SHIMA SEIKI

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

Financial Results for the Year Ended March 31, 2009

April 28, 2009

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 results for the year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

(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, 2009	48,970	-29.9	8,528	-47.4	4,814	-74.8	1,765	-82.3
Year ended March 31, 2008	69,897	48.5	16,213	110.3	19,085	102.0	9,958	219.8

	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, 2009	49.88	48.56	1.9	3.8	17.4
Year ended March 31, 2008	276.13	261.43	10.6	14.5	23.2

(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, 2009	119,777	91,063	76.0	2,633.55
As of March 31, 2008	133,745	101,647	73.2	2,677.47

Reference: Shareholders' equity
As of March 31, 2009: 91,063 million yen　　As of March 31, 2008: 97,854 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
Year ended March 31, 2009	1,977	70	(4,294)	19,310
Year ended March 31, 2008	21,747	(3,321)	(10,883)	22,643

2. Cash dividends

Record date	Cash dividends per share					Total dividends (Annual)	Dividend 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, 2008	-	25.00	-	30.00	55.00	2,017	19.9	2.1
Year ended March 31, 2009	-	25.00	-	15.00	40.00	1,392	80.2	1.5
Year ending March 31, 2010 (forecast)	-	20.00	-	20.00	40.00		55.3	

3. Forecast of consolidated financial results for the year ending March 31, 2010

(April 1, 2009 - March 31, 2010)

	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	25,000	-26.0	3,000	-68.5	2,500	-71.9	1,300	-73.8	37.60
Full year	48,000	-2.0	5,500	-35.5	5,000	3.8	2,500	41.6	72.30

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that involve changes in scope of consolidation): No

(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: Yes

2) Changes other than those above: Yes

(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, 2009: 36,600,000 As of March 31, 2008: 37,600,000

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

As of March 31, 2009: 2,021,620 As of March 31, 2008: 1,052,466

<Reference>

1. Non-consolidated results for the year ended March 31, 2009 (April 1, 2008 - March 31, 2009)

(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, 2009	39,486	-35.1	5,474	-63.5	1,414	-89.7	240	-96.6
Year ended March 31, 2008	60,850	39.1	14,993	113.4	13,709	56.9	7,093	96.6

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2009	6.79	6.56
Year ended March 31, 2008	196.70	186.19

(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, 2009	101,698	82,677	81.3	2,391.01
As of March 31, 2008	118,079	90,027	76.2	2,463.30

Reference: Shareholders' equity
As of March 31, 2009: 82,677 million yen As of March 31, 2008: 90,027 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2010

(April 1, 2009 - March 31, 2010)

	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	20,000	-25.0	2,000	-69.6	1,500	-73.1	1,000	-71.4	28.92
Full year	40,000	1.3	4,000	-26.9	3,500	147.4	2,000	732.4	57.84

*Notes
Statements contained in this document 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]

The economy of the current fiscal year saw the financial crisis triggered in the U.S. seriously affect the real economy across the world, causing a global economic downturn. The Japanese economy relies heavily on exports, which rapidly harmed corporate earnings, leading to the scaling-back of capital spending and decline in personal consumption. The management environment surrounding the Company Group also faced tough circumstances due to a greater than anticipated rise in the yen rate, weak consumption experienced at home and abroad, and growing intensification of price competition.

Under such circumstances, the Group has gone out of its way to develop and market products and software, which contributes to improvements in production efficiency and high-quality product manufacturing in order to generate a quicker response than ever before to the varying needs of the global users.

For operating results for the current fiscal year, sales of computerized flat knitting machines fell because capital spending declined rapidly after the second quarter, which resulted from the decline in knit product exports in the major markets of China and Hong Kong. Capital spending stalled either in other knit producing countries in general with sales declining. As a consequence, total sales were ¥48,970 million (down 29.9% year on year).

Also on the earnings side, operating income fell to ¥8,528 million (down 47.4% year on year) due to decreasing gross profit to net sales associated with lower sales and production volumes. Meanwhile, a sharp rise in the value of the yen generated a substantial exchange loss and ordinary income totaled ¥4,814 million (down 74.8% year on year), while current net income totaled ¥1,765 million (down 82.3% year on year) because of the booking of extraordinary loss caused by the loss on revaluation of investments in securities.

Performance of each segment is as follows:

Flat Knitting Machine Segment

The Flat Knitting Machine segment, which is the Company's core business, suffered a drop in sales in the face of the harsh business environment affected by the global recession in consumer markets both at home and abroad.

In recent years, the major markets of China and Hong Kong were rapidly converting to computerized flat knitting machine from the manual type, reflecting surging labor costs and the growing shortage of labor in the textile industry. However, the current fiscal year saw exports of knit products fall significantly as a result of sluggish demand in the U.S. consumer market, while capital spending cooled off after the second quarter impacted by credit tightening. Capital spending also stalled under the influence of the global slump in consumption in the knitwear producing countries of South Korea and Turkey. In Europe, the major knitting machine users in Italy were progressively returning to domestic production. Although we made extra efforts to follow up on users there, replacement sales of knitting machine did not grow as much as we had hoped.

Knit product output did not grow in the domestic market either, reflecting a decline in clothing consumption in the domestic market, which therefore did not lead to an expansion in capital spending. As a result, sales in the Flat Knitting Machine business totaled ¥41,568 million (down 31.2% year on year).

Design System Segment

In the Design System segment, market-in (offerings driven by market needs) efforts paid off in the domestic market, and sales of the P-CAM® series, the computerized fabric cutting machines, grew. However, slow growth in sales of the SDS®-ONE design system resulted in ¥1,550 million (down 9.6% 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 ¥1,133 million (down 38.2% year on year).

Other Business Segment

In the Other Business segment, which includes such business as sales of parts, booked sales of ¥4,717 million (down 20.1% year on year).

[Outlook for the following period]

The global economy of the major advanced nations hereafter, such as the United States, Europe, and Japan, is expected to log negative growth across the board, while economic growth will slow in China. Although the market environment is forecast to remain harsh in the face of diminishing global trade and sluggish consumption, the Group aims to revitalize the entire industry and grow the Group by constantly providing products with high added value leveraging its advanced technology edge.

In order to face the very difficult situation and pull together throughout the company, the three-headquarters system of Sales, Development, and Production was established to enable a flexible decision-making structure in management, thereby further strengthening technological innovation and marketing in the user industry.

For market conditions, China and Hong Kong, major markets of the Company, are expected to take a longer time before capital spending recovers under the impact of the slowdown in exports to the United States and the rising cost of production. However, in view of the fact that the underlying needs to save labor by introducing computerized flat knitting machines remain strong, we will tap sales opportunities in defiance of tough competition by responding quickly to user needs. For that purpose, we will take the initiative in bolstering technical and service support based from the local subsidiaries of Hong Kong and Shanghai, and aggressively deploy the sales strategy across China. The Company will keep promoting the new MACH2® model to major knitwear manufacturers in Hong Kong—the new model has significantly improved knitting efficiency for the high-fashion and high-quality WHOLEGARMENT®. We will also develop markets by strengthening marketing efforts in the neighboring Asian countries of Bangladesh, India, and Cambodia. We will apply the sales by consultation approach in South Korea and Turkey, which are main knitwear producing countries, to pursue replacement demand stepped up from conventional knitting machines.

In Europe, and particularly in Italy, we will strengthen the marketing and technical service structure at our local sales subsidiaries to boost sales by emphasizing the MACH2®.

On the domestic market where the tough market environment may continue, we will revitalize market by offering the business model by planning and consulting approach focused on the WHOLEGARMENT® flat knitting machines. We will also focus our efforts on further expanding sales opportunities of the P-CAM®, which has grown in the current fiscal year.

As described above, the Company will actively apply sales programs tailored to each region of the market across the globe and will resolve to thoroughly address reductions in manufacturing costs and operating expenses. Assuming that the next fiscal year will be particularly challenging in the face of decreasing sales prices resulting from the strengthening competition in the major markets and that there will remain uncertain movement of foreign exchange rate, the Company plans to achieve consolidated earnings through March 31, 2010 of ¥48,000 million in sales (down 2.0% year on year), ¥5,500 million (down 35.5% year on year) in operating income, ¥5,000 million (up 3.8% year on year) in ordinary income, and ¥2,500 million (up 41.6% year on year) in net income.

Exchange rates assumed for the performance forecasts are ¥92 to the US dollar and ¥126 to the Euro.

＊MACH2, SDS, 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 at the end of the current fiscal year decreased by ¥13,967 million from the previous year to ¥119,777 million. A major reason for the decline is due to the decrease in cash and deposits and trade receivables. Liabilities decreased by ¥3,384 million, compared to the end of the previous year, to ¥28,714 million. The major reason for the decline is due to the decrease in trade payables and in accrued income taxes. Net assets decreased by ¥10,583 million, compared to the end of the previous year, to ¥91,063 million. A major reason for the decline is that retained earnings decreased due to the cancellation of treasury stock, and minority interests ran out. As a result, the Company's equity ratio is at 76.0%.

Cash and cash equivalents for the current fiscal year decreased by ¥3,333 million to ¥19,310 million. Cash flow status for each activity is as stated below.

[Cash flow from operating activities]

Although funds were used to pay corporate income taxes, they increased through a decrease in trade receivables. Thus, cash flows from operating activities increased by ¥1,977 million (a ¥19,769 million year on year decrease).

[Cash flow from investing activities]

Although funds were used to acquire property, plant and equipment, cash flows from investment activities increased ¥70 million due to an increase in funds from sales of short-term investments (expenditure of ¥3,321 million in the previous year).

[Cash flow from financing activities]

Although short- and long-term loans increased, cash flows from financing activities in the current fiscal year decreased ¥4,294 million due to the acquisition of treasury stock and purchase of consolidated subsidiary's equity (expenditure decreased by ¥6,588 million year on year).

(Reference) Trends in Company cash flow indicators

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
Equity ratio	85.9%	87.2%	69.2%	73.2%	76.0%
Market-to-market equity ratio	112.1%	110.0%	84.2%	127.3%	56.2%
Ratio of cash flow to interest-bearing liabilities	75.3%	52.9%	71.4%	14.5%	578.4%
Interest coverage ratio	218.0	147.8	145.8	202.9	13.7

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.

(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 ¥15 per share as revised on January 30, 2009; thus ¥40 per share for the full business year, including the previously paid interim dividend of ¥25 per share.

As for dividends for the following fiscal year, the Company plans to reduce the ordinary dividend by ¥5 per share based on continuously uncertain demand environment to pay an interim dividend of ¥20 per share. As for the year-end dividend, the Company intends to raise the dividend by ¥5 to pay ¥20 per share; thus ¥40 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 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 currently conducts sales 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 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.
◎KnitMac Co., Ltd.
◎TSM Industrial Co., Ltd.
◎Kainan Seimitsu Co., Ltd.

→

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

→

(Domestic sales)
Flat knitting machines, design systems, glove and sock knitting machines, 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 Win Win Ltd.
◎Shima - Orsi S.p.A.
◎Shima Seiki Winwin Shanghai Ltd.
◎Shima Seiki Spain, S.A.U.
○Shima Seiki Mexico, S.A. de C.V.
○Shimax Italia S.r.l.
○Shima Seiki Shanghai, Ltd.
○Shima Seiki Korea Inc.
○Shima Seiki Portugal LDA.
○Shima Seiki Services Tunisie Sarl

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

(Overseas)
Other business
◎Nova Knits Inc.

→ 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 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 management benchmark and set the objective of 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 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 led to growing demand for computerized flat knitting machines in recent years. Coupled with the introduction of new models with an eye on market needs, orders continued coming in. However, sales temporarily slowed because of the decline in the North American consumer market after the second quarter. 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 market, 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 Next China.

2. Further penetrating and expanding the 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 acquisition of subsidiaries and cooperation with design centers in Italy and the United States, technical support in China, together with the latest WHOLEGARMENT® flat knitting machines, MACH2®, released at ITMA 2008 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 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.

(Segment information)

1. Business segment information

(1) Year ended March 31, 2008 (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	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

(2) 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, 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
Capital expenditures	2,848	55	40	420	3,364	782	4,147

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, 2008 (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
(2) 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

(2) 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
(3) 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

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) Year ended March 31, 2008 (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%

(2) 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%

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	32,091	57.1
Design System	1,225	113.2
Glove and Sock Knitting Machine	1,031	64.3
Total	34,347	58.3

(2) Orders

(Millions of yen)

Name of segment	Orders	Year-on-year (%)	Order backlog	Year-on-year (%)
Flat Knitting Machine	27,472	37.9	7,607	35.1
Design System	1,458	82.8	109	54.5
Glove and Sock Knitting Machine	966	58.5	13	7.3
Total	29,897	39.4	7,730	35.0

(3) Sales

(Millions of yen)

Name of segment	Sales	Year-on-year (%)
Flat Knitting Machine	41,568	68.8
Design System	1,550	90.4
Glove and Sock Knitting Machine	1,133	61.8
Other	4,717	79.9
Total	48,970	70.1