

(Translation)

Consolidated Financial Results
for the 3rd quarter of the fiscal year ending March 31, 2020
(April 1, 2019 through December 31, 2019)
[Japanese GAAP]

February 7, 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: Cooperate Officer, General Manager of Accounting
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Filing date of financial statements for the quarter: February 12, 2020
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, 2019 through December 31, 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	%
Nine months ended December 31, 2019	26,362	(10.1)	562	(42.6)	464	(59.2)	150	(78.0)
December 31, 2018	29,331	(-5.1)	980	(37.6)	1,140	(32.0)	681	(39.3)

Note: Comprehensive income

December 31, 2019 293 million yen (down 54.1%)
December 31, 2018 639 million yen (down 63.9%)

	Net income per share - basic	Net income per share - diluted
Nine months ended	yen	yen
December 31, 2019	7.77	--
December 31, 2018	35.26	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Equity
	Million yen	Million yen	%	Million yen
December 31, 2019	50,218	25,843	49.7	24,980
March 31, 2019	50,657	25,873	49.4	25,020

2. Cash dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	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 the 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)	35,000	(8.3)	700	(39.1)	600	(55.8)	200	(77.3)

	Net Income per share - basic
Full year (April 1, 2019 through March 31, 2020)	10.35

Note: Revisions to the forecast of financial results 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 December 2019

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

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

189,999 shares at the end of December 2019

189,826 shares at the end of March 2019

(iii) Average number of public shares during fiscal period

19,331,523 shares at the end of December 2019

19,331,623 shares at the end of December 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 3rd quarter of the fiscal year ending March 31, 2020

(1) Explanation of financial results

During the nine-month period ended December 31, 2019, there were signs of a bottoming of the global economy, amid a continuing slowdown in business conditions. However, uncertainty about the future outlook persisted, including the issue of prolonged trade friction between the US and China.

The Japanese economy saw increased weakness, particularly in the manufacturing sector, including a decline in exports and machine tool orders, and an associated slowdown in capital expenditure. The factors behind this included concerns about lower consumer spending following the consumption tax hike and an uncertain global landscape.

Under these conditions, based on our medium-term plans, Janome Group proactively developed marketing activities in the household equipment business and industrial equipment business, while working to implement robust cost reductions, particularly in manufacturing.

However, during the nine-month period ended December 31, 2019, the Group was faced with a harsh business environment, with sales of 26,362 million yen (down 2,969 million yen compared to the corresponding period of the previous fiscal year), operating income was 562 million yen (down 417 million yen), ordinary income was 464 million yen (down 675 million yen), and profit attributable to owners of parent was 150 million yen (down 531 million yen).

The performance by segment is outlined below.

<Household equipment>

In the household equipment business, there were signs of a recovery in sewing machine sales in the North American market, led by new products launched by the Group during the second quarter. In the European market, meanwhile, there was generally no recovery to be seen, and sales ahead of the Christmas season were largely weak. Conditions also remained challenging in emerging markets, including in Russia where the economy continues to tread water. In Japan, sales growth was weak, due to factors including a snapback from the last-minute surge in demand seen prior to the consumption tax hike.

As a result, total sales of sewing machines (overseas and Japan combined) amounted to 980,000 units (down 150,000 units from the corresponding period of the previous fiscal year), and in the household equipment segment overall, sales were 19,841 million yen (down 1,770 million yen) and operating income was 609 million yen (down 36 million yen).

<Industrial equipment>

In the industrial equipment business, the Group endeavored to develop marketing activities flexibly so as to minimize the impact of US-China trade friction, including continuing to build new sales networks in Vietnam and other Southeast Asian countries, as well as in other regions such as Mexico. However, there continued to be a significantly negative impact from restrained capital expenditure in the Chinese market. In addition, there was a sharp drop in orders from automotive firms in Japan, resulting in a continuation of difficult conditions overall. This affected sales of desktop robots and servo presses, as well as the die-casting business.

As a result, in the industrial equipment segment overall, sales were 4,371 million yen (down 1,054 million yen compared to the corresponding period of the previous fiscal year), and operating loss was 247 million yen (operating income was 182 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 totaled 1,627 million yen (down 118 million yen compared to the corresponding period of the previous fiscal year), while operating income was 187 million yen (up 31 million yen).

(2) Explanation of financial position

As of December 31, 2019, total assets on a consolidated basis were 50,218 million yen (down 438 million yen from the end of previous fiscal year ended March 31, 2019).

Current assets were 22,535 million yen (down 154 million yen from the end of previous fiscal year) due to factors including a decrease in Merchandise and finished goods. Fixed assets totalled 27,683 million yen (down 284 million yen), due to factors including a depreciation of tangible and intangible assets.

Current liabilities were 15,996 million yen (down 367 million yen from the end of previous fiscal year) due to factors including a decrease in Notes and accounts payable. Fixed liabilities were 8,379 million yen (down 41 million yen) due to factors including a decrease in Net defined benefit liability.

Net assets were 25,843 million yen (down 29 million yen from the end of previous fiscal year) due to factors including a decrease in Retained earnings.

[Overview of cash flow position]

Cash and cash equivalents on a consolidated basis as of December 31, 2019, increased by 182 million yen from the end of previous fiscal year ended March 31, 2019, to 6,273 million yen (an increase of 251 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 260 million yen (as compared to an inflow of 908 million yen in the corresponding period of the previous fiscal year), due to factors including 461 million yen in Income before income taxes, 1,019 million yen in Depreciation, and a decrease of 576 million yen in accounts payable.

Net cash generated by investing activities amounted to an outflow of 476 million yen (as compared to an outflow of 758 million yen in the corresponding period of the previous fiscal year), due to expenditures of 545 million yen to Purchase tangible fixed assets including equipment and molds, etc.

Net cash used for financing activities amounted to an outflow of 449 million yen (as compared to an outflow of 212 million yen in the corresponding period of the previous fiscal year), due to factors including an increase in short-term borrowings of 967 million yen and an outflow from Cash dividends paid of 287 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 Third Quarter as of December 31, 2019
ASSETS		
Current assets		
Cash and deposits	6,715	6,621
Notes and accounts receivable-trade	6,827	6,847
Merchandise and finished goods	5,391	5,209
Work in process	589	700
Raw materials and supplies	2,841	2,888
Other	606	551
Allowance for doubtful accounts	(282)	(282)
Total current assets	22,689	22,535
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	5,874	5,714
Land	14,440	14,450
Other tangible fixed assets (net)	2,739	2,732
Total tangible fixed assets	23,053	22,897
Intangible fixed assets		
Other intangible fixed assets	1,071	894
Total intangible fixed assets	1,071	894
Investments and other assets	3,842	3,891
Total fixed assets	27,967	27,683
TOTAL ASSETS	50,657	50,218

Currency unit: million yen

	Previous Fiscal Year ended March 31, 2019	Current Third Quarter as of December 31, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,727	2,052
Short-term loans payable	10,344	11,240
Income taxes payable	264	115
Provision for bonuses	506	310
Other current liabilities	2,520	2,277
Total current liabilities	16,363	15,996
Fixed liabilities		
Deferred income taxes for revaluation	3,433	3,433
Net defined benefit liability	4,032	4,027
Other fixed liabilities	954	917
Total fixed liabilities	8,420	8,379
TOTAL LIABILITIES	24,783	24,375
NET ASSETS		
Shareholders' equity		
Common stock	11,372	11,372
Retained earnings	7,803	7,664
Treasury stock, at cost	(325)	(325)
Total shareholders' equity	18,851	18,711
Other comprehensive income		
Valuation difference in other marketable securities	114	141
Land revaluation difference	6,660	6,660
Foreign currency translation adjustments	(358)	(370)
Remeasurements of defined benefit plans	(246)	(162)
Total other comprehensive income	6,169	6,268
Non-controlling interests	852	863
TOTAL NET ASSETS	25,873	25,843
TOTAL LIABILITIES AND NET ASSETS	50,657	50,218

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, 2018 through December 31, 2018	Current Nine Months April 1, 2019 through December 31, 2019
Net sales	29,331	26,362
Cost of sales	17,911	15,841
Gross profit	11,419	10,521
Selling, general and administrative expenses	10,439	9,958
Operating income	980	562
Non-operating income		
Interest income	16	16
Dividend income	40	42
Exchange gains	89	--
Other	135	91
Total non-operating income	282	149
Non-operating expenses		
Interest expenses	63	75
Foreign exchange losses	--	98
Other	58	73
Total non-operating expenses	122	247
Ordinary income	1,140	464
Extraordinary profits		
Gain on sales of fixed assets	32	2
Total extraordinary profits	32	2
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	15	5
Total extraordinary losses	15	5
Income before income taxes	1,157	461
Income tax, resident tax and business tax	354	258
Income tax adjustment	113	53
Total taxes	467	311
Profit	690	150
Profit attributable to non-controlling interests	8	0
Profit attributable to owners of parent	681	150

Consolidated statements of comprehensive income

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

Currency unit: million yen

	Previous Nine Months April 1, 2018 through December 31, 2018	Current Nine Months April 1, 2019 through December 31, 2019
Profit	690	150
Other comprehensive income		
Valuation difference on available-for-sale securities	(72)	27
Foreign currency translation adjustment	(83)	31
Remeasurements of defined benefit plans	105	83
Total other comprehensive income	(50)	142
Comprehensive income	639	293
Comprehensive income attributable to:		
owners of parent	629	249
non-controlling interests	9	43

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, 2018 through December 31, 2018	Current Nine Months April 1, 2019 through December 31, 2019
Cash flows from operating activities		
Income before income taxes	1,157	461
Depreciation	1,002	1,019
Increase/ (decrease) of employee retirement benefits	(135)	(64)
Interest and dividend income	(57)	(58)
Interest expenses	63	75
(Increase)/ decrease in accounts receivable	(359)	(52)
(Increase)/ decrease in inventories	(243)	23
Increase/ (decrease) in accounts payable	(12)	(576)
Others	(106)	(206)
Sub total	1,309	621
Interest and dividend received	63	66
Interest paid	(63)	(75)
Income taxes paid	(400)	(351)
Net cash generated by operating activities	908	260
Cash flows from investing activities		
Payments into time deposits	(395)	(204)
Proceeds from withdrawal of time deposits	276	377
Purchase of property, plant and equipment	(618)	(545)
Proceeds from sales of property, plant and equipment	59	15
Others	(80)	(120)
Net cash generated by investing activities	(758)	(476)
Cash flows from financing activities		
Net increase/(decrease) in short-term borrowings	97	967
Cash dividends paid	(191)	(287)
Others	(119)	(230)
Net cash used for financing activities	(212)	449
Effect of exchange rate changes on cash and cash equivalents	(33)	(51)
Increase/(decrease) in cash and cash equivalents	(96)	182
Cash and cash equivalents at beginning of period	6,118	6,091
Cash and cash equivalents at end of period	6,022	6,273

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 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

II. Current nine months (April 1, 2019 through December 31, 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	19,841	4,371	1,627	25,841	521	26,362
Intersegment sales or transfers	25	421	331	778	277	1,055
Total	19,866	4,793	1,959	26,619	798	27,417
Segment profit / (loss)	609	(247)	187	549	(10)	538

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	549
Other net loss	(10)
Elimination of intersegment transactions	23
Operating income in quarterly consolidated statements	562