SHIMA SEIKI

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

Financial Results for the Year Ended March 31, 2011

April 28, 2011

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 one million yen are omitted)

1. Consolidated financial results for the year ended March 31, 2011 (April 1, 2010 - March 31, 2011)

(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, 2011	42,781	16.0	5,907	807.2	2,838	―	769	―
Year ended March 31, 2010	36,874	(24.7)	651	(92.4)	148	(96.9)	(1,885)	―

Note: Comprehensive income
Year ended March 31, 2011: 3 million yen (―%) Year ended March 31, 2010: -2,382 million yen (―%)

	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, 2011	22.26	―	0.9	2.5	13.8
Year ended March 31, 2010	(54.52)	―	(2.1)	0.1	1.8

(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, 2011	113,950	86,590	75.9	2,502.27
As of March 31, 2010	110,062	87,473	79.5	2,529.67

Reference: Shareholders' equity
As of March 31, 2011: 86,516 million yen As of March 31, 2010: 87,467 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, 2011	3,503	(1,834)	1,297	18,077
Year ended March 31, 2010	6,746	(2,759)	(6,681)	16,317

2. 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, 2010	—	20.00	—	10.00	30.00	1,037	—	1.2
Year ended March 31, 2011	—	17.50	—	17.50	35.00	1,210	157.2	1.4
Year ending March 31, 2012 (forecast)	—	17.50	—	22.50	40.00		27.7	

Note: Year-end dividend for the year ending March 31, 2012 (forecast)
Ordinary dividend 17.50 yen Commemorative dividend 5.00 yen

3. Forecast of consolidated financial results for the year ending March 31, 2012

(April 1, 2011 - March 31, 2012)

	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	29,000	15.1	4,500	(7.0)	4,500	250.0	3,000	300.3	86.77
Full year	55,000	28.6	8,000	35.4	8,000	181.8	5,000	549.5	144.61

4. Others

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

(2) Changes in accounting principles, procedures, presentation methods and other practices

1) Changes due to amendment of accounting standards: Yes
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, 2011: 36,600,000 As of March 31, 2010: 36,600,000
2) Number of treasury stock at the end of the year
As of March 31, 2011: 2,024,738 As of March 31, 2010: 2,023,379
3) Average number of shares outstanding during the year
Year ended March 31, 2011: 34,575,967
Year ended March 31, 2010: 34,577,700

<Reference>

1. Non-consolidated financial results for the year ended March 31, 2011 (April 1, 2010 - March 31, 2011)

(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, 2011	37,210	25.8	3,504	130.4	1,756	13.4	(117)	—
Year ended March 31, 2010	29,572	(25.1)	1,521	(72.2)	1,548	9.4	(1,176)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2011	(3.40)	—
Year ended March 31, 2010	(34.03)	—

(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, 2011	103,118	80,019	77.5	2,312.54
As of March 31, 2010	98,091	80,444	82.0	2,326.55

Reference: Shareholders' equity
As of March 31, 2011: 79,956 million yen As of March 31, 2010: 80,444 million yen

2. Forecast of non-consolidated financial results for the year ending March 31, 2012

(April 1, 2011 - March 31, 2012)

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	25,000	29.3	3,500	—	2,200	—	63.63
Full year	48,000	29.0	6,500	270.0	4,000	—	115.69

*Notes

1. Implementation status of audit procedures

This summary of financial results is exempt from the audit procedures based on the Financial Instruments and Exchange Law of Japan. Audit procedures for the financial statements have not been completed at the time of disclosure of this summary.

2. Forward-looking statements

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 current fiscal year, the world economy saw increasing exports in the United States and the advanced nations of Europe, driven by high economic growth in emerging countries, led by China, resulting in a recovery of corporate earnings. However, the economic outlook is still uncertain and reflects the pessimistic view towards early resolution of fiscal deficit problems in some European countries and the surge in crude oil prices triggered by growing tension in the Middle East and North Africa. Japan also showed signs of a mild economic recovery with corporate capital spending picking up on the back of growing exports. Meanwhile, the trend remained unstable and it suffers from downside factors, such as the ongoing strength of the yen and the sluggish stock market. In addition, the earthquake that struck the northeastern region of Japan on March 11, 2011, just days before the end of the current fiscal year, inflicted enormous damage on the Tohoku and Kanto regions generating concern over significant negative effects on the Japanese economy.

With respect to the business environment for the Shima Seiki Group, it witnessed growth in knit garment manufacturing in the major knit producing regions of the world due to a recovery in apparel consumption in Europe and the United States and growing consumption in emerging countries, resulting in recovery of capital spending. On the negative side, the environment remained severe and affected by the strong yen and intensifying competition with rival manufacturers that inevitably led to reduced unit selling prices on products.

Under these circumstances, the Group provided prompt responses to the various user needs worldwide and focused on development and sales of products to contribute to high-quality product manufacturing by facilitating an upgrade to production efficiency. Consequently, total sales posted ¥42,781 million, rising 16.0% from the previous fiscal year.

On the earnings front, operating income amounted to ¥5,907 million, an increase of ¥5,256 million, or 807.2%, from one year earlier, as a result of increased net sales, the improved ratio in gross profit to net sales attributable to the higher production volume and cost-cutting activities, and lower selling, general and administrative expenses obtained from company-wide expense reduction initiatives. Meanwhile, the appreciation of the yen generated foreign exchange losses of ¥3,552 million. However, ordinary income increased ¥2,689 million from the preceding year, to ¥2,838 million. In addition, loss on revaluation of investment securities and other extraordinary losses were recorded, but net income totaled ¥769 million, up ¥2,655 million from a year earlier. Incomes were significantly higher than those of the previous year at every stage.

Performance of each segment is as follows:

Flat Knitting Machine Segment

In the Company’s core business of flat knitting machines, recovery in demand for clothing helped the production of knit products grow in major knit-producing areas of the world, prompting the recovery of capital spending for computerized flat knitting machines. In the major market of China, higher labor costs and a shortage of young labor accelerated the shift from manually operated machines to computerized flat knitting machines. In particular, our new model, the SSR®, released in February 2011, has enjoyed high acclaim for its high production efficiency and cost performance and has contributed to orders and sales. Net sales in Turkey, upgrading its competitive edge as the hub of exports to the European and Russian markets, increased dramatically due to the prompted capital spending boosted by output growth. Italy has enjoyed sales growth mainly due to our top-end model, the MACH2®, which enabled high-speed knitting for high-fashion and high-quality WHOLEGARMENT®. Capital investment also increased in Brazil, India, Korea and other emerging nations in Asia. The domestic market saw sales growth underpinned by a partial shift of production from China to Japan.

As a result, sales by the Flat Knitting Machine segment rose 12.8%, to ¥35,615 million.

Design System Segment

In the Design System segment, sales came to ¥1,667 million, up 32.9% from the previous year, due to brisk sales of the SDS®-ONE design system, which provides total support for high-quality and stylish manufacturing.

Glove and Sock Knitting Machine Segment

The Glove and Sock Knitting Machine segment saw capital investment growth in the emerging nations of Asia and benefited from the Company's proprietary fine-gauged knitting machines, which have earned high praise for durability and the stability of product quality. As a result, sales in this segment substantially recovered to ¥1,531 million, up 513.1% year on year.

Other Business Segment

Other Business segment, which includes such business as sales of parts, increased 4.8%, to ¥3,966 million.

[Outlook for the following period]

For the future outlook of the world economy, despite the concern over the effects of the surge in crude oil prices in response to the political turmoil in the Middle East and North Africa, moderate economic recovery is expected to remain on track as a whole driven by the outlook for sustainable high growth in emerging nations. Conversely, there is a concern over deterioration of the Japanese economy because of the effects of the Northeast Japan Earthquake, which are expected to spread in various respects.

With respect to market status, the major markets of China and Hong Kong benefit from the increasing exports to the United States and Europe and the rising demand in domestic consumption. In addition, demand for capital investment is expected to remain robust driven by the rapidly growing need for laborsaving solutions that incorporate the use of computerized flat knitting machines. In the ShanghaiTex exhibition held in June 2011, the Company intends to gain more users' confidence by demonstrating technology and know-how accumulated over 50 years since its establishment to clearly differentiate its comprehensive power from those of recently emerging domestic manufacturers in China. The Company also endeavors to obtain a greater sales share in the mass-production-type knitting production sites, including neighboring Asian countries, with the SSR®, which has high production efficiency as the core product. Moreover, Turkey, where there is growing interest in capital investment, is expected to mark sales growth for the second consecutive year by strengthening proposal-based marketing. In Europe, the Company is scheduled to exhibit future-oriented displays and announce the launch of new products at the ITMA exhibition held in Barcelona, Spain, in September 2011. The Company also focuses on the expansion of sales with Italy as the core center and WHOLEGARMENT® flat knitting machines as the pillar.

With the domestic market looking dismal, the Company is enhancing our technical services to interact closely with knitwear production areas. In addition, we are 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 drastically cut sample creation costs and lead times through 3D virtual simulation of the SDS®-ONE APEX. Furthermore, we are cultivating new demand, 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 2012, we anticipate that consolidated net sales will rise 28.6% year on year, to ¥55.0 billion, with operating income growing 35.4%, to ¥8.0 billion, ordinary income increasing 181.8%, to ¥8.0 billion, and net income of ¥5.0 billion, up 549.5% year on year.

Our assumed exchange rates for the performance forecasts are ¥83 to the U.S. dollar and ¥115 to the Euro. The effects of the Northeast Japan Earthquake, which are expected to be minimal at the present time, are not priced into the financial results.

(2) Analysis of financial position

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

Consolidated total assets as of March 31, 2011, were ¥113,950 million, up ¥3,887 million from a year earlier. Principal factors included increases in cash and deposits and inventories. Liabilities increased ¥4,770 million compared to the previous fiscal year, to ¥27,359 million. The increase was mainly attributable to increases in accounts payable and loans. Net assets decreased ¥882 million from the end of the previous year, to ¥86,590 million, primarily impacted by the effect of foreign currency translation adjustments. As a result, shareholders' equity was ¥86,516 million, down ¥950 million from the end of the prior fiscal year, and equity ratio fell 3.6 percentage points, to 75.9%.

Cash and cash equivalents for the current fiscal year increased ¥1,760 million, to ¥18,077 million. Cash flow status for each activity is as stated below.

[Cash flow from operating activities]

Net cash provided by operating activities was ¥3,503 million, compared with ¥6,746 million in the previous year. This was primarily due to an increase in trade payables, although trade receivables and inventories increased.

[Cash flow from investing activities]

Net cash used in investing activities was ¥1,834 million due to purchases of property, plant and equipment and investments in securities, compared with ¥2,759 million during the preceding fiscal year.

[Cash flow from financing activities]

Net cash provided by financing activities was ¥1,297 million, compared with ¥6,681 million used in these activities in the previous year, because of an increase in short-term and long-term loans, although the cash was used for activities such as redemption of corporate bonds and payment of cash dividends.

(Reference) Trends in Company cash flow indicators

	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Equity ratio	69.2	73.2	76.0	79.5	75.9
Market-to-market equity ratio	84.2	127.3	56.2	65.7	64.9
Ratio of cash flow to interest-bearing liabilities	71.4	14.5	578.4	100.8	323.4
Interest coverage ratio	145.8	202.9	13.7	53.0	36.7

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

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 priority management issue.

With regard to profit distribution, the Company 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. The Company also intends to utilize retained earnings in an active manner for medium- to long-term investments in property, plant and equipment and R&D 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 ¥17.50 per share as originally planned; thus ¥35.00 per share for the full business year, including the previously paid interim dividend of ¥17.50 per share.

As for dividends for the following fiscal year, the Company plans to pay an interim dividend of ¥17.50 per share. As the Company celebrates its 50th anniversary in February 2012, it pays a special additional dividend of ¥5.00 per share commemorating the occasion to show its appreciation to shareholders for their continued support and the year-end dividend will be ¥22.50 per share. This will the bring dividends for the full business year to ¥40.00 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.

The Group, which recognizes the possibility of an outbreak of these risks, strives to prevent the outbreak of risks and employ proper countermeasures. Statements contained in this report regarding the future are decisions made by the Group as of the end of the current fiscal year.

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 and loss on valuation of receivables denominated in foreign currencies stemming from the appreciation 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.

8. Procurement of materials affected by the earthquake that struck the northeastern region of Japan

The earthquake in northeastern Japan that occurred in March 2011 may be detrimental to the procurement of some materials. The Material Purchasing Division has taken the lead in offering solutions to the situation but materials procurement may be adversely affected by concerns of unstable electric power supply and the commitment to reconstruction.

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 business
◎Shima Fine Press 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 business
Shima Seiki Mfg., Ltd. (the Company)

→

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

(Overseas sales)
Flat knitting machines, design systems, glove and sock knitting machines, and other business
◎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
○Shima Seiki France SARL
○Shima Seiki Morocco SLU

(Japan)
Other business
◎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 affordable 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 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 Company intends to provide overall services and information that cover not only hardware and software but also know-how and design, contribute to revitalize user industries, including the fashion industry, and create an apparel culture 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 expanding to emerging countries in addition to 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 management strategies 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, a shift from manually operated to computerized flat knitting machines with high productivity has accelerated behind the factors of an increase in production costs affected by surging labor costs. 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, and enhancement of coordination with MACH2® WHOLEGARMENT® flat knitting machines and SDS®-ONE APEX 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.

A highly functional and economical design system of SDS®-ONE APEX that enables processes, such as the three dimensional virtual production of samples, has been expected as a solution to realize market-oriented manufacturing of a wide variety of products in small quantities and quick responses in the apparel industry both in Japan and abroad. In the future, the Company intends to enhance sales of the system by vigorously promoting it as a system to achieve significant improvements in production efficiency together with computerized flat knitting machines.

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 in order to reduce risks with a high probability of occurrence that could affect performance.

The Group hedges against foreign exchange risks by 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 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.

4. Segment information

1. Reporting segment information

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

	Reporting segment				Other	Total
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total		
Sales:						
Sales to customers	31,585	1,255	249	33,090	3,783	36,874
Intersegment sales or transfer	—	—	—	—	—	—
Total	31,585	1,255	249	33,090	3,783	36,874
Segment income (loss)	6,001	(93)	(21)	5,886	(767)	5,119
Segment assets	66,688	1,945	318	68,953	6,367	75,320
Other items:						
Depreciation	1,282	42	9	1,333	231	1,564
Amortization of goodwill	1,768	38	0	1,807	206	2,014
Increase of property, plant and equipment and intangible assets	1,071	24	3	1,099	230	1,329

(2) Year ended March 31, 2011　(April 1, 2010 - March 31, 2011)　(Millions of yen)

	Reporting segment				Other	Total
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total		
Sales:						
Sales to customers	35,615	1,667	1,531	38,814	3,966	42,781
Intersegment sales or transfer	—	—	—	—	—	—
Total	35,615	1,667	1,531	38,814	3,966	42,781
Segment income (loss)	10,278	169	381	10,830	(260)	10,569
Segment assets	68,728	2,117	1,216	72,062	6,077	78,139
Other items:						
Depreciation	967	20	32	1,021	150	1,171
Amortization of goodwill	624	16	0	641	102	743
Increase of property, plant and equipment and intangible assets	1,155	15	42	1,213	121	1,335

Note: The “Other” segment indicated businesses not included in the reporting segments, including selling parts for knitting machines and design systems, machine repair and maintenance.

2. Sales by region

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

Japan	Europe	Middle East	Southeast Asia	Other areas	Total
3,099	7,175	1,821	23,639	1,137	36,874

(2) Year ended March 31, 2011　(April 1, 2010 - March 31, 2011)　(Millions of yen)

Japan	Europe	Middle East	Southeast Asia	Other areas	Total
3,803	7,574	5,363	24,324	1,715	42,781

5. Status of production, orders and sales

(1) Production

(Millions of yen)

Name of segment	Production	Year-on-year (%)
Flat Knitting Machine	34,998	123.0
Design System	1,792	176.4
Glove and Sock Knitting Machine	1,584	832.8
Total	38,374	129.4

(2)Orders

(Millions of yen)

Name of segment	Orders	Year-on-year (%)	Order backlog	Year-on-year (%)
Flat Knitting Machine	37,528	120.4	9,110	126.6
Design System	1,557	112.3	131	54.5
Glove and Sock Knitting Machine	1,529	403.6	140	98.8
Total	40,616	123.3	9,383	123.8

(3)Sales

(Millions of yen)

Name of segment	Sales	Year-on-year (%)
Flat Knitting Machine	35,615	112.8
Design System	1,667	132.9
Glove and Sock Knitting Machine	1,531	613.1
Other	3,966	104.8
Total	42,781	116.0