2006-Mar. 31, 2007)		**FY 2008 (Apr. 1, 2007-Mar. 31, 2008)**		Increase (Decrease)	
		Amount	%	Amount	%	Amount	% change
Ⅰ.	**Net sales**	**47,079**	**100.0**	**69,897**	**100.0**	**22,817**	**48.5**
Ⅱ.	**Cost of sales**	**25,013**	**53.1**	**34,131**	**48.8**	**9,118**	**36.5**
	Gross profit	**22,066**	**46.9**	**35,766**	**51.2**	**13,699**	**62.1**
Ⅲ.	**Selling, general and administrative expenses**	**14,357**	**30.5**	**19,552**	**28.0**	**5,195**	**36.2**
	Operating income	**7,709**	**16.4**	**16,213**	**23.2**	**8,504**	**110.3**
Ⅳ.	**Non-operating income**	**2,039**	**4.3**	**3,166**	**4.5**	**1,127**	**55.3**
	Interest income	448		908		459	
	Dividend income	139		288		149	
	Exchange gains	1,236		1,714		477	
	Other	214		255		40	
Ⅴ.	**Non-operating expenses**	**297**	**0.6**	**294**	**0.4**	**(3)**	**(1.1)**
	Interest expense	77		103		25	
	Sales discount	176		-		(176)	
	Loss on sales of notes receivables	-		109		109	
	Other	43		81		38	
	Ordinary income	**9,450**	**20.1**	**19,085**	**27.3**	**9,635**	**102.0**
Ⅵ.	**Extraordinary gains**	**1,607**	**3.4**	**-**	**-**	**(1,607)**	**-**
	Gain on sale of fixed assets	57		-		(57)	
	Gain on reversal of allowance for doubtful accounts	1,550		-		(1,550)	
Ⅶ.	**Extraordinary losses**	**4,874**	**10.4**	**918**	**1.3**	**(3,956)**	**(81.2)**
	Loss on sales and disposal of fixed assets	54		128		73	
	Loss on support to a customer	3,246		-		(3,246)	
	Bad debt expenses	1,036		-		(1,036)	
	Amortization of goodwill	429		173		(255)	
	Provision of allowance for investment loss	-		576		576	
	Other	108		40		(67)	
	Income before income taxes and minority interests	**6,182**	**13.1**	**18,167**	**26.0**	**11,985**	**193.9**
	Income taxes (current)	3,381	7.2	8,488	12.1	5,107	151.1
	Income taxes (deferred)	(615)	(1.3)	(1,151)	(1.6)	(535)	-
	Minority interests in gains	302	0.6	871	1.3	568	187.8
	Net income	**3,113**	**6.6**	**9,958**	**14.2**	**6,845**	**219.8**

(3) Consolidated Statements of Changes in Net Assets

FY2007 (from April 1, 2006 to March 31, 2007) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	14,859	21,724	65,008	(2,687)	98,905
Changes during the consolidated fiscal year					
Dividends of surplus			(1,374)		(1,374)
Bonuses to directors and statutory auditors			(34)		(34)
Net income			3,113		3,113
Purchases of treasury stock				(4,308)	(4,308)
Retirement of treasury stock		0		0	0
Changes in items other than shareholders' equity during the consolidated fiscal year, net					
Total changes during the consolidated fiscal year	-	0	1,704	(4,308)	(2,603)
Balance as of March 31, 2007	14,859	21,724	66,713	(6,995)	96,301

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2006	913	(4,493)	5	(3,574)	191	95,522
Changes during the consolidated fiscal year						
Dividends of surplus						(1,374)
Bonuses to directors and statutory auditors						(34)
Net income						3,113
Purchases of treasury stock						(4,308)
Retirement of treasury stock						0
Changes in items other than shareholders' equity during the consolidated fiscal year, net	(643)	(3,024)	256	(3,411)	3,303	(108)
Total changes during the consolidated fiscal year	(643)	(3,024)	256	(3,411)	3,303	(2,711)
Balance as of March 31, 2007	269	(7,518)	262	(6,986)	3,494	92,810

FY2008 (from April 1, 2007 to March 31, 2008) (Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	14,859	21,724	66,713	(6,995)	96,301
Changes during the consolidated fiscal year					
Dividends of surplus			(1,622)		(1,622)
Net income			9,958		9,958
Purchases of treasury stock				(4,784)	(4,784)
Retirement of treasury stock		672		6,456	7,129
Reversal of land revaluation difference			(125)		(125)
Changes in items other than shareholders' equity during the consolidated fiscal year, net					
Total changes during the consolidated fiscal year	-	672	8,210	1,672	10,556
Balance as of March 31, 2008	14,859	22,396	74,924	(5,322)	106,857

	Valuation and translation adjustments				Minority interests	Total net assets
	Net unrealized holding gain (loss) on securities	Land revaluation difference	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of March 31, 2007	269	(7,518)	262	(6,986)	3,494	92,810
Changes during the consolidated fiscal year						
Dividends of surplus						(1,622)
Net income						9,958
Purchases of treasury stock						(4,784)
Retirement of treasury stock						7,129
Reversal of land revaluation difference						(125)
Changes in items other than shareholders' equity during the consolidated fiscal year, net	(841)	125	(1,300)	(2,016)	297	(1,718)
Total changes during the consolidated fiscal year	(841)	125	(1,300)	(2,016)	297	8,837
Balance as of March 31, 2008	(572)	(7,392)	(1,038)	(9,003)	3,792	101,647

(4) Consolidated Statements of Cash Flows

(Millions of yen)

		FY2007 (Apr. 1, 2006- Mar. 31, 2007)	**FY2008 (Apr. 1, 2007- Mar. 31, 2008)**
		Amount	Amount
Ⅰ.	**Cash flow from operating activities**		
	Income before income taxes and minority interests	6,182	18,167
	Depreciation and amortization	1,541	2,454
	Amortization of goodwill	429	173
	Increase in allowance for doubtful accounts	1,270	1,292
	Increase in allowance for losses on guarantees	93	361
	Increase in allowance for investment loss	-	576
	Bad debt expenses	1,036	-
	Loss on support to a customer	3,246	-
	Reversal of allowance for doubtful accounts	(1,550)	-
	Interest and dividend income	(587)	(1,196)
	Increase in trade receivables	(1,501)	(1,522)
	Decrease (increase) in inventories	76	(914)
	Increase(decrease) in trade payables	(183)	4,297
	Other	2,236	582
	Subtotal	**12,291**	**24,271**
	Interest and dividend income received	531	1,106
	Interest expense paid	(73)	(107)
	Income taxes paid	(2,058)	(3,523)
	Net cash provided by operating activities	**10,691**	**21,747**
Ⅱ.	**Cash flow from investing activities**		
	Net increase in time deposits	(891)	(167)
	Net increase in short-term investments	(939)	(1,860)
	Purchases of property, plant, and equipment	(818)	(2,081)
	Proceeds from sales of property, plant and equipment	166	496
	Purchases of investments in securities	(5,128)	(76)
	Proceeds from sales of investments in securities	249	912
	Payments for acquisition of business	(8,583)	-
	Other	(277)	(544)
	Net cash used in investing activities	**(16,222)**	**(3,321)**
Ⅲ.	**Cash flow from financing activities**		
	Net increase (decrease) in short-term loans	1,865	(4,402)
	Proceeds from long-term loans	3,000	-
	Proceeds from issuance of bonds	10,027	-
	Proceeds from issuing shares to minority shareholders	3,021	-
	Purchases of treasury stock	(4,308)	(4,784)
	Cash dividends paid	(1,373)	(1,621)
	Other	(6)	(75)
	Net cash used in financing activities	**12,225**	**(10,883)**
Ⅳ.	**Effect of exchange rate changes on cash and cash equivalents**	**149**	**(853)**
Ⅴ.	**Net increase in cash and cash equivalents**	**6,843**	**6,689**
Ⅵ.	**Cash and cash equivalents at beginning of year**	**9,110**	**15,954**
Ⅶ.	**Cash and cash equivalents at end of year**	**15,954**	**22,643**

(Segment information)

1. Business segment information

(1) FY2007 (from April 1, 2006 to March 31, 2007) (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	38,736	1,433	2,188	4,720	47,079	-	47,079
(2) Intersegment sales or transfer	-	-	-	-	-	-	-
Total	38,736	1,433	2,188	4,720	47,079	-	47,079
Operating costs and expenses	26,610	1,292	1,614	4,768	34,286	5,084	39,370
Operating income (loss)	12,126	141	573	(47)	12,793	(5,084)	7,709
Ⅱ.Assets, depreciation, and capital expenditures:							
Assets	85,928	3,607	1,592	6,179	97,308	31,853	129,161
Depreciation	1,052	16	38	82	1,189	352	1,541
Capital expenditures	1,058	40	44	331	1,474	278	1,752

(2) FY2008 (from April 1, 2007 to March 31, 2008) (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	60,445	1,715	1,832	5,903	69,897	-	69,897
(2) Intersegment sales or transfer	-	-	-	-	-	-	-
Total	60,445	1,715	1,832	5,903	69,897	-	69,897
Operating costs and expenses	39,142	1,678	1,380	5,792	47,993	5,690	53,683
Operating income (loss)	21,302	36	452	111	21,903	(5,690)	16,213
Ⅱ. Assets, depreciation, and capital expenditures:							
Assets	79,500	2,624	957	6,948	90,031	43,713	133,745
Depreciation	1,722	43	31	229	2,026	427	2,454
Capital expenditures	1,479	44	20	171	1,716	778	2,495

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

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

2. Geographical segment information

(1) FY2007 (from April 1, 2006 to March 31, 2007) (Millions of yen)

	Japan	Southeast Asia	Europe	North America	Total	Corporate / elimination	Consolidated
Ⅰ. Sales and operating income							
Sales							
(1) Sales to customers	26,262	16,663	1,389	2,764	47,079	-	47,079
(2) Intersegment sales or transfer	17,797	2	2	401	18,202	(18,202)	-
Total	44,059	16,665	1,391	3,165	65,282	(18,202)	47,079
Operating costs and expenses	30,560	14,946	2,231	2,856	50,595	(11,225)	39,370
Operating income (loss)	13,498	1,718	(840)	309	14,686	(6,977)	7,709
Ⅱ. Assets	80,755	30,127	17,278	1,790	129,951	(789)	129,161

(2) FY2008 (from April 1, 2007 to March 31, 2008) (Millions of yen)

	Japan	Southeast Asia	Europe	North America	Total	Corporate / elimination	Consolidated
Ⅰ. Sales and operating income							
Sales							
(1) Sales to customers	16,185	39,420	12,066	2,224	69,897	-	69,897
(3) Intersegment sales or transfer	44,988	37	8	5	45,040	(45,040)	-
Total	61,174	39,458	12,074	2,230	114,938	(45,040)	69,897
Operating costs and expenses	37,452	34,784	12,622	2,831	87,691	(34,007)	53,683
Operating income (loss)	23,722	4,674	(548)	(601)	27,246	(11,033)	16,213
Ⅱ. Assets	83,071	26,661	19,283	1,583	130,600	(3,144)	133,745

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

(1) Southeast Asia・・・China
(2) Europe・・・・・・・・・・U.K. and Italy
(3) North America・・・・U.S.A.

3. Overseas sales

(1) FY2007(from April 1, 2006 to March 31, 2007) (Millions of yen)

	Europe	Southeast Asia	Other areas	Total
Ⅰ. Overseas sales	3,577	33,935	5,302	42,816
Ⅱ. Consolidated sales				47,079
Ⅲ. Ratio of overseas sales to consolidated sales	7.6%	72.1%	11.2%	90.9%

(2) FY2008 (from April 1, 2007 to March 31, 2008) (Millions of yen)

	Europe	Southeast Asia	Other areas	Total
Ⅰ. Overseas sales	11,591	46,828	7,334	65,754
Ⅱ. Consolidated sales				69,897
Ⅲ. Ratio of overseas sales to consolidated sales	16.6%	67.0%	10.5%	94.1%

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., Turkey and Syria

Status of production, orders, and sales

(1) Production

(Millions of yen)

Name of segment	Production	Year-on-year (%)
Flat Knitting Machine	56,196	154.1
Design System	1,081	92.8
Glove and Sock Knitting Machine	1,604	80.7
Total	58,882	148.7

(2) Orders

(Millions of yen)

Name of segment	Orders	Year-on-year (%)	Order backlog	Year-on-year (%)
Flat Knitting Machine	72,441	168.6	21,703	223.6
Design System	1,761	114.6	201	129.3
Glove and Sock Knitting Machine	1,652	75.5	179	49.9
Total	75,854	162.4	22,084	216.0

(3) Sales

(Millions of yen)

Name of segment	Sales	Year-on-year (%)
Flat Knitting Machine	60,445	156.0
Design System	1,715	119.6
Glove and Sock Knitting Machine	1,832	83.8
Other	5,903	125.0
Total	69,897	148.5