

(Translation)

Consolidated Financial Results
for the 1st quarter of fiscal year ending March 31, 2019
(April 1, 2018 through June 30, 2018)
[Japanese GAAP]

August 3, 2018

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 Oba Title: President
Contact person: Name: Hiroyuki Kobayashi Title: General Manager, Accounting
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Filing date of financial statements for the first quarter year: August 10, 2018

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 June 30, 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	%
First three months ended June 30, 2018	9,600	1.2	133	(61.1)	321	(27.7)	169	(50.4)
June 30, 2017	9,485	(0.2)	343	(32.8)	444	(4.1)	341	49.3

Note: Comprehensive income was

150 million yen (-68.6%) ended June 30, 2018

480 million yen (-%) ended June 30, 2017

	Net income per share - basic	Net income per share - diluted
First three months ended June 30, 2018	yen 8.77	yen --
June 30, 2017	17.66	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
June 30, 2018	51,097	25,098	47.5
March 31, 2018	51,009	25,172	47.7

Ref. Equity 24,280 million yen at the end of June 2018, and 24,310 million yen at the end of March 2018

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	--				
March 31, 2019 (Forecast)		0.00	--	10.00	10.00

3. Forecast of consolidated results for 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	%
First half (April 1, 2018 through September 30, 2018)	20,000	(1.3)	1,000	7.1	950	(13.9)	650	(11.3)
Full year (April 1, 2018 through March 31, 2019)	42,000	3.0	2,500	20.4	2,400	13.7	1,600	15.0

	Net Income per share - basic yen
First half (April 1, 2018 through September 30, 2018)	33.62
Full year (April 1, 2018 through March 31, 2019)	82.77

4. Others

(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 June 2018

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

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

189,819 shares at the end of June 2018

189,819 shares at the end of March 2018

(iii) Average number of public shares during fiscal period

19,331,625 shares ended June 30, 2018

19,331,723 shares ended June 30, 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 1st quarter of the fiscal year ending March 31, 2019

(1) Explanation of financial results

During the three-month period ended June 30, 2018, the global economy appeared to slow slightly, but remained firm. Uncertainties have still not been dispelled, however, including trade friction between the US and other countries, and the withdrawal of the US from the nuclear deal with Iran.

The Japanese economy has continued to recover, including robust capital investment supported by moves to achieve labor efficiencies spurred on by manpower shortages, such as the introduction of automated equipment.

In the light of these conditions, Janome Group has worked to energize the market through measures including launching new products and participating in various exhibitions, while implementing robust cost reductions.

As a result, in the first quarter of the fiscal year ending March 31, 2019, sales were 9,600 million yen (up 114 million yen compared to the corresponding period of the previous fiscal year), while operating income was 133 million yen (down 209 million yen), ordinary income was 321 million yen (down 122 million yen), and profit attributable to owners of parent was 169 million yen (down 171 million yen), owing to factors including local currency appreciation at overseas production sites.

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 three-month period ended June 30, 2018 is based on the new segments.

<Household equipment>

In the household equipment business, Janome Group strove to stimulate demand through measures including launching new products, holding sewing classes, and taking part in various exhibitions in Japan and overseas. As a result, sales to Central-South America and Asia are showing good momentum, focused on low-priced products, while sales to Russia and other emerging markets were also brisk. Meanwhile, the key North America market has only recovered moderately, and conditions are still challenging in the European market. In this way, conditions have remained severe.

As a result, total sales of sewing machines (overseas and Japan combined) amounted to 376,000 units (up 4,000 units from the corresponding period of the previous fiscal year), and in the household equipment segment overall, while sales were 6,973 million yen (up 13 million yen), operating income was 33 million yen (down 200 million yen).

<Industrial equipment>

In the industrial equipment business, there has been an increase in market entrants and price competition is intensifying. Under these conditions, Janome Group has worked to expand its lineup of desktop robots, and to increase sales of products that are both easy to use and cost effective to deploy, both in Japan and overseas. Sales of electro-press machines were strong, particularly to automotive component-related firms, as the Group maintained steady marketing activities and our products earned an even stronger reputation in the market. In the die-casting business, while our products were welcomed as Janome Group swiftly addressed customers' requirements, the year got off to a slightly difficult start, in part due to a fallback from the strong performance seen in the previous year.

As a result, in the industrial equipment segment overall, sales were 1,844 million yen (up 29 million yen compared to the corresponding period of the previous fiscal year), and operating income was 81 million yen (up 7 million yen)

< IT business >

In the IT business, against a backdrop of expansion of the information services industry driven by IT technology, the Group developed its business with an emphasis on quality enhancement, while making efforts to increase business with existing customers and gain new customers, particularly in the core software development business.

As a result, while sales were 605 million yen (up 75 million yen compared to the corresponding period of the previous fiscal year), operating income was 25 million yen (down 11 million yen) due to factors including costs associated with the head office relocation of Janome Credia Co., Ltd.

(2) Explanation of financial position

As of June 30, 2018, total assets on a consolidated basis were 51,097 million yen (up 87 million yen from the previous fiscal year ended March 31, 2018).

Current assets were 23,050 million yen (up 134 million yen from the previous fiscal year) due to factors including an increase in cash and cash equivalents.

Fixed assets were 28,046 million yen (down 47 million yen from the previous fiscal year ended March 31, 2018) due to factors including depreciation.

Current liabilities were 17,359 million yen (up 199 million yen from the previous fiscal year) due to factors including an increase in notes and accounts payable, while fixed liabilities were 8,639 million yen (down 37 million yen from the previous fiscal year) due to decrease in liability for retirement benefits.

Net assets were 25,098 million yen (down 74 million yen from the previous fiscal year) due to factors including a decrease in foreign currency translations adjustment account.

[Overview of cash flow position]

Cash and cash equivalents on a consolidated basis as of June 30, 2018 increased by 197 million yen from the previous fiscal year ended March 31, 2018, to 6,316 million yen (increase of 505 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 939 million yen (as compared to an inflow of 745 million yen in the corresponding period of the previous fiscal year), due to factors including 341 million yen in quarterly income before income taxes and minority interests, 343 million yen in depreciation, and a decrease of 218 million yen in notes and accounts receivable.

Net cash generated by investing activities amounted to an outflow of 351 million yen (as compared to an outflow of 35 million yen in the corresponding period of the previous fiscal year) due to purchase of tangible fixed assets of 270 million yen.

Net cash used for financing activities amounted to a reduction in funds of 353 million yen (as compared to an outflow of 1,527 million yen in the corresponding period of the previous fiscal year), due to factors including a decrease in short-term borrowings of 133 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 Mar 31, 2018	Current First Quarter as of June 30, 2018
ASSETS		
Current assets		
Cash and deposits	6,293	6,535
Notes and accounts receivable-trade	7,368	7,151
Securities	341	334
Merchandise and finished goods	4,984	4,916
Work in process	668	716
Raw materials and supplies	2,856	2,898
Other	629	729
Allowance for doubtful accounts	(227)	(231)
Total current assets	22,916	23,050
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	6,100	6,042
Land	14,471	14,460
Other tangible fixed assets (net)	2,357	2,444
Total tangible fixed assets	22,929	22,948
Intangible fixed assets		
Other intangible fixed assets	1,108	1,077
Total intangible fixed assets	1,108	1,077
Investments and other assets	4,055	4,020
Total fixed assets	28,093	28,046
TOTAL ASSETS	51,009	51,097
LIABILITIES		
Current liabilities		
Notes and accounts payable	3,007	3,192
Short-term loans payable	10,980	10,824
Income taxes payable	293	157
Provision for bonuses	520	260
Other current liabilities	2,358	2,924
Total current liabilities	17,159	17,359
Fixed liabilities		
Deferred income taxes for revaluation	3,433	3,433
Net defined benefit liability	4,485	4,461
Other fixed liabilities	757	744
Total fixed liabilities	8,677	8,639
TOTAL LIABILITIES	25,836	25,998

Currency unit: million yen

	Previous Fiscal Year ended Mar 31, 2018	Current First Quarter as of June 30, 2018
NET ASSETS		
Shareholders' equity		
Common stock	11,372	11,372
Retained earnings	7,116	7,093
Treasury stock, at cost	(325)	(325)
Total shareholders' equity	18,164	18,140
Other comprehensive income		
Valuation difference in other marketable securities	171	202
Land revaluation difference	6,660	6,660
Foreign currency translation adjustments	(301)	(380)
Remeasurements of defined benefit plans	(384)	(342)
Total other comprehensive income	6,145	6,140
Non-controlling interest	862	817
TOTAL NET ASSETS	25,172	25,098
TOTAL LIABILITIES AND NET ASSETS	51,009	51,097

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 Three Months April 1, 2017 through June 30, 2017	Current Three Months April 1, 2018 through June 30, 2018
Net sales	9,485	9,600
Cost of sales	5,614	5,963
Gross profit	3,871	3,636
Selling, general and administrative expenses	3,527	3,502
Operating income	343	133
Non-operating income		
Interest income	7	6
Dividend income	39	35
Exchange gains	65	117
Other	25	56
Total non-operating income	136	216
Non-operating expenses		
Interest expenses	26	20
Other	9	8
Total non-operating expenses	35	28
Ordinary income	444	321
Extraordinary profits		
Gain on sales of fixed assets	13	24
Total extraordinary profits	13	24
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	10	3
Total extraordinary losses	10	3
Income before income taxes and minority interests	446	341
Income tax, resident tax and business tax	74	117
Income tax adjustment	25	49
Total taxes	99	167
Net income	346	174
Profit attributable to non-controlling interest	5	4
Profit attributable to owners of parent	341	169

Consolidated statements of comprehensive income

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

Currency unit: million yen

	Previous Three Months April 1, 2017 through June 30, 2017	Current Three Months April 1, 2018 through June 30, 2018
Net income	346	174
Other comprehensive income		
Valuation difference on available-for-sale securities	18	31
Foreign currency translation adjustment	78	(96)
Remeasurements of defined benefit plans	36	41
Total other comprehensive income	133	(23)
Comprehensive income	480	150
Comprehensive income attributable to:		
owners of parent	464	163
non-controlling interest	15	(12)

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 Three Months April 1, 2017 through June 30, 2017	Current Three Months April 1, 2018 through June 30, 2018
Cash flows from operating activities		
Net income before income taxes and minority interests	446	341
Depreciation	338	343
Increase/ (decrease) of employees retirement benefits	(61)	(21)
Interest and dividend income	(46)	(42)
Interest expenses	26	20
(Increase)/ decrease in accounts receivable	30	218
(Increase)/ decrease in inventories	(228)	(16)
Increase/ (decrease) in accounts payable	324	153
Others	95	134
Sub total	926	1,131
Interest and dividend received	34	37
Interest paid	(23)	(20)
Income taxes paid	(191)	(209)
Net cash generated by operating activities	745	939
Cash flows from investing activities		
Payments into time deposits	(0)	(97)
Proceeds from withdrawal of time deposits	42	31
Purchase of property, plant and equipment	(103)	(270)
Proceeds from sales of property, plant and equipment	68	44
Purchase of intangible assets	(30)	(55)
Others	(11)	(4)
Net cash generated by investing activities	(35)	(351)
Cash flows from financing activities		
Net increase/(decrease) in short-term borrowings	(1,322)	(133)
Cash dividends paid	(149)	(157)
Others	(56)	(62)
Net cash used for financing activities	(1,527)	(353)
Effect of exchange rate changes on cash and cash equivalents	(34)	(36)
Increase/(decrease) in cash and cash equivalents	(852)	197
Cash and cash equivalents at beginning of period	6,663	6,118
Cash and cash equivalents at end of period	5,811	6,316

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 three months (April 1, 2017 through June 30, 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	IT	Total		
Net sales						
Net sales to external customers	6,956	1,814	529	9,304	181	9,485
Intersegment sales or transfers	7	177	101	286	99	385
Total	6,967	1,991	630	9,590	280	9,871
Segment profit	234	74	36	345	(11)	333

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	345
Other net loss	(11)
Elimination of intersegment transactions	9
Operating income in quarterly consolidated statements	343

II. Current Three Months (April 1, 2018 through June 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	IT	Total		
Net sales						
Net sales to external customers	6,973	1,844	605	9,423	176	9,600
Intersegment sales or transfers	8	197	107	313	89	403
Total	6,982	2,041	712	9,737	266	10,003
Segment profit	33	81	25	140	(16)	124

Note*1: "Other" is not categorized in the reportable business segment and includes real estate, etc.

Note*2: Janome has revised its operating segments from Q1, FY2019/3. Figures for the corresponding period of FY2018/3 have been restated to conform with the new segments.

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	140
Other net loss	(16)
Elimination of intersegment transactions	9
Operating income in quarterly consolidated statements	133

3. Additional information

(1) Geographic segmentation

Previous three months (April 1, 2017 through June 30, 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	6,528	1,254	128	1,575	9,485	--	9,485
(2) Intersegment sales or transfers	1,205	--	3,463	0	4,668	(4,668)	--
Total	7,733	1,254	3,591	1,575	14,154	(4,668)	9,485
Operating income/ (loss)	85	(35)	64	28	141	201	343

Current three months (April 1, 2018 through June 30, 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	6,328	1,446	152	1,671	9,600	--	9,600
(2) Intersegment sales or transfers	1,933	--	3,694	0	5,627	(5,627)	--
Total	8,262	1,446	3,847	1,671	15,228	(5,627)	9,600
Operating income/ (loss)	132	38	(39)	41	172	38	133

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 three months (April 1, 2017 through June 30, 2017)

Currency unit: million yen

	North America	Europe	Other Regions	Total
Net sales				
I Overseas sales	1,326	2,330	2,508	6,165
II Consolidated sales				9,485
III Ratio of overseas sales to consolidated sales	14.0%	24.6%	26.4%	65.0%

Current three months (April 1, 2018 through June 30, 2018)

Currency unit: million yen

	North America	Europe	Other Regions	Total
Net sales				
I Overseas sales	1,501	2,391	2,503	6,396
II Consolidated sales				9,600
III Ratio of overseas sales to consolidated sales	15.6%	24.9%	26.1%	66.6%

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

(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