

(Translation)

Consolidated Financial Results
for the 2nd quarter of fiscal year ending March 31, 2021
(April 1, 2020 through September 30, 2020)
[Japanese GAAP]

November 6, 2020

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: Corporate Officer, General Manager of Accounting
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Filing date of financial statements for the quarter: November 11, 2020
Payment date of cash dividends: ----
Supplementary materials prepared for quarterly financial results: Yes
Financial information meeting held for quarterly financial results: None

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

1. Consolidated results (April 1, 2020 through September 30, 2020)

(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, 2020	21,248	22.8	2,366	646.0	2,398	788.9	2,015	—
September 30, 2019	17,301	(9.8)	317	(30.8)	269	(58.0)	60	(83.7)

Note: Comprehensive income was

2310 million yen (-%) ended September 2020

-322 million yen (-%) ended September 2019

	Net income per share - basic	Net income per share - diluted
First half year ended	yen	yen
September 30, 2020	104.25	--
September 30, 2019	3.12	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
First half year ended	Million yen	Million yen	%
September 30, 2020	50,863	27,367	52.1
March 31, 2020	49,360	25,381	49.7

Ref: Equity 26,513 million yen at the end of September 2020, and 24,550 million yen at the end of March 2020

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, 2020	--	0.00	--	15.00	15.00
March 31, 2021	--	0.00			
March 31, 2021 (Forecast)			--	25.00	25.00

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

3. Forecast of consolidated results for fiscal year ending March 31, 2021

(April 1, 2020 through March 31, 2021)

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 1,2020 through March 31, 2021)	40,000	12.6	3,800	228.0	3,600	243.0	2,600	513.0

	Net Income per share - basic
Full year (April 1,2020 through March 31, 2021)	134.50

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 2020

19,521,444 shares at the end of March 2020

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

190,003 shares at the end of September 2020

189,999 shares at the end of March 2020

(iii) Average number of public shares during fiscal period

19,331,443 shares at the end of September 2020

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

* 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, 2021

(1) Explanation of financial results

During the six-month period ended September 30, 2020, economic conditions remained challenging both in Japan and overseas due to the global coronavirus pandemic. Meanwhile, moves to balance economic activity with virus control measures gained momentum particularly in developed countries, as the number of infections fell and the testing structure was expanded. However, in Europe fears of a new wave of infections have increased, and social restrictions have again been tightened.

Under these circumstances, the Janome Group has taken steps to meet increased sewing machine orders resulting from stay-at-home demand, implementing robust virus control measures while working to ensure employee safety and strengthening our production structure. In this way, we have maintained stable operations.

As a result, in the second quarter of the fiscal year ending March 31, 2021, sales were 21,248 million yen (up 3,946 million yen compared to the corresponding period of the previous fiscal year), operating income was 2,366 million yen (up 2,049 million yen), ordinary income was 2,398 million yen (up 2,128 million yen), and profit attributable to owners of parent was 2,015 million yen (up 1,954 million yen).

The performance by segment is outlined below.

<Household equipment>

In the household equipment business, demand for sewing machines remains strong as restrictions on going out and social distancing measures have continued in various countries, leading to changes in daily lifestyles. As a result, we have increased sales volume both in Japan and overseas. Given this situation, the Group has made concerted efforts to ensure that we can quickly supply customers who require sewing machines, including bolstering the production structure at our overseas production bases in Taiwan and Thailand. We have also made efforts to disseminate information via social networking services (SNS) and other channels so that this broadening of sewing machine sales results in sewing culture becoming firmly established. We have actively promoted our products and the enjoyment of handicrafts to a wide range of customer segments.

As a result, total sales of sewing machines (overseas and Japan combined) amounted to 860,000 units (up 210,000 units from the corresponding period of the previous fiscal year), and in the household equipment business overall, while sales were 17,640 million yen (up 4,611 million yen), operating income was 2,502 million yen (up 2,080 million yen).

<Industrial equipment>

In the industrial equipment business, we have actively promoted sales activities utilizing IT, including online business negotiations and Web-based virtual exhibitions. However, companies continue to cut back on capital expenditure in regions including Japan, Europe and North America, and while there are signs of a recovery in China, the market as a whole is sluggish. As a result, conditions remained difficult for sales of desktop robots and servo presses, as well as in the die-casting business.

As a result, in the industrial equipment segment overall, sales were 2,230 million yen (down 695 million yen compared to the corresponding period of the previous fiscal year), and operating loss was 213 million yen (operating loss was 209 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 system operations / management contracts, sales totalled 1,056 million yen (up 49 million yen compared to the corresponding period of the previous fiscal year), while operating income was 77 million yen (down 28 million yen) .

(2) Explanation of financial position

As of September 30, 2020, total assets on a consolidated basis were 50,863 million yen (up 1,503 million yen from the previous fiscal year ended March 31, 2020).

Current assets were 24,255 million yen (up 2,177 million yen from the previous fiscal year) due to factors including an increase in Cash and deposits.

Fixed assets were 26,607 million yen (down 673 million yen from the previous fiscal year ended March 31, 2020) due to factors including a depreciation of tangible and intangible assets.

Current liabilities were 15,195 million yen (down 364 million yen from the previous fiscal year) due to factors including an increase in Short-term loans payable, while fixed liabilities were 8,300 million yen (down 119 million yen from the previous fiscal year) due to factors including a decrease in lease liability.

Net assets were 27,367 million yen (up 1,986 million yen from the 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 September 30, 2020, increased by 2,665 million yen from the previous fiscal year ended March 31, 2020, to 9,152 million yen (increase of 3,413 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 4,950 million yen (as compared to an outflow of 646 million yen in the corresponding period of the previous fiscal year), due to 2,452 million yen in quarterly income before income taxes and minority interests, a decrease of 595 million yen in account receivable, an increase of 440 million yen in accounts payable, and a decrease of 375 million yen in inventories.

Net cash generated by investing activities amounted to an outflow of 385 million yen (as compared to an outflow of 392 million yen in the corresponding period of the previous fiscal year), due to factors including payments into time deposits of 649 million yen, and proceeds from sales of property, plant and equipment of 489 million yen.

Net cash used for financing activities amounted to an outflow of 1,972 million yen (as compared to an inflow of 812 million yen in the corresponding period of the previous fiscal year), due to factors including a decrease in short-term borrowings of 1,559 million yen.

2. Consolidated Financial Statements

Consolidated Balance Sheets

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

	Previous Fiscal Year ended March 31, 2020	Currency unit: million yen Current First Half as of September 30, 2020
ASSETS		
Current assets		
Cash and deposits	6,886	10,012
Notes and accounts receivable-trade	6,650	6,076
Merchandise and finished goods	4,934	4,451
Work in process	594	773
Raw materials and supplies	2,727	2,719
Other	506	448
Allowance for doubtful accounts	(221)	(226)
Total current assets	22,078	24,255
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,818	5,611
Land	14,374	14,030
Other tangible fixed assets (net)	2,502	2,323
Total tangible fixed assets	22,696	21,964
Intangible fixed assets		
Other intangible fixed assets	849	803
Total intangible fixed assets	849	803
Investments and other assets	3,735	3,838
Total fixed assets	27,281	26,607
TOTAL ASSETS	49,360	50,863

	Previous Fiscal Year ended March 31, 2020	Currency unit: million yen Current First Half as of September 30, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,084	2,529
Short-term loans payable	10,575	8,852
Income taxes payable	243	404
Provision for bonuses	508	694
Other current liabilities	2,147	2,713
Total current liabilities	15,559	15,195
Fixed liabilities		
Deferred income taxes for revaluation	3,420	3,414
Net defined benefit liability	4,052	4,043
Other fixed liabilities	946	842
Total fixed liabilities	8,419	8,300
TOTAL LIABILITIES	23,979	23,495
NET ASSETS		
Shareholders' equity		
Common stock	11,372	11,372
Retained earnings	7,967	9,619
Treasury stock, at cost	(325)	(325)
Total shareholders' equity	19,015	20,667
Other comprehensive income		
Valuation difference in other marketable securities	54	94
Land revaluation difference	6,630	6,703
Foreign currency translation adjustments	(927)	(781)
Remeasurements of defined benefit plans	(222)	(171)
Total other comprehensive income	5,534	5,845
Non-controlling interests	831	854
TOTAL NET ASSETS	25,381	27,367
TOTAL LIABILITIES AND NET ASSETS	49,360	50,863

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, 2019 through September 30, 2019	Current First Half April 1, 2020 through September 30, 2020
Net sales	17,301	21,248
Cost of sales	10,329	12,087
Gross profit	6,971	9,160
Selling, general and administrative expenses	6,654	6,793
Operating income	317	2,366
Non-operating income		
Interest income	10	3
Dividend income	42	30
Other	65	70
Total non-operating income	118	105
Non-operating expenses		
Interest expenses	48	41
Financing expenses	53	5
Foreign exchange losses	52	8
Other	12	18
Total non-operating expenses	166	73
Ordinary income	269	2,398
Extraordinary profits		
Gain on sales of fixed assets	0	86
Total extraordinary profits	0	86
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	0	32
Total extraordinary losses	0	32
Income before income taxes	269	2,452
Income tax, resident tax and business tax	216	472
Income tax adjustment	6	(112)
Total taxes	223	359
Profit	46	2,092
Profit (loss) attributable to non-controlling interests	(14)	77
Profit attributable to owners of parent	60	2,015

Consolidated statements of comprehensive income

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

Currency unit: million yen

	Current First Half April 1, 2019 through September 30, 2019	Current First Half April 1, 2020 through September 30, 2020
Profit	46	2,092
Other comprehensive income		
Valuation difference on available-for-sale securities	(9)	40
Foreign currency translation adjustment	(421)	126
Remeasurements of defined benefit plans	61	51
Total other comprehensive income	(368)	217
Comprehensive income	(322)	2,310
Comprehensive income attributable to:		
owners of parent	(328)	2,252
non-controlling interests	6	57

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, 2019 through September 30, 2019	Current First Half April 1, 2020 through September 30, 2020
Cash flows from operating activities		
Income before income taxes	269	2,452
Depreciation	675	571
Increase/ (decrease) of employees retirement benefits	(68)	(78)
Interest and dividend income	(52)	(34)
Interest expenses	48	41
(Increase)/ decrease in accounts receivable	(181)	595
(Increase)/ decrease in inventories	(235)	375
Increase/ (decrease) in accounts payable	(616)	440
Others	(220)	875
Sub total	<u>(382)</u>	<u>5,238</u>
Interest and dividend received	56	38
Interest paid	(48)	(41)
Income taxes paid	(271)	(284)
Net cash generated by operating activities	<u>(646)</u>	<u>4,950</u>
Cash flows from investing activities		
Payments into time deposits	(188)	(649)
Proceeds from withdrawal of time deposits	261	17
Purchase of property, plant and equipment	(377)	(163)
Proceeds from sales of property, plant and equipment	3	489
Others	(90)	(79)
Net cash generated by investing activities	<u>(392)</u>	<u>(385)</u>
Cash flows from financing activities		
Net increase/(decrease) in short-term borrowings	1,289	(1,559)
Cash dividends paid	(286)	(288)
Others	(190)	(123)
Net cash used for financing activities	<u>812</u>	<u>(1,972)</u>
Effect of exchange rate changes on cash and cash equivalents	(126)	72
Increase/(decrease) in cash and cash equivalents	<u>(352)</u>	<u>2,665</u>
Cash and cash equivalents at beginning of period	6,091	6,487
Cash and cash equivalents at end of period	<u>5,739</u>	<u>9,152</u>

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, 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*: "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

II. Current first half (April 1, 2020 through September 30, 2020)

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	17,640	2,230	1,056	20,927	320	21,248
Intersegment sales or transfers	14	328	209	552	177	729
Total	17,654	2,559	1,266	21,480	497	21,978
Segment profit	2,502	(213)	77	2,366	(1)	2,365

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	2,366
Other net loss	(1)
Elimination of intersegment transactions	1
Operating income in quarterly consolidated statements	2,366