

(Translation)

Consolidated Financial Results
for the 2nd quarter of fiscal year ending March 31, 2020
(April 1, 2019 through September 30, 2019)
[Japanese GAAP]

November 8, 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: Makoto Saito Title: President
Contact person: Name: Hiroyuki Kobayashi Title: Cooperate Officer, General Manager of Accounting
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Filing date of financial statements for the quarter : November 13, 2019

Payment date of cash dividends: ----

Supplementary materials prepared for quarterly financial results : Yes

Financial information meeting held for quarterly financial results: Yes (for Institutional Investors, securities analyst)

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

1. Consolidated results (April 1, 2019 through September 30, 2019)

(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	%
First half year ended September 30, 2019	17,301	(9.8)	317	(30.8)	269	(58.0)	60	(83.7)
September 30, 2018	19,189	(5.3)	458	(51.0)	642	(41.7)	370	(49.5)

Note: Comprehensive income was

-322 million yen (-%) ended September 2019

795 million yen (-32.3%) ended September 2018

	Net income per share - basic	Net income per share - diluted
First half year ended	yen	yen
September 30, 2019	3.12	--
September 30, 2018	19.17	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
First half year ended	Million yen	Million yen	%
September 30, 2019	49,930	25,228	48.9
March 31, 2019	50,657	25,873	49.4

Ref. Equity 24,402 million yen at the end of September 2019, and 25,020 million yen at the end of March 2019

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, 2019	--	0.00	--	15.00	15.00
March 31, 2020	--	0.00			
March 31, 2020 (Forecast)			--	15.00	15.00

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

3. Forecast of consolidated results for fiscal year ending March 31, 2020

(April 1, 2019 through March 31, 2020)

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 1,2019 through March 31, 2020)	36,000	(5.6)	1,000	(13.1)	1,000	(26.4)	600	(31.8)

	Net Income per share - basic
	yen
Full year (April 1,2019 through March 31, 2020)	31.04

Note: Revisions to the forecast of cash dividends in the current quarter: Yes

* 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 September 2019

19,521,444 shares at the end of March 2019

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

189,934 shares at the end of September 2019

189,826 shares at the end of March 2019

(iii) Average number of public shares during fiscal period

19,331,544 shares at the end of September 2019

19,331,625 shares at the end of September 2018

* 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 2nd quarter of the fiscal year ending March 31, 2020

(1) Explanation of financial results

During the six-month period ended September 30, 2019, there was a moderate recovery in the global economy, led by the United States, where conditions were supported by solid consumer spending, and Europe, where employment continued to increase. However, the outlook remained uncertain due to continued downside risk in the economy, including a downturn in global trade resulting from factors including US-China trade friction, which still shows no signs of being concluded.

In Japan, while a modest recovery trend was maintained, the export climate continued to worsen, reflecting growing uncertainty in the global economy, and there was heightened concern about a slowdown in business conditions, particularly in the manufacturing sector.

Under these circumstances, the Janome Group launched new products in the household sewing machine and industrial equipment businesses, and strove to stimulate demand through measures such as various exhibitions. In addition, the entire Group has made concerted efforts to implement various measures drawn up as part of the medium-term management plan.

However, the Group is faced with a harsh business environment, in the second quarter, sales were 17,301 million yen (down 1,887 million yen compared to the corresponding period of the previous fiscal year), operating income was 317 million yen (down 140 million yen), ordinary income was 269 million yen (down 372 million yen), and profit attributable to owners of parent was 60 million yen (down 310 million yen).

The performance by segment is outlined below.

<Household equipment>

In the household equipment business, we held "Institute Impact 2019" for the first time in four years, a new-product presentation event for dealers in North America, as we endeavored to further strengthen sales. The Group also strove to stimulate demand, focused on two new overseas models announced at the Institute Impact event, and this generated a certain level of results for sales in the North American market.

At the same time, conditions remained challenging in the European market, where economic uncertainty persists, and in emerging markets, which felt the effects of US economic sanctions.

As a result, total sales of sewing machines (overseas and Japan combined) amounted to 640,000 units (down 100,000 units from the corresponding period of the previous fiscal year), and in the household equipment segment overall, sales were 13,029 million yen (down 1,034 million yen) and operating income was 421 million yen (up 159 million yen).

<Industrial equipment>

In the industrial equipment business, Janome Group launched new products to meet customer needs, including a new dust collection type depaneling robot, and worked to stimulate demand through measures such as participation in exhibitions. In addition, we endeavored to further strengthen the Janome brand and enhance our visibility. The Group also conducted proactive marketing activities in the promising overseas markets of Mexico and India, focusing on sales channel expansion.

However, there were weak sales of desktop robots and servo presses, coupled with weakness in the die-casting business, reflecting a slowdown in capital expenditure in the Chinese domestic market due to the persistent impact of US–China trade friction.

As a result, in the industrial equipment segment overall, sales were 2,926 million yen (down 710 million yen compared to the corresponding period of the previous fiscal year), and operating loss was 209 million yen (operating income was 144 million yen in the corresponding period of the previous fiscal year).

< IT >

In the IT business, which includes IT software development, information processing services, and outsourcing of systems operation/management, sales totaled 1,006 million yen (down 136 million yen compared to the corresponding period of the previous fiscal year), while operating income was 105 million yen (up 33 million yen).

(2) Explanation of financial position

As of September 30, 2019, total assets on a consolidated basis were 49,930 million yen (down 726 million yen from the end of the previous fiscal year ended March 31, 2019).

Current assets were 22,204 million yen (down 485 million yen from the end of the previous fiscal year) due to factors including a decrease in cash and cash equivalent. Fixed assets were 27,726 million yen (down 240 million yen from the end of the previous fiscal year) due to factors including a depreciation of tangible and intangible assets.

Current liabilities were 16,331 million yen (down 31 million yen from the end of the previous fiscal year) due to factors including a decrease in bills and accounts payable, and increase in short term borrowing. Fixed liabilities were 8,371 million yen (down 49 million yen from the end of the previous fiscal year) due to factors including a decrease in liability for a retirement benefits .

Net assets were 25,228 million yen (down 645 million yen from the end of the previous fiscal year) due to factors including a decrease in retained earnings and foreign currency translations adjustments account.

[Overview of cash flow position]

Cash and cash equivalents on a consolidated basis as of September 30, 2019, decreased by 352 million yen from the previous fiscal year ended March 31, 2019, to 5,739 million yen (decrease of 247 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an outflow of 646 million yen (as compared to an inflow of 847 million yen in the corresponding period of the previous fiscal year), due to 269 million yen in quarterly income before income taxes and minority interests, an increase of 235 million yen in inventories, and a decrease of 616 million yen in accounts payable (increase of 847 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by investing activities amounted to an outflow of 392 million yen (as compared to an outflow of 400 million yen in the corresponding period of the previous fiscal year), due to factors including purchase of tangible fixed assets of 377 million yen.

Net cash used for financing activities amounted to an inflow of 812 million yen (as compared to an outflow of 630 million yen in the corresponding period of the previous fiscal year), due to factors including an increase in short-term borrowings of 1,289 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, 2019	Current First Half as of September 30, 2019
ASSETS		
Current assets		
Cash and deposits	6,715	6,222
Notes and accounts receivable-trade	6,827	6,888
Merchandise and finished goods	5,391	5,313
Work in process	589	695
Raw materials and supplies	2,841	2,798
Other	606	549
Allowance for doubtful accounts	(282)	(263)
Total current assets	22,689	22,204
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,874	5,715
Land	14,440	14,427
Other tangible fixed assets (net)	2,739	2,737
Total tangible fixed assets	23,053	22,880
Intangible fixed assets		
Other intangible fixed assets	1,071	970
Total intangible fixed assets	1,071	970
Investments and other assets	3,842	3,875
Total fixed assets	27,967	27,726
TOTAL ASSETS	50,657	49,930

Currency unit: million yen

	Previous Fiscal Year ended March 31, 2019	Current First Half as of September 30, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,727	2,047
Short-term loans payable	10,344	11,545
Income taxes payable	264	186
Provision for bonuses	506	595
Other current liabilities	2,520	1,957
Total current liabilities	16,363	16,331
Fixed liabilities		
Deferred income taxes for revaluation	3,433	3,433
Net defined benefit liability	4,032	3,990
Other fixed liabilities	954	947
Total fixed liabilities	8,420	8,371
TOTAL LIABILITIES	24,783	24,702
NET ASSETS		
Shareholders' equity		
Common stock	11,372	11,372
Retained earnings	7,803	7,574
Treasury stock, at cost	(325)	(325)
Total shareholders' equity	18,851	18,621
Other comprehensive income		
Valuation difference in other marketable securities	114	104
Land revaluation difference	6,660	6,660
Foreign currency translation adjustments	(358)	(800)
Remeasurements of defined benefit plans	(246)	(184)
Total other comprehensive income	6,169	5,780
Non-controlling interests	852	826
TOTAL NET ASSETS	25,873	25,228
TOTAL LIABILITIES AND NET ASSETS	50,657	49,930

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 First Half April 1, 2018 through September 30, 2018	Current First Half April 1, 2019 through September 30, 2019
Net sales	19,189	17,301
Cost of sales	11,811	10,329
Gross profit	7,377	6,971
Selling, general and administrative expenses	6,919	6,654
Operating income	458	317
Non-operating income		
Interest income	10	10
Dividend income	40	42
Foreign exchange gains	122	--
Other	103	65
Total non-operating income	277	118
Non-operating expenses		
Interest expenses	40	48
Foreign exchange losses	--	52
Other	51	65
Total non-operating expenses	92	166
Ordinary income	642	269
Extraordinary profits		
Gain on sales of fixed assets	28	0
Total extraordinary profits	28	0
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	6	0
Total extraordinary losses	6	0
Income before income taxes	665	269
Income tax, resident tax and business tax	267	216
Income tax adjustment	23	6
Total taxes	291	223
Profit	373	46
Profit (loss) attributable to non-controlling interests	2	(14)
Profit attributable to owners of parent	370	60

Consolidated statements of comprehensive income

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

Currency unit: million yen

	Previous First Half April 1, 2018 through September 30, 2018	Current First Half April 1, 2019 through September 30, 2019
Profit	373	46
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(9)
Foreign currency translation adjustment	341	(421)
Remeasurements of defined benefit plans	67	61
Total other comprehensive income	421	(368)
Comprehensive income	795	(322)
Comprehensive income attributable to :		
owners of parent	769	(328)
non-controlling interests	26	6

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 First Half April 1, 2018 through September 30, 2018	Current First Half April 1, 2019 through September 30, 2019
Cash flows from operating activities		
Income before income taxes	665	269
Depreciation	667	675
Increase/ (decrease) of employees retirement benefits	(80)	(68)
Interest and dividend income	(51)	(52)
Interest expenses	40	48
(Increase)/ decrease in accounts receivable	63	(181)
(Increase)/ decrease in inventories	(507)	(235)
Increase/ (decrease) in accounts payable	337	(616)
Others	(33)	(220)
Sub total	1,102	(382)
Interest and dividend received	54	56
Interest paid	(40)	(48)
Income taxes paid	(269)	(271)
Net cash generated by operating activities	847	(646)
Cash flows from investing activities		
Payments into time deposits	(207)	(188)
Proceeds from withdrawal of time deposits	159	261
Purchase of property, plant and equipment	(385)	(377)
Proceeds from sales of property, plant and equipment	53	3
Others	(20)	(90)
Net cash generated by investing activities	(400)	(392)
Cash flows from financing activities		
Net increase/(decrease) in short-term borrowings	(349)	1,289
Cash dividends paid	(191)	(286)
Others	(90)	(190)
Net cash used for financing activities	(630)	812
Effect of exchange rate changes on cash and cash equivalents	53	(126)
Increase/(decrease) in cash and cash equivalents	(131)	(352)
Cash and cash equivalents at beginning of period	6,118	6,091
Cash and cash equivalents at end of period	5,987	5,739

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 half (April 1, 2018 through September 30, 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	14,063	3,636	1,142	18,842	346	19,189
Intersegment sales or transfers	18	421	221	661	175	837
Total	14,081	4,058	1,364	19,504	522	20,027
Segment profit	261	144	71	478	(38)	439

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	478
Other net loss	(38)
Elimination of intersegment transactions	18
Operating income in quarterly consolidated statements	458

II. Current first half (April 1, 2019 through September 30, 2019)

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	13,029	2,926	1,006	16,961	339	17,301
Intersegment sales or transfers	16	268	225	511	179	691
Total	13,045	3,195	1,232	17,473	519	17,992
Segment profit	421	(209)	105	317	(16)	301

Note*1: "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	317
Other net loss	(16)
Elimination of intersegment transactions	16
Operating income in quarterly consolidated statements	317