Qualitative Information Concerning Consolidated Financial Results for the fiscal year ending 31 March, 2011

(1) Summary of consolidated financial results

The fiscal year ended 31 March, 2011, saw the growth of newly industrialized Asian countries, a moderate recovery in the U.S. economy and increased exports from Japan. The Japanese economy also maintained a moderate rate of recovery benefitting from the fiscal stimulus package implemented by the Japanese government.

However, the outlook of the global economy is increasingly unclear due to the rapid appreciation of the yen, increases in natural resource prices triggered by uncertainty in the Middle East, protracted deflation in Japan, a persistently severe employment environment and the aftermath of the Great East Japan Earthquake of March 2011.

Under these circumstances, the Group formulated the medium term plan “Janome Evolution 2012” for expanding profits through allocating resources to promising markets such as the overseas sewing machine market and industrial equipment business, while implementing a radical reduction in production costs based upon its profitability improvement plan.

Although the sales volume for home use sewing machines was negatively affected by yen appreciation, efforts such as introducing new models and a commitment to developing new markets contributed to a unit-based sales increase to 1.76 million units, a gain of 20 thousand units compared to the previous fiscal year.

The industrial equipment business both increased its sales volume in the Asian market and helped by the recovery of business investment in Japan, made positive progress.

While the Group set targets at net sales 37 billion yen, operating income at 1.8 billion yen and ordinary income at 1.2 billion yen. Actual net sales for Janome Group totaled 36.094 billion yen, up 1.0% from the previous fiscal year.

Operating income was 2.115 billion yen, up 57.7% from the previous fiscal year, resulting from efforts to radically reduce production costs and expenditures. Ordinary income was 1.592 billion yen and net income reached 799 million yen.

Summary of operational results by segment is as follows:

〔Operational results by segment〕

(i) Household equipment business.

In the overseas markets for home use sewing machines, demand picked up after the recession caused by the Lehman shock of September 2008. The Group penetrated emerging markets and focused on aggressive sales promotions. Through strong global sales of new sewing machine models such as the HORIZON Memory Craft 7700QCP and elna excellence, especially in the markets of developed countries, the unit sales in the overseas market rose to 1.56 million units, an increase of 40 thousand units compared to the previous fiscal year. Net sales of home use sewing machines totaled 20.949 billion yen (up 716 million yen from the previous fiscal year)

Despite various aggressive promotional activities at trade exhibitions and the launch of a wide range of new sewing machines from economy models to high value-added computerized products in an effort to raise demand, domestic sewing machine sales continued to be affected by an unclear economic environment and a rebound in the domestic market was not achieved. Domestic unit sales decreased to 200 thousand units (down 20 thousand units from the previous fiscal year), and net sales were 6.505 billion yen (down 741 million yen from the previous fiscal year).

Net sales of 24-Hour Clean Bath system were 1.527 billion yen (down 164 million yen, or 10.7% from the previous fiscal year). This reduction is attributed to the fact that this business is currently limited to a domestic market constrained by the continuing trend amongst Japanese consumers to save money.

Overall, net sales of household equipment totaled 28.982 billion yen (down 190 million yen from the previous fiscal year) with an operating profit of 1.676 billion yen (up 276 million yen from the previous fiscal year).

(ii) Industrial equipment business

Although the government’s fiscal stimulus package boosted business investment in some industries, overall domestic business investment continues to flounder. Accordingly, the Group launched new models and centered its sales strategy on aggressive promotion activities to make inroads in Asia. R&D, manufacturing and sales departments all coordinated to respond to various customer needs.

Desk-top robots and electro-press sales proceeded favorably due to increased demand for hardware investment among IT-industry companies and their related parts assembling companies in China and Thailand, in the manufacture of information terminal devices such as those found in cell phones and notebook computers. The Group also focused on sales to auto parts suppliers in Korea. As a result, total unit sales for robots and electro-presses rose to 3 thousand units (an increase of 1 thousand units from the previous fiscal year). Die-cast product sales increased with the stabilization of domestic demand.

Overall, net sales of industrial equipment were 4.225 billion yen (up 1.178 billion yen from the previous fiscal year) with an operating profit of 444 million yen (an improvement of 560 million yen from the previous fiscal year).

(iii) Other business segments
In other business segments such as IT software development, data processing, 24-Hour Clean Bath system installation and maintenance, etc., combined with real estate leasing income, net sales were 2.886 billion yen (down 639 million yen from the previous fiscal year) due to a curbing of investment in IT-related infrastructure on the part of domestic industries. However, operating expense reductions led to an overall operating profit of 49 million yen (a drop of 7 million yen from the previous fiscal year).

(2) Forecast for the fiscal year ending 31st March, 2012

Under the midterm plan “Janome Evolution 2012” formulated the fiscal year ending 31st March 2011, the Group carried out its various action programs for realizing its growth and earning targets. For the most part, the Group achieved its performance targets outlined in this first year of the midterm plan.

However, due to the affects of the Great East Japan Earthquake of March 2011, several suppliers suffered damage which disrupted the Group’s supply chain. With an electricity shortage during the summer months forcing firms to take measures to conserve electricity, a country under an increasing feeling of economic uncertainty, and violent fluctuations in the currency market with the long-term extension of a strong yen, the Group operates in a dramatically changing business climate.

The Group is making the utmost efforts to reach the performance targets for the middle year of the three-year mid term plan, namely, net sales of 38 billion yen and an operating profit of 2.2

billion yen. Nevertheless, after careful consideration of the disruption of the Group’s supply chain for electronic components combined with a long term unfavorable foreign exchange market, the estimated worst case scenario is that consolidated net sales will drop to 35.5 billion yen (down 1.6% compared with the previous fiscal year), with an operating profit of 1.55 billion yen (down 26.7% compared with the previous fiscal year), an ordinary profit of 1.1 billion yen (down 30.9% compared with the previous fiscal year) and a net income of 0.45 billion yen (down 43.7% compared with the previous fiscal year).

The Group continues to investigate the adverse effects of the earthquake, including the supply chain disruptions so as to best devise measures to minimize any adverse affect on the Group’s business operations.

(2) Overview of financial position

① Assets, liabilities and net assets

Total assets on a consolidated basis as of 31 March 2011 were 49.09 billion yen (down 1.421 billion yen compared with the previous fiscal year) due to decreases in accounts receivable, buildings and structures.

Total liabilities decreased to 34.973 billion yen (down 1.889 billion yen compared with the previous fiscal year) thanks to efforts to decrease interest-bearing debts.

Total net assets (including minority interest shares) increased to 14.116 billion yen (up 467 million yen compared with the previous fiscal year).

② Overview of cash flow position

Net cash generated by operating activities was 2.71 billion yen (down 832 million yen compared with the previous fiscal year) reflecting both pre-tax net income before and a decrease in accounts receivable.

Net cash used for investing activities was 789 million yen (down 943 million yen compared with the previous fiscal year) due to the purchase of intangible fixed assets.

Net cash used for financing activities was minus 1.878 billion yen (down 186 million yen compared with the previous fiscal year) due to the repayment of long-term debts.

Overall, cash and cash equivalents on a consolidated basis as of 31st March 2011 totaled 6.792 billion yen, a decrease of 77 million yen from the previous fiscal year.

Index trends for the Group's cash flow are as follows:

	as of 31 March 2008	as of 31 March 2009	as of 31 March 2010	as of 31 March 2011
Shareholders equity ratio	32.1 %	23.9 %	25.9 %	27.7 %
Equity ratio based on market value	32.1 %	14.9 %	26.7 %	31.4 %
Interest-bearing debts to cash flow ratio	14.5 years	42.2 years	5.9 years	7.1 years
Interest coverage ratio	3.1 times	1.1 times	7.1 times	6.5 times

Shareholders equity ratio: Shareholders equity / Total assets

Equity ratio based on market value: Market value of shareholders equity / Total assets

Interest-bearing debts to cash flow ratio: Interesting-bearing debts / Cash flow (for the past year)

Interest coverage ratio: Cash flow / Interest paid

* 1. All ratios are calculated based on the consolidated financial statement.
* 2. Market value of shareholders equity is calculated from the closing stock price at the end of fiscal year multiplied by the number of shares issued and outstanding at the end of fiscal year.
* 3. Cash flow is the amount of net cash generated by operating activities stated on the consolidated statements of cash flows. Interest-bearing debts are all those stated on the consolidated balance sheet for which interest is paid. Interest paid is the amount stated on the consolidated statement of cash flow.

(3) Basic policy on the distribution of profits and payment of dividends for this fiscal term

It is the policy of the Group to distribute profits to its shareholders, while giving comprehensive consideration to such factors as business results of each fiscal term, payout ratio of dividends, and internal funds reserved for future business development plans.

As for year-end dividends for this fiscal year ended 31st March 2011, regrettably the Group was unable to accrue sufficient internal reserve for the distribution of profits, and as such will suspend distribution.

(4) Risk factors to Janome Group businesses

The Group recognizes that major risk factors as described below could affect Group financial results, stock price, as well as its financial position. The Group makes every effort to avoid such risks and/or manage them to minimize their affect if such events occur.

① Affect of exchange rate fluctuation

With the Group's home use sewing machine and industrial equipment businesses operating pro-actively in overseas markets, the ratio of overseas sales as a part of overall sales is around 60 percent. Although the Group works to hedge any potential exchange losses incurred by foreign currency transactions through foreign exchange advance reservation systems and consolidating settlements between Headquarters and subsidiary companies, the majority of overseas sales revenue is transacted on a foreign currency basis rather than on a yen basis. Therefore, Group performance could be affected by fluctuations in currency exchange rates.

② Increases in production costs

With production facilities based in Japan, Taiwan and Thailand, the Group implements efficient production in accordance with demand trends in the world market. Procuring components globally, the Group endeavors to stabilize procurement and competitively reduce production costs. The Production Control Division manages and controls overall material procurement and production procedures for domestic and overseas production companies and factories. While the Group as a whole consistently makes every effort to minimize any negative affect on production costs, Group performance could be affected by price increases in raw materials such as steel, aluminum, copper and ABS resin.

③ Country risk

Throughout the numerous countries where the Group has production and sales activities, political, economic and regulatory changes; natural disasters including earthquakes, typhoons etc.; and war and terrorism could occur making it difficult to continue business activities. In such cases, Group performance might be affected.

④ Intra-Group quality management and control

With respect to Group products, the Group has developed its production know-how over many years. The Group has instituted a PL (Product Liability) committee that holds monthly meetings regarding product safety and promotes quality assurance activities through the entire group via the Quality Assurance Department. In addition, the Group carries out quality system assessments and quality audits on sewing machines, industrial equipment and other products produced by the Company and its domestic and overseas network of associated companies. However, in the event of a large-scale quality problem, Group performance could be affected through the incurrence of recall costs and weakening of the brand image.

⑤ Compliance and internal control

The Group has established a management system for internal control under which operations will be carried out in strict compliance with related laws and regulations to uphold fair business practices and financial information reliability. However, should a situation occur wherein compliance with rules and regulations cannot be achieved, Group performance may be affected.

⑥ Market conditions

Within the process of business operations, competition with industry competitors is unavoidable. To that end, the Group is constantly striving to improve product and service quality through fully integrated development, production and sales. However, in the case of drastic changes in market conditions including intensified competition, Group performance could be affected.

⑦ Management of personal information

The Group has a privacy policy and personal information protection guidelines in place, and the Company established an inter-company management system to fulfill the obligations of the Japanese Personal Information Protection Law. However, should a case arise wherein customer information including personal information is leaked, it is possible that not only the Group's reputation but also Group performance could be affected.

⑧ Fluctuation of interest rate

Interest-bearing debts in the Group might be affected by an interest rate fluctuation. In order to reduce the substantial effects of interest rate exposure, the Group manages to shift borrowing from short-term loans to long-term loans. However, Group performance could be affected by an increase in interest-bearing amounts due to an increase in interest rates.

⑨ Impairment of fixed assets

With respect to tangible and intangible fixed assets, investment and other assets that the Group holds, should a case arise wherein impairment loss procedures become necessary, it is possible that both Group performance and its financial situation could be affected.

⑩ Deferred income tax assets

The Group includes an appropriate amount of deferred income tax assets in the financial statements. However, in the future, should a change in business performance cause a decrease in estimated taxable income which in turn prevents a forwarded loss account from being eliminated as projected, Group performance could be affected by a reversal of part of its deferred income tax assets to income tax adjustment.

⑪ Employee retirement benefit costs and obligations

The Group calculates the amount of employee retirement benefit costs and obligations appropriately based on assumptions used in the relevant actuarial calculations. However, in the case of a drastic change in comparison with those assumptions, Group performance and financial situation could be affected by an increase in employee retirement benefit costs and obligations.

⑫ Financial covenants

With respect to the Company's borrowing, financial covenants are set for loan agreements between the Company and financial institutions. When there is any breach of financial covenants by the Company, termination of the relevant lending benefits may be required.

⑬ Business re-organization

The Company may conduct business re-organization including withdrawal from unprofitable businesses and/or the liquidation of associated companies. The relevant business re-organization could affect the Group's performance and financial situation.

⑭ Risks related to Natural Disasters

Natural disasters have the potential to seriously damage the Group facilities and equipment, as well as hinder production with an external supply chain problem. As a result, the Group's business operations and financial situation could be greatly affected by a natural disaster.

2. Description of the Janome Group

Principal operations of the Company as well as its subsidiaries are focused primarily on the home use sewing machine related business, followed by the industrial equipment business and other business.

Operations by segment are as follows:

・ Household equipment business

The Company as well as Janome Taiwan Co., Ltd., Janome (Thailand) Co., Ltd. and other manufacturing companies develop and produce primarily home use sewing machines, as well as embroidery machines and sewing-related product lines, with sales and marketing handled by the Company as well as by Janome America, Inc., Janome UK Ltd., Janome Australia Pty. Ltd., Elna International Corp. SA and other sales companies. The Company also develops, produces and distributes 24-Hour Clean Bath systems for home and business use.

・ Industrial equipment

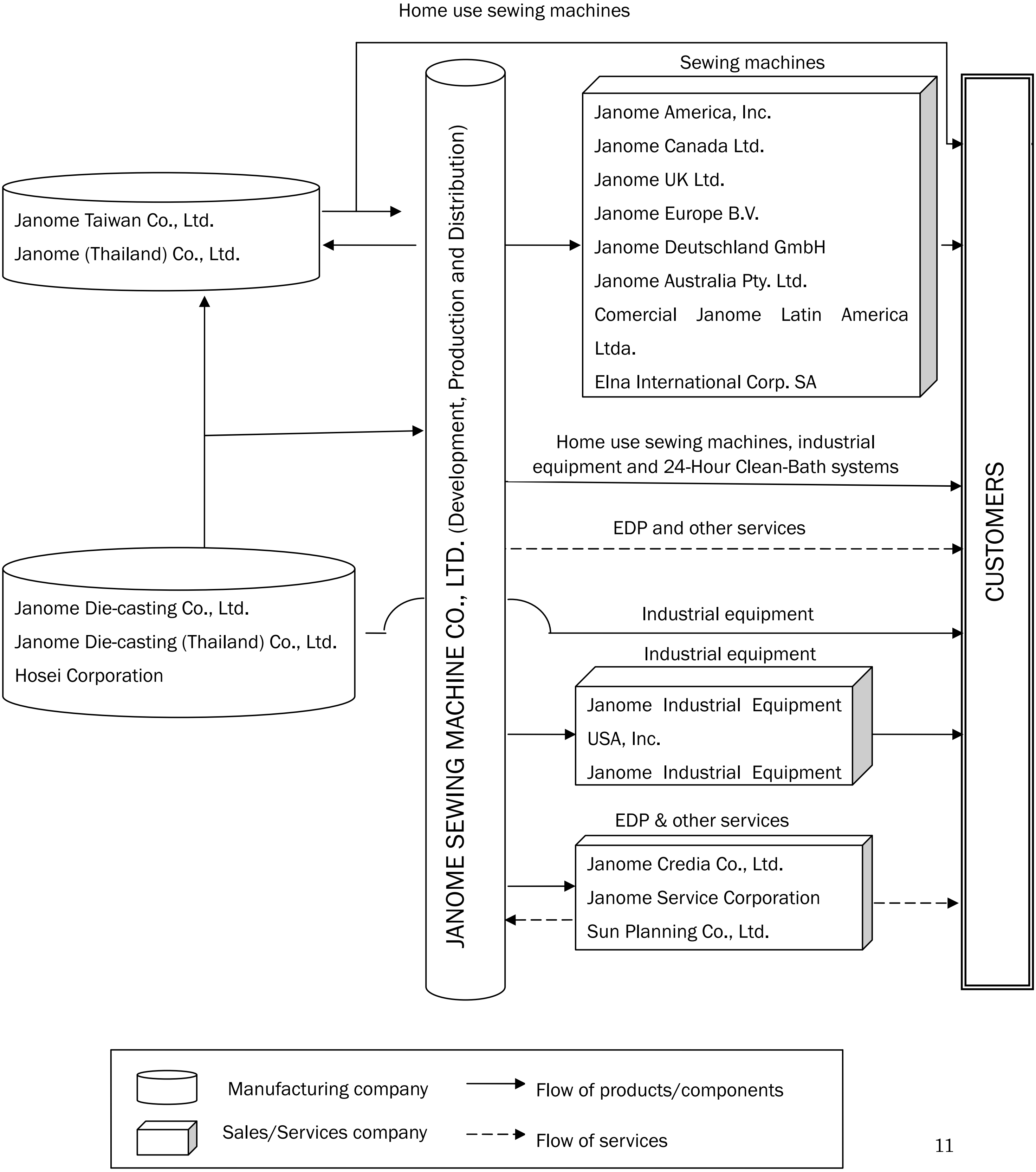
The Company develops and produces industrial equipment including desk-top robots and electro-press machines, with sales and marketing handled by the Company and a limited number of overseas sales subsidiaries. Also, Janome Die-casting Co., Ltd., Janome Die-casting (Thailand) Co., Ltd. and Hosei Corporation manufacture and distribute die-cast products.

・ Other businesses

Janome Credia Co., Ltd. is involved in IT software/electronic data processing services, and Janome Service Corporation installs and maintains 24-Hour Clean Bath systems. The Company also operates a real estate business.

[Overview and operational flow chart of group companies]

31 March, 2011



3. Management policy

(1) Basic management policy

In order to contribute to the improvement society and culture by consistently providing high quality and price-worthy products and services, the Group endeavors to implement a fair and effective process of operations, while maintaining a healthy and friendly relationship with its stakeholders and operating in full compliance with all rules and legal regulations.

In order to strengthen corporate infrastructure to respond flexibly to changes in the business environment, the Group continues to streamline management processes, improve production efficiency and reinforce both its research and development infrastructure and its sales/customer service infrastructure.

(2) Issues for the Group to address

The Group aims for high profitability and sustainable growth under the mid-term plan “Janome Evolution 2012”.

The Group carried out the following action programs in the 1st year of the Plan:
①allocating Group resources to growth areas
②strengthening product price competitiveness by lowering purchasing and production costs
③product development in anticipation of future market needs and acceleration of said development
④clearing accumulated losses and re-starting the distribution of profits to shareholders.

The Group performed almost as projected profit-wise for this fiscal year and will continue to carry out these programs at a faster pace.

However, the Great East Japan Earthquake of March 2011 hit some part suppliers disrupting the Group’s supply chain as well as causing a shortage of electricity this summer which is forcing the Group to adopt energy conservation measures. Business conditions for the Group are changing and general uncertainty about the country’s economic outlook adds to what is a drastically changed environment when compared to when the medium term plan was initially launched.

If the disruption of electric parts for upscale models continues, it may affect the financial results for the year ending 31 March, 2012.

In particular, the Group must face the possibility that it will not be able to procure sufficient micro-computer components essential for high-end machine production, and while it has found alternate sources for some parts, and is also endeavoring to collect information about the supply of other parts, there is the fear that if these parts continue to be unavailable for some time, it will have an enormous affect on Group performance.