1. Financial results

(1) Analysis of financial results

① Financial results for the fiscal year ended 31 March, 2012

In the year to 31 March, 2012, the global economy was in a gradual recovery trend, driven by emerging economies. However, there were no prospects of an end to the financial crisis, centered on Europe, and the global economy failed to emerge from the slowdown.

In Japan, the economy showed signs of recovery, including an increasing pace of recovery thanks to concerted efforts by companies and local authorities following the Great East Japan Earthquake. However, business conditions remained challenging due to the record high strength of the yen, a drop in manufacturing activity due to the impact of power supply regulations, etc., as well as persistent concerns surrounding deflation and employment instability.

Under these circumstances, the Janome Group achieved solid performance thanks to a focus on sales of sewing machines in emerging markets and industrial equipment in Asian markets, in spite of factors including a higher cost of sales ratio due to yen appreciation and the strength of local currencies at manufacturing bases.

Sales of home-use sewing machines increased 140,000 units compared to the previous fiscal year to 1.9 million units, thanks to sales of flagship models to overseas markets and aggressive marketing activities focused on emerging markets.

In the industrial equipment segment, there were strong sales of desk-top robots, mainly in Asian markets including China and South Korea.

As a result, total Group net sales were 37,040 million yen (up 945 million yen compared to the corresponding period of the previous fiscal year), with operating income of 2,331 million yen (up 215 million yen) and ordinary income of 2,078 million yen (up 485 million yen). Net income for the year was 184 million yen, down 615 million yen compared with the same period of the previous year due to extraordinary losses associated with business restructuring and revision of the retirement benefit system, as well as 208 million yen reversal of deferred tax assets due to a decrease in the rate of corporation tax, which was recorded as an income tax adjustment.

The performance by segment is outlined below.

・ **Household equipment business**

Conditions were challenging in overseas sewing machine markets, due to factors including delays in the supply of components following the Great East Japan Earthquake, the Thai floods, the continuing financial crisis, centered on Europe, and the record high strength of the yen. Under these circumstances, Janome Group worked to stimulate demand, strengthening sales to distributors including its overseas flagship model the HORIZON Memory Craft 12000. Sales of sewing machines in overseas markets amounted to 1.68 million units (up 120,000 units compared to the corresponding period of the previous fiscal year), thanks to aggressive sales promotion activities focused on emerging markets, including Russia, India and the South America region, where Janome Group established an office to oversee the whole region. Net sales were 21,600 million yen (up 651 million yen compared to the corresponding period of the previous fiscal year), in spite of the strength of the yen in exchange rates.

Amid sluggish demand for sewing machines, in the domestic sewing machine market the Group made aggressive launches of new products tailored to different sales formats, and as a result domestic sewing machine sales amounted to 220,000 units (up 20,000 units compared to the corresponding period of the previous fiscal year). Despite this strong performance, net sales totaled only 6,602 million yen (up 96 million yen compared to the corresponding period of the previous fiscal year), as consumers favoured low-end products.

Net sales of 24-hour clean bath units and water adjustment equipment totaled 1,418 million yen (down 109 million yen compared to the corresponding period of the previous fiscal year).

Overall, net sales in the household equipment business were 29,620 million yen (up 638 million yen compared to the corresponding period of the previous fiscal year), with operating income of 1,794 million yen (up 118 million yen).

- **Industrial equipment business**

In the industrial equipment segment, the Group carried out aggressive marketing activities focused on manufacturing-related companies in fields including information devices and equipment, such as mobile phones, and automotive parts, with an emphasis on the domestic market and the emerging markets of China, where it has established a sales and service base in Shanghai, and South East Asia.

In the desk-top robot and electro-press machine business, sales totaled approximately 4,000 units (up about 1,000 units compared to the corresponding period in the previous fiscal year), a significant increase thanks to the launch of the competitively priced JR-V desk-top robot series and expanded lineup of the JP-S series of servo presses in order to develop new markets, as well as efforts to sell models with advanced functions.

Sales in the die-casting business were adversely affected by automotive industry production adjustments caused by the Great East Japan Earthquake and weak domestic manufacturing operations due to the subsequent power supply regulations.

As a result, net sales in the industrial equipment business were 4,562 million yen (up 336 million yen compared to the corresponding period of the previous fiscal year), with operating income of 544 million yen (up 99 million yen).

- **Other businesses**

In other business segments including IT software development, data processing, and 24-Hour Clean Bath system installation and maintenance, as well as real estate leasing income, net sales were 2,857 million yen (down 28 million yen compared to the corresponding period of the previous fiscal year), with operating income of 27 million yen (down 21 million yen).

② Outlook for the fiscal year ending 31 March, 2013

With regard to the outlook for the fiscal year ending 31 March, 2013, the prospects for business conditions remain uncertain, including fears surrounding the European debt crisis, the continuing impact of the strong yen, and difficult employment conditions in Japan.

Under these circumstances, Janome Group will adopt all possible measures to develop its business operations, with its sights firmly on the future, and forecasts earnings in the year to 31 March, 2013 as follows: net sales 39,000 million yen (up 5.3% compared to the previous fiscal year), operating income 2,400 million yen (up 3.0%), ordinary income 2,000 million yen (down 3.8%), and net income 800 million yen (up 333.8%).

(2) Analysis of financial position

① Assets, liabilities & net assets

As of 31 March, 2012, total assets on a consolidated basis were 49,668 million yen (up 577 million yen from the previous fiscal year ended 31 March, 2011) due to increases in bills and accounts receivable, raw materials and supplies, etc.

Current liabilities were 34,812 million yen (up 161 million yen from the previous fiscal year ended 31 March, 2011) due to factors including efforts to reduce interest-bearing debt.

Net assets (including minority interests) were 14,855 million yen (up 739 million yen from the previous fiscal year ended 31 March, 2011), due to factors including an increase in the revaluation reserve for land, net of tax, following a change in the tax rate.

② Cash flows

<Cash flows from operating activities>

Funds increased 820 million yen due to factors including the recording of a pre-tax net profit and increase in inventory assets. (2,710 million yen increase in funds in the previous fiscal year)

<Cash flows from investing activities>

Net cash generated by investing activities amounted to an outflow of 847 million yen. This was due to expenditure of 485 million yen to purchase fixed assets, including molds, associated with new models, and expenditure of 371 million yen to purchase intangible fixed assets, including software. (789 million yen outflow in the previous fiscal year)

<Cash flows from financing activities>

Net cash generated by financing activities amounted to an outflow of 868 million yen, due to factors including the repayment of long-term debt. (1,878 million yen outflow in the previous fiscal year)

As a result of the above, cash and cash equivalents on a consolidated basis as of 31 March, 2012 decreased by 907 million yen from the previous fiscal year ended 31 March, 2011, totaling 5,885 million yen.

The cash flow indicators for the Janome Group are shown below.

	3/2009	3/2010	3/2011	3/2012
Shareholders' equity ratio	23.9%	25.9%	27.7%	28.9%
Shareholders' equity ratio (market value basis)	14.9%	26.7%	31.4%	26.7%
Ratio of cash flow to interest-bearing debt	42.2yrs	5.9yrs	7.1yrs	22.5yrs
Interest coverage ratio	1.1	7.1	6.5	2.0

Shareholders' equity ratio: shareholders' equity/total assets
Shareholders' equity ratio (market value basis): market capitalization/total assets
Ratio of cash flow to interest-bearing debt: Interest-bearing debt/cash flow (previous 1-year period)
Interest coverage ratio: Cash flow/interest payable

Note 1: The above indicators have been calculated based on consolidated financial data.
Note 2: Market capitalization is calculated as follows: stock closing price at the period end × no. of shares outstanding at the period end.
Note 3: Cash flow is based on cash flow from operating activities as shown in the consolidated cash flow statements. Interest-bearing debt encompasses interest paid on all liabilities among those

liabilities recorded in the consolidated balance sheet. Interest payable is based on the interest payment amount as shown in the consolidated cash flow statements.

(3) Basic policy on profit distribution and distributions in the current and next periods

The policy of the Janome Group is to make profit distributions after broadly taking into consideration retained earnings, etc. based on performance, the dividend payout ratio and future business expansion.

The Group regrets that in the current period, no dividend will be paid due to insufficient accumulation of retained earnings to make a profit 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 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 Production cost increases

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., 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 rivals 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.

⑭Risks 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.

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 business**

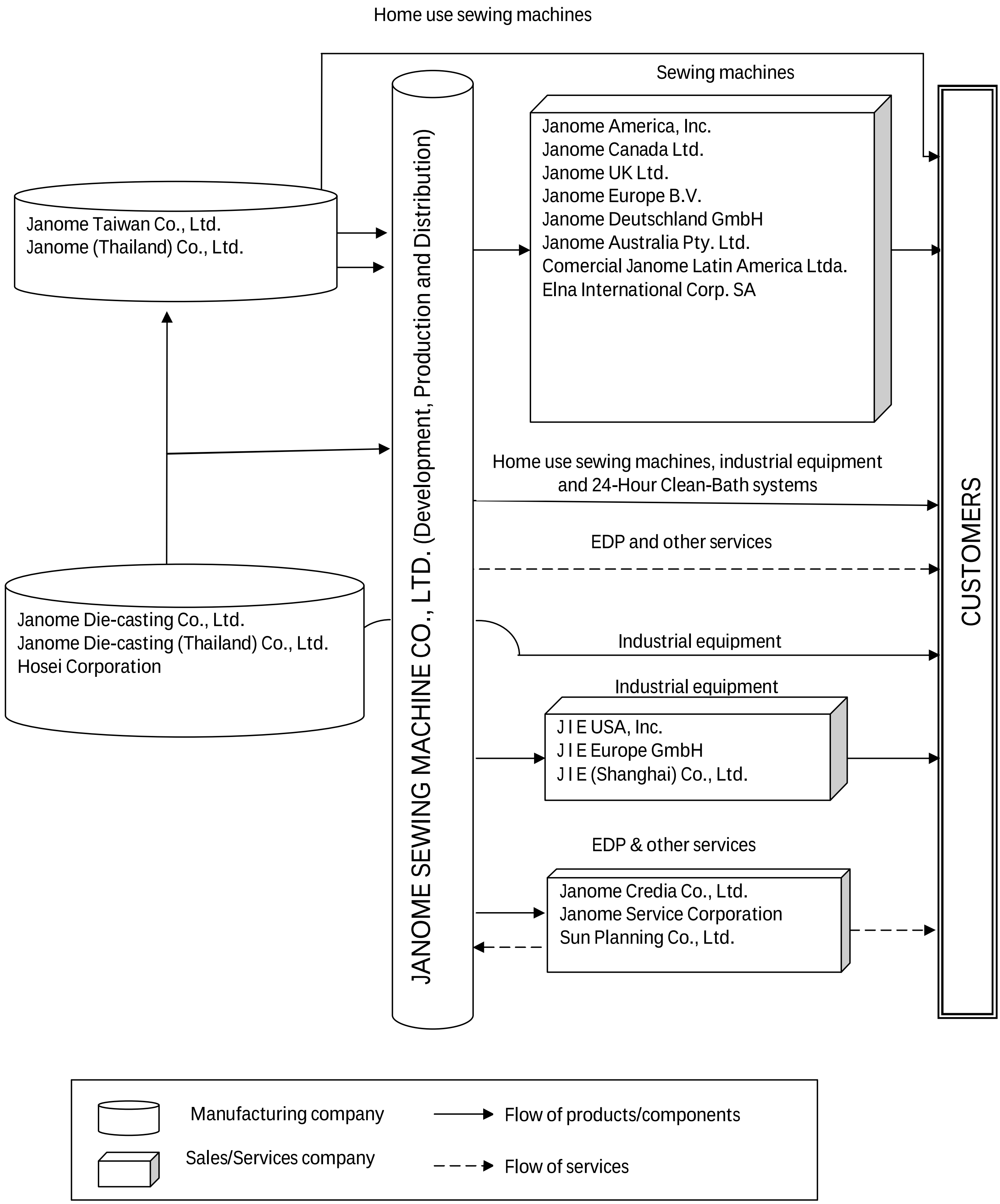
The Company develops and produces industrial equipment including desk-top robots and electro-press machines, with sales and marketing handled by the Company and a limited number of overseas sales subsidiaries. Also, Janome Die-casting Co., Ltd., Janome Die-casting (Thailand) Co., Ltd. and Hosei Corporation 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, 2012



3. Management policy

(1) Basic Group management policy

The Janome Group strives for appropriate and efficient management in order to contribute to the enhancement of society and culture through the provision of consistently high-quality products and services of value based on legislative compliance, while maintaining sound and amicable relations with all of its stakeholders.

In addition, the Group aims to build a robust earnings structure that can address changes in the external environment, to achieve efficient management, improve productivity, and strengthen its R&D and sales/services structures.

(2) Issues to be addressed by the Group

The Group anticipates a gradual recovery in the fiscal year ending 31 March, 2013, due to resumed growth rates in overseas economies, focused on emerging markets, as well as increased production and capital expenditures in Japan. However, there are concerns about the impact of the financial crisis, centered on Europe, and the rise in oil prices, while in Japan there are concerns about increased production costs resulting from higher electricity charges and worsening employment conditions.

Under these circumstances, Janome Group is aiming to be a global company with strong earnings power and perpetual growth, based on the JANOME EVOLUTION 2012 medium-term business plans, and continues to implement the following initiatives:

① Focusing management resources in growth fields

② Strengthening price competitiveness by cutting component procurement costs and manufacturing costs

③ Developing products that anticipate the market's requirements, while accelerating the pace of development

④ Eliminating accumulated consolidated losses and building a structure for restoration of the dividend at the earliest opportunity

In the overseas sewing machine business, the Group aims to strengthen sales and stimulate markets in emerging markets such as South America and Asia, including India where the Group has a long-term business alliance with USHA, in order to increase sales.

In the domestic sewing machine business, the Group will overhaul its product lineup and strengthen sales to volume handcraft retailers, etc.

In the industrial equipment business, the Group will boost its competitive edge by strengthening its services, increasing sales and expanding its product lineup in the Chinese domestic market, while also focusing on expanding sales in the increasing number of fields that require high-precision technology along with the growth in production of smartphones.