

(Translation)

Consolidated Financial Results
for the 2nd quarter of fiscal year ending March 31, 2019
(April 1, 2018 through September 30, 2018)
[Japanese GAAP]

November 7, 2018

Company name: **JANOME SEWING MACHINE CO., LTD.** Tokyo Stock Exchange in Japan
Securities code: 6445 [URL http://www.janome.co.jp](http://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 : November 12, 2018

Payment date of cash dividends: ----

Supplementary materials prepared for quarterly financial results : Yes

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

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

1. Consolidated results (April 1, 2018 through September 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 half year ended September 30, 2018 | 19,189 | (5.3) | 458 | (51.0) | 642 | (41.7) | 370 | (49.5) |
| September 30, 2017 | 20,258 | 6.0 | 934 | (13.5) | 1,103 | 24.9 | 733 | 89.4 |

Note: Comprehensive income was

795 million yen (-32.3%) ended September 2018

1,175 million yen (-%) ended September 2017

| | Net income per share - basic | Net income per share - diluted |
|--|------------------------------|--------------------------------|
| First half year ended September 30, 2018 | yen 19.17 | yen -- |
| September 30, 2017 | 37.93 | -- |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--|------------------------------|------------------------------|------------------|
| First half year ended September 30, 2018 | Million yen 51,488 | Million yen 25,743 | % 48.3 |
| March 31, 2018 | 51,009 | 25,172 | 47.7 |

Ref. Equity 24,886 million yen at the end of September 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 | -- | 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 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 cash dividends 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 September 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 September 2018

189,819 shares at the end of March 2018

(iii) Average number of public shares during fiscal period

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

19,331,719 shares at the end of September 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 2nd quarter of the fiscal year ending March 31, 2019

(1) Explanation of financial results

During the six-month period ended September 30, 2018, there was a recovery trend in the global economy, driven primarily by a continued rise in capital expenditure in the US, and by robust consumer spending in Europe, supported by employment growth. However, uncertainty about the future outlook persisted due to factors including rising trade tensions between the US and China and downward pressure on the currencies of emerging economies in the face of rising US interest rates.

There was a modest recovery in the Japanese economy thanks to solid capital expenditure and consumer spending. However, there remain downside risks, as demonstrated by the impact of a series of natural disasters on consumption and corporate activity, and uncertainty in the global economy resulting from factors including the protectionist trade strategy being adopted by the United States.

In the light of these conditions, Janome Group implemented measures including launching new products and participating in various exhibitions, and endeavored to streamline operations and improve productivity.

However, the Group is faced with a harsh business environment, with conditions remaining particularly challenging in the household equipment business. As a result, in the second quarter, sales were 19,189 million yen (down 1,068 million yen compared to the corresponding period of the previous fiscal year), operating income was 458 million yen (down 476 million yen), ordinary income was 642 million yen (down 460 million yen), and profit attributable to owners of parent was 370 million yen (down 362 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 six-month period ended September 30, 2018 is based on the new segments.

<Household equipment>

In the household equipment business, the Group launched headline-grabbing products such as dedicated embroidery machines with smartphone integration, participated in exhibitions both in Japan and overseas, and increased customer visibility by communicating information through YouTube and social media channels, conveying the enjoyment of hand-made products. In this way, the Group worked to stimulate demand.

However, there remains a sense of stagnation in the sewing machine market, and the pace of recovery in our key US and European markets disappointed. With the exception of the recovery in the Russian market, sales to emerging markets were weak and not in line with our original projections. Thus, conditions remained challenging. In addition, given that Thailand is a production base for Janome, the continued strength of the local currency against the Japanese yen and US dollar pushed up costs, and this impacted on profits.

As a result, total sales of sewing machines (overseas and Japan combined) amounted to 750,000 units (down 40,000 units from the corresponding period of the previous fiscal year), and in the household equipment segment overall, sales were 14,063 million yen (down 1,053 million yen) and operating income was 261 million yen (down 410 million yen).

<Industrial equipment>

In the industrial equipment business, the Group worked to strengthen its brand appeal in the sector through participation in exhibitions both in Japan and overseas, against a backdrop of robust capital expenditure underpinned by the spread of precision equipment and factory automation. Additionally, sales of desktop robots and electro-press machines were both strong, as Janome Group accurately identified market trends and supplied products rapidly in line with customer requirements. In the electro-press machine business, the Group captured demand primarily from automotive component-related firms, recording the highest ever number of units sold for the first six months of the fiscal year. In the die-casting-related business, meanwhile, there was a slight lull in sales compared with the strong performance seen in the previous quarter as customers made production adjustments. As a result, in the industrial equipment segment overall, sales were 3,636 million yen (up 102 million yen compared to the corresponding period of the previous fiscal year), and operating income was 144 million yen (down 31 million yen).

< IT >

In the IT business, which includes IT software development, information processing services, and outsourcing of systems operation/management, sales totaled 1,142 million yen (down 105 million yen compared to the corresponding period of the previous fiscal year), while operating income was 71 million yen (down 24 million yen).

(2) Explanation of financial position

As of September 30, 2018, total assets on a consolidated basis were 51,488 million yen (up 479 million yen from the end of the previous fiscal year ended March 31, 2018).

Current assets were 23,491 million yen (up 575 million yen from the end of the previous fiscal year) due to factors including an increase in merchandise and finished goods. Fixed assets were 27,996 million yen (down 96 million yen from the end of the previous fiscal year) due to factors including a depreciation of tangible and intangible assets.

Current liabilities were 17,177 million yen (up 18 million yen from the end of the previous fiscal year) due to factors including an increase in bills and accounts payable, and decrease in short term borrowing. Fixed liabilities were 8,567 million yen (down 109 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 25,743 million yen (up 570 million yen from the end of the previous fiscal year) due to factors including an increase 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, 2018, decreased by 131 million yen from the previous fiscal year ended March 31, 2018, to 5,987 million yen (increase of 600 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 847 million yen (as compared to an inflow of 702 million yen in the corresponding period of the previous fiscal year), due to 665 million yen in quarterly income before income taxes and minority interests, and including an increase of 507 million yen in inventories, and an increase of 337 million yen in accounts payable (increase of 702 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by investing activities amounted to an outflow of 400 million yen (as compared to an outflow of 303 million yen in the corresponding period of the previous fiscal year), due to factors including purchase of tangible fixed assets of 385 million yen.

Net cash used for financing activities amounted to a reduction in funds of 630 million yen (as compared to an outflow of 1,697 million yen in the corresponding period of the previous fiscal year), due to factors including a decrease in short-term borrowings of 349 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 First Half as of September 30, 2018 |
|-------------------------------------|--|--|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 6,293 | 6,124 |
| Notes and accounts receivable-trade | 7,368 | 7,420 |
| Securities | 341 | 351 |
| Merchandise and finished goods | 4,984 | 5,683 |
| Work in process | 668 | 779 |
| Raw materials and supplies | 2,856 | 2,754 |
| Other | 629 | 617 |
| Allowance for doubtful accounts | (227) | (241) |
| Total current assets | 22,916 | 23,491 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 6,100 | 6,017 |
| Land | 14,471 | 14,486 |
| Other tangible fixed assets (net) | 2,357 | 2,485 |
| Total tangible fixed assets | 22,929 | 22,989 |
| Intangible fixed assets | | |
| Other intangible fixed assets | 1,108 | 1,011 |
| Total intangible fixed assets | 1,108 | 1,011 |
| Investments and other assets | 4,055 | 3,995 |
| Total fixed assets | 28,093 | 27,996 |
| TOTAL ASSETS | 51,009 | 51,488 |

Currency unit: million yen

| | Previous Fiscal Year ended March 31, 2018 | Current First Half as of September 30, 2018 |
|---|--|--|
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | 3,007 | 3,390 |
| Short-term loans payable | 10,980 | 10,592 |
| Income taxes payable | 293 | 289 |
| Provision for bonuses | 520 | 667 |
| Other current liabilities | 2,358 | 2,236 |
| Total current liabilities | 17,159 | 17,177 |
| Fixed liabilities | | |
| Deferred income taxes for revaluation | 3,433 | 3,433 |
| Net defined benefit liability | 4,485 | 4,407 |
| Other fixed liabilities | 757 | 727 |
| Total fixed liabilities | 8,677 | 8,567 |
| TOTAL LIABILITIES | 25,836 | 25,745 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 11,372 | 11,372 |
| Retained earnings | 7,116 | 7,294 |
| Treasury stock, at cost | (325) | (325) |
| Total shareholders' equity | 18,164 | 18,341 |
| Other comprehensive income | | |
| Valuation difference in other marketable securities | 171 | 184 |
| Land revaluation difference | 6,660 | 6,660 |
| Foreign currency translation adjustments | (301) | 16 |
| Remeasurements of defined benefit plans | (384) | (316) |
| Total other comprehensive income | 6,145 | 6,544 |
| Non-controlling interests | 862 | 857 |
| TOTAL NET ASSETS | 25,172 | 25,743 |
| TOTAL LIABILITIES AND NET ASSETS | 51,009 | 51,488 |

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, 2017 through September 30, 2017 | Current First Half April 1, 2018 through September 30, 2018 |
|---|---|--|
| Net sales | 20,258 | 19,189 |
| Cost of sales | 12,258 | 11,811 |
| Gross profit | 8,000 | 7,377 |
| Selling, general and administrative expenses | 7,065 | 6,919 |
| Operating income | 934 | 458 |
| Non-operating income | | |
| Interest income | 11 | 10 |
| Dividend income | 44 | 40 |
| Exchange gains | 139 | 122 |
| Other | 45 | 103 |
| Total non-operating income | 240 | 277 |
| Non-operating expenses | | |
| Interest expenses | 51 | 40 |
| Other | 19 | 51 |
| Total non-operating expenses | 71 | 92 |
| Ordinary income | 1,103 | 642 |
| Extraordinary profits | | |
| Gain on sales of fixed assets | 20 | 28 |
| Total extraordinary profits | 20 | 28 |
| Extraordinary losses | | |
| Loss on sales and retirement of noncurrent assets | 19 | 6 |
| Total extraordinary losses | 19 | 6 |
| Income before income taxes | 1,104 | 665 |
| Income tax, resident tax and business tax | 279 | 267 |
| Income tax adjustment | 71 | 23 |
| Total taxes | 350 | 291 |
| Profit | 753 | 373 |
| Profit attributable to non-controlling interests | 20 | 2 |
| Profit attributable to owners of parent | 733 | 370 |

Consolidated statements of comprehensive income

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

Currency unit: million yen

| | Previous First Half April 1, 2017 through September 30, 2017 | Current First Half April 1, 2018 through September 30, 2018 |
|---|---|--|
| Profit | 753 | 373 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 39 | 13 |
| Foreign currency translation adjustment | 312 | 341 |
| Remeasurements of defined benefit plans | 70 | 67 |
| Total other comprehensive income | 422 | 421 |
| Comprehensive income | 1,175 | 795 |
| Comprehensive income attributable to : | | |
| owners of parent | 1,125 | 769 |
| non-controlling interests | 50 | 26 |

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, 2017 through September 30, 2017 | Current First Half April 1, 2018 through September 30, 2018 |
|--|---|--|
| Cash flows from operating activities | | |
| Income before income taxes | 1,104 | 665 |
| Depreciation | 675 | 667 |
| Increase/ (decrease) of employees retirement benefits | (329) | (80) |
| Interest and dividend income | (55) | (51) |
| Interest expenses | 51 | 40 |
| (Increase)/ decrease in accounts receivable | (1,120) | 63 |
| (Increase)/ decrease in inventories | (17) | (507) |
| Increase/ (decrease) in accounts payable | 630 | 337 |
| Others | (31) | (33) |
| Sub total | 908 | 1,102 |
| Interest and dividend received | 58 | 54 |
| Interest paid | (51) | (40) |
| Income taxes paid | (213) | (269) |
| Net cash generated by operating activities | 702 | 847 |
| Cash flows from investing activities | | |
| Payments into time deposits | (60) | (207) |
| Proceeds from withdrawal of time deposits | 42 | 159 |
| Purchase of property, plant and equipment | (267) | (385) |
| Proceeds from sales of property, plant and equipment | 75 | 53 |
| Others | (92) | (20) |
| Net cash generated by investing activities | (303) | (400) |
| Cash flows from financing activities | | |
| Net increase/(decrease) in short-term borrowings | (983) | (349) |
| Outflow from repayment of long-term debts | (442) | -- |
| Cash dividends paid | (190) | (191) |
| Others | (81) | (90) |
| Net cash used for financing activities | (1,697) | (630) |
| Effect of exchange rate changes on cash and cash equivalents | 21 | 53 |
| Increase/(decrease) in cash and cash equivalents | (1,276) | (131) |
| Cash and cash equivalents at beginning of period | 6,663 | 6,118 |
| Cash and cash equivalents at end of period | 5,386 | 5,987 |

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, 2017 through September 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 | I T | Total | | |
| Net sales | | | | | | |
| Net sales to external customers | 15,117 | 3,534 | 1,247 | 19,899 | 358 | 20,258 |
| Intersegment sales or transfers | 18 | 373 | 208 | 599 | 193 | 792 |
| Total | 15,135 | 3,907 | 1,456 | 20,499 | 551 | 21,051 |
| Segment profit | 672 | 176 | 96 | 945 | (30) | 915 |

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 | 945 |
| Other net loss | (30) |
| Elimination of intersegment transactions | 19 |
| Operating income in quarterly consolidated statements | 934 |

II. Current 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*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 | 478 |
| Other net loss | (38) |
| Elimination of intersegment transactions | 18 |
| Operating income in quarterly consolidated statements | 458 |

3. Additional information

(1) Geographic segmentation

Previous first half (April 1, 2017 through September 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 | 13,686 | 3,044 | 294 | 3,231 | 20,258 | -- | 20,258 |
| (2) Intersegment sales or transfers | 3,825 | -- | 8,081 | 0 | 11,907 | (11,907) | -- |
| Total | 17,512 | 3,044 | 8,375 | 3,232 | 32,165 | (11,907) | 20,258 |
| Operating income | 626 | 64 | 310 | 117 | 1,120 | (185) | 934 |

Current first half (April 1, 2018 through September 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 | 12,642 | 3,045 | 346 | 3,154 | 19,189 | -- | 19,189 |
| (2) Intersegment sales or transfers | 4,809 | -- | 8,286 | 10 | 13,106 | (13,106) | -- |
| Total | 17,451 | 3,045 | 8,633 | 3,165 | 32,296 | (13,106) | 19,189 |
| Operating income | 521 | 117 | 164 | 71 | 876 | (417) | 458 |

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 half (April 1, 2017 through September 30, 2017)

Currency unit: million yen

| | North America | Europe | Other Regions | Total |
|---|---------------|--------|---------------|--------|
| Net sales | | | | |
| I Overseas sales | 3,246 | 5,072 | 5,140 | 13,460 |
| II Consolidated sales | | | | 20,258 |
| III Ratio of overseas sales to consolidated sales | 16.0% | 25.0% | 25.4% | 66.4% |

Current first half (April 1, 2018 through September 30, 2018)

Currency unit: million yen

| | North America | Europe | Other Regions | Total |
|---|---------------|--------|---------------|--------|
| Net sales | | | | |
| I Overseas sales | 3,212 | 4,962 | 4,686 | 12,861 |
| II Consolidated sales | | | | 19,189 |
| III Ratio of overseas sales to consolidated sales | 16.7% | 25.9% | 24.4% | 67.0% |

Notes:

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