

(Translation)

Consolidated Financial Results
for the 3rd quarter of the fiscal year ending March 31, 2019
(April 1, 2018 through December 31, 2018)
[Japanese GAAP]

February 6, 2019

Company name: **JANOME SEWING MACHINE CO., LTD.** Tokyo Stock Exchange in Japan
Securities code: 6445 [URL https://www.janome.co.jp](https://www.janome.co.jp)
Representative: Name: Michio Ohba Title: President
Contact person: Name: Hiroyuki Kobayashi Title: General Manager, Accounting
Phone: +81 42 661 3071

Filing date of financial statements for the quarter : February 13, 2019

Payment date of cash dividends: ----

Supplementary materials prepared for quarterly financial results : None

Financial information meeting held for quarterly financial results: None

(Amounts less than one million yen are rounded down.)

1. Consolidated results (April 1, 2018 through December 31, 2018)

(1) Consolidated financial results

Percentages represent the percentage of change from the previous fiscal year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2018	29,331	(5.1)	980	(37.6)	1,140	(32.0)	681	(39.3)
December 31, 2017	30,903	6.8	1,570	(13.4)	1,675	1.2	1,122	21.2

Note: Comprehensive income

December 31, 2018 639 million yen (down 63.9%)

December 31, 2017 1,769 million yen (up 27.2%)

	Net income per share - basic	Net income per share - diluted
Nine months ended	yen	yen
December 31, 2018	35.26	--
December 31, 2017	58.06	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity
	Million yen	Million yen	%	Million yen
December 31, 2018	51,112	25,587	48.4	24,746
March 31, 2018	51,009	25,172	47.7	24,310

2. Cash dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended	yen	yen	yen	yen	yen
March 31, 2018	--	0.00	--	10.00	10.00
March 31, 2019	--	0.00	--		
March 31, 2019 (Forecast)				10.00	10.00

Note: Revisions to the forecast of cash dividends in the current quarter: None

3. Forecast of consolidated results for the fiscal year ending March 31, 2019

(April 1, 2018 through March 31, 2019)

Percentages represent the percentage of change from the previous fiscal year.

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Full year (April 1,2018 through March 31, 2019)	41,000	0.5	1,800	(13.3)	1,800	(14.7)	1,100	(20.9)

	Net Income per share - basic
	yen
Full year (April 1,2018 through March 31, 2019)	56.90

Note: Revisions to the forecast of financial in the current quarter: None

* Notes

(1) Changes in significant subsidiaries during the current fiscal year : None

Note: This refers to a presence/absence of changes in specified subsidiaries accompanying changes in scope of consolidation during the current quarter.

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentations, etc.

(i) Changes due to amendments in accounting principles: None

(ii) Any changes other than the aforementioned: None

(iii) Changes in accounting estimate: None

(iv) Restatement: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at the end of fiscal period (including treasury stock)

19,521,444 shares at the end of December 2018

19,521,444 shares at the end of March 2018

(ii) Number of treasury stock shares at the end of fiscal period

189,826 shares at the end of December 2018

189,819 shares at the end of March 2018

(iii) Average number of public shares during fiscal period

19,331,623 shares at the end of December 2018

19,331,714 shares at the end of December 2017

* This quarterly financial report is exempt from audit procedures.

* Explanation regarding the appropriate use of result forecasts, and other special items

The forward-looking statements stated in this report include expectations based on assumption, forecast and projection by our management available as of the date of their announcement. It is possible that actual results may differ materially from these expectations due to various factors.

1. Qualitative Information Concerning Financial Results for the 3rd quarter of the fiscal year ending March 31, 2019

(1) Explanation of financial results

During the nine-month period ended December 31, 2018, there was continued modest growth in the global economy, focused on developed countries. However, uncertainty about the future outlook increased further, including the impact of prolonged trade friction between the US and China.

The Japanese economy continued to recover, supported by robust capital expenditure, but downside risk persisted due to factors including uncertainty surrounding economic conditions overseas.

Under these conditions, Janome Group proactively developed marketing activities and worked to implement robust cost reductions.

However, during the nine-month period ended December 31, 2018, the Group is faced with a harsh business environment, with sales were 29,331 million yen (down 1,572 million yen compared to the corresponding period of the previous fiscal year), operating income was 980 million yen (down 589 million yen), ordinary income was 1,140 million yen (down 535 million yen), and profit attributable to owners of parent was 681 million yen (down 440 million yen).

The performance by segment is outlined below.

As shown in the segment information, a change has been made to the reporting segments, and the comparison/analysis for the nine-month period ended December 31, 2018 is based on the new segments.

<Household equipment>

In the overseas sewing machine market, Janome Group strove to expand sales through different sales channels, including the launch of new products for developed markets. In the domestic sewing machine market, meanwhile, the Group worked to stimulate demand by holding sewing classes around Japan, providing opportunities to experience sewing machines.

As a result, while the Group increased sales mainly of low- and medium-priced products in Russia and North America, there remained a sense of stagnation in Europe – one of the key markets – as well as emerging markets including the Middle East and Latin America. Conditions also remained challenging in the Japanese sewing machine market. As a result, sales of sewing machines in the overseas and Japanese markets totaled 1,130,000 units (down 60,000 units compared to the corresponding period of the previous fiscal year). In the household equipment segment overall, sales were 21,612 million yen (down 1,498 million yen) and operating income was 646 million yen (down 513 million yen).

<Industrial equipment>

In the industrial equipment business, while there was a lull in orders from precision equipment manufacturers due to factors including weaker shipments of information devices such as smartphones, performance was strong, supported by a robust market environment. The electro-press machine business recorded the highest ever number of units sold for the first nine months of the fiscal year, as orders from automotive-related firms remained firm. In the die-casting business, however, sales were weak due to the impact of production adjustments at customers.

As a result, in the industrial equipment segment overall, sales were 5,426 million yen (up 95 million yen compared to the corresponding period of the previous fiscal year), and operating income was 182 million yen (down 45 million yen).

< IT >

In the IT business, which includes IT software development, information processing services, and outsourcing of systems operation/management, sales totaled 1,746 million yen (down 149 million yen compared to the corresponding period of the previous fiscal year), while operating income was 156 million yen (down 9 million yen).

(2) Explanation of financial position

As of December 31, 2018, total assets on a consolidated basis were 51,112 million yen (up 102 million yen from the end of previous fiscal year ended March 31, 2018).

Current assets were 23,409 million yen (up 493 million yen from the end of previous fiscal year) due to factors including an increase in notes and accounts receivable, and merchandise and finished goods. Fixed assets totalled 27,702 million yen (down 391 million yen), due to factors including a depreciation of tangible and intangible assets.

Current liabilities were 17,017 million yen (down 142 million yen from the end of previous fiscal year) due to factors including a decrease in the provision for bonuses.

Fixed liabilities were 8,507 million yen (down 169 million yen) due to factors including a decrease in liability for a retirement benefit.

Net assets were 25,587 million yen (up 414 million yen from the end of previous fiscal year) due to factors including an increase in retained earnings.

[Overview of cash flow position]

Cash and cash equivalents on a consolidated basis as of December 31, 2018, decreased by 96 million yen from the end of previous fiscal year ended March 31, 2018, to 6,022 million yen (a decrease of 446 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 908 million yen (as compared to an inflow of 1,645 million yen in the corresponding period of the previous fiscal year), due to factors including 1,157 million yen in quarterly income before income taxes, an increase of 359 million yen in notes and accounts receivable, and an increase of 243 million yen in inventories.

Net cash generated by investing activities amounted to an outflow of 758 million yen (as compared to an outflow of 514 million yen in the corresponding period of the previous fiscal year), due to expenditures of 618 million yen to purchase tangible fixed assets including equipment and molds, etc.

Net cash used for financing activities amounted to an outflow of 212 million yen (as compared to an outflow of 1,387 million yen in the corresponding period of the previous fiscal year), due to factors including an outflow from cash dividends paid of 191 million yen.

2. Consolidated Financial Statements

Consolidated Balance Sheets

JANOME SEWING MACHINE CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Currency unit: million yen

	Previous Fiscal Year ended March 31, 2018	Current Third Quarter as of December 31, 2018
ASSETS		
Current assets		
Cash and deposits	6,293	6,597
Notes and accounts receivable-trade	7,368	7,714
Securities	341	--
Merchandise and finished goods	4,984	5,258
Work in process	668	718
Raw materials and supplies	2,856	2,736
Other	629	625
Allowance for doubtful accounts	(227)	(241)
Total current assets	22,916	23,409
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	6,100	5,911
Land	14,471	14,464
Other tangible fixed assets (net)	2,357	2,425
Total tangible fixed assets	22,929	22,801
Intangible fixed assets		
Other intangible fixed assets	1,108	1,085
Total intangible fixed assets	1,108	1,085
Investments and other assets	4,055	3,815
Total fixed assets	28,093	27,702
TOTAL ASSETS	51,009	51,112

Currency unit: million yen

	Previous Fiscal Year ended March 31, 2018	Current Third Quarter as of December 31, 2018
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,007	3,002
Short-term loans payable	10,980	11,019
Income taxes payable	293	239
Provision for bonuses	520	363
Other current liabilities	2,358	2,391
Total current liabilities	17,159	17,017
Fixed liabilities		
Deferred income taxes for revaluation	3,433	3,433
Net defined benefit liability	4,485	4,351
Other fixed liabilities	757	722
Total fixed liabilities	8,677	8,507
TOTAL LIABILITIES	25,836	25,524
NET ASSETS		
Shareholders' equity		
Common stock	11,372	11,372
Retained earnings	7,116	7,605
Treasury stock, at cost	(325)	(325)
Total shareholders' equity	18,164	18,652
Other comprehensive income		
Valuation difference in other marketable securities	171	99
Land revaluation difference	6,660	6,660
Foreign currency translation adjustments	(301)	(386)
Remeasurements of defined benefit plans	(384)	(278)
Total other comprehensive income	6,145	6,094
Non-controlling interests	862	840
TOTAL NET ASSETS	25,172	25,587
TOTAL LIABILITIES AND NET ASSETS	51,009	51,112

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Income

JANOME SEWING MACHINE CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Currency unit: million yen

	Previous Nine Months April 1, 2017 through December 31, 2017	Current Nine Months April 1, 2018 through December 31, 2018
Net sales	30,903	29,331
Cost of sales	18,701	17,911
Gross profit	12,202	11,419
Selling, general and administrative expenses	10,632	10,439
Operating income	1,570	980
Non-operating income		
Interest income	15	16
Dividend income	44	40
Exchange gains	71	89
Other	79	135
Total non-operating income	211	282
Non-operating expenses		
Interest expenses	77	63
Other	27	58
Total non-operating expenses	105	122
Ordinary income	1,675	1,140
Extraordinary profits		
Gain on sales of fixed assets	32	32
Total extraordinary profits	32	32
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	22	15
Total extraordinary losses	22	15
Income before income taxes	1,685	1,157
Income tax, resident tax and business tax	331	354
Income tax adjustment	207	113
Total taxes	539	467
Profit	1,146	690
Profit attributable to non-controlling interests	24	8
Profit attributable to owners of parent	1,122	681

Consolidated statements of comprehensive income

JANOME SEWING MACHINE CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Currency unit: million yen

	Previous Nine Months April 1, 2017 through December 31, 2017	Current Nine Months April 1, 2018 through December 31, 2018
Profit	1,146	690
Other comprehensive income		
Valuation difference on available-for-sale securities	47	(72)
Foreign currency translation adjustment	475	(83)
Remeasurements of defined benefit plans	101	105
Total other comprehensive income	623	(50)
Comprehensive income	1,769	639
Comprehensive income attributable to:		
owners of parent	1,694	629
non-controlling interests	74	9

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Cash Flows

JANOME SEWING MACHINE CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

Currency unit: million yen

	Previous Nine Months April 1, 2017 through December 31, 2017	Current Nine Months April 1, 2018 through December 31, 2018
Cash flows from operating activities		
Income before income taxes	1,685	1,157
Depreciation	1,022	1,002
Increase/ (decrease) of employees retirement benefits	(352)	(135)
Interest and dividend income	(59)	(57)
Interest expenses	77	63
(Increase)/ decrease in accounts receivable	(955)	(359)
(Increase)/ decrease in inventories	263	(243)
Increase/ (decrease) in accounts payable	347	(12)
Others	(50)	(106)
Sub total	1,979	1,309
Interest and dividend received	66	63
Interest paid	(76)	(63)
Income taxes paid	(324)	(400)
Net cash generated by operating activities	1,645	908
Cash flows from investing activities		
Payments into time deposits	(76)	(395)
Proceeds from withdrawal of time deposits	60	276
Purchase of property, plant and equipment	(442)	(618)
Proceeds from sales of property, plant and equipment	88	59
Others	(144)	(80)
Net cash generated by investing activities	(514)	(758)
Cash flows from financing activities		
Net increase/(decrease) in short-term borrowings	(639)	97
Outflow from repayment of long-term debts	(442)	--
Cash dividends paid	(190)	(191)
Others	(115)	(119)
Net cash used for financing activities	(1,387)	(212)
Effect of exchange rate changes on cash and cash equivalents	62	(33)
Increase/(decrease) in cash and cash equivalents	(194)	(96)
Cash and cash equivalents at beginning of period	6,663	6,118
Cash and cash equivalents at end of period	6,469	6,022

Note: Amounts less than one million yen are rounded down.

Notes of Consolidated Financial Statements

(Notes regarding going concern assumptions)

None.

(Notes on significant changes in the amount of shareholders' equity)

None.

(Consolidated Segment Information)

I . Previous first nine months (April 1, 2017 through December 31, 2017)

1. Information on net sales and operating income/(loss) by reportable segment

Currency unit: million yen

	Reportable segment				Other*	Total
	Household equipment	Industrial equipment	I T	Total		
Net sales						
Net sales to external customers	23,111	5,331	1,895	30,338	565	309,003
Intersegment sales or transfers	32	568	311	912	298	1,210
Total	23,143	5,899	2,207	31,250	863	32,114
Segment profit	1,160	228	166	1,554	(13)	1,541

Note*: "Other" is not categorized in the reportable business segment and includes real estate, etc.

2. Difference between the sum of reportable segment profits and losses and operating income in quarterly consolidated statements of income and major factors in the difference (adjustment of difference)

Currency unit: million yen

Profit	Amount
Reportable segment total	1,554
Other net loss	(13)
Elimination of intersegment transactions	28
Operating income in quarterly consolidated statements	1,570

II . Current first nine months (April 1, 2018 through December 31, 2018)

1. Information on net sales and operating income/(loss) by reportable segment

Currency unit: million yen

	Reportable segment				Other*	Total
	Household equipment	Industrial equipment	I T	Total		
Net sales						
Net sales to external customers	21,612	5,426	1,746	28,785	546	29,331
Intersegment sales or transfers	31	579	348	958	276	1,235
Total	21,643	6,006	2,094	29,744	822	30,566
Segment profit	646	182	156	985	(27)	958

Note*: "Other" is not categorized in the reportable business segment and includes real estate, etc.

2. Difference between the sum of reportable segment profits and losses and operating income in quarterly consolidated statements of income and major factors in the difference (adjustment of difference)

Currency unit: million yen

Profit	Amount
Reportable segment total	985
Other net loss	(27)
Elimination of intersegment transactions	21
Operating income in quarterly consolidated statements	980

3. Additional information

(1) Geographic segmentation

Previous first nine months (April 1, 2017 through December 31, 2017)

Currency unit: million yen

	Japan	North America	South East Asia	Other Regions	Total	Elimination / Corporate	Consolidated
Net sales							
(1) Net sales to external customers	20,369	4,895	445	5,193	30,903	--	30,903
(2) Intersegment sales or transfers	5,515	--	11,710	0	17,226	(17,226)	--
Total	25,885	4,895	12,155	5,193	48,130	(17,226)	30,903
Operating income	864	168	322	166	1,521	48	1,570

Current first nine months (April 1, 2018 through December 31, 2018)

Currency unit: million yen

	Japan	North America	South East Asia	Other Regions	Total	Elimination / Corporate	Consolidated
Net sales							
(1) Net sales to external customers	18,750	5,122	509	4,949	29,331	--	29,331
(2) Intersegment sales or transfers	7,311	--	12,137	15	19,464	(19,464)	--
Total	26,061	5,122	12,647	4,964	48,796	(19,464)	29,331
Operating income	869	234	295	106	1,505	(525)	980

Notes:

(1) Countries or regional analyses presented are based on geographic proximity.

(2) Major countries or regions are defined as follows:

- (i) North America U.S.A., Canada
- (ii) South East Asia R.O.C. (Taiwan), Thailand
- (iii) Other regions U.K., Netherlands, Switzerland, Australia, New Zealand, Chile, Brazil

(2) Overseas sales by region

Previous first nine months (April 1, 2017 through December 31, 2017)

Currency unit: million yen

	North America	Europe	Other Regions	Total
Net sales				
I Overseas sales	5,194	7,538	7,866	20,599
II Consolidated sales				30,903
III Ratio of overseas sales to consolidated sales	16.8%	24.4%	25.5%	66.7%

Current first nine months (April 1, 2018 through December 31, 2018)

Currency unit: million yen

	North America	Europe	Other Regions	Total
Net sales				
I Overseas sales	5,416	7,447	6,843	19,707
II Consolidated sales				29,331
III Ratio of overseas sales to consolidated sales	18.5%	25.4%	23.3%	67.2%

1. Overseas sales include sales by the Company and its subsidiaries in countries and regions outside Japan.

2. Countries or regional analyses.

(1) Countries or regional analyses presented are based on geographic proximity.

(2) Major countries or regions are as follows:

- (i) North America U.S.A., Canada
- (ii) Europe U.K., Netherlands, Germany, Switzerland, Russia
- (iii) Other regions South East Asia, Oceania, Middle East, Africa, Central/South America