

# Financial Summary

## Fiscal 2007 First Half ended September 30, 2006

Tokyo, November 8, 2006

### 1. Overview of financial results for Fiscal 2007 first half

During the first half of Fiscal 2007, the Japanese economy showed a trend towards recovery, while the employment environment improved as a result of stronger corporate activity as well as continuing growth in consumer spending.

However, several concerns, such as rising costs in raw materials as well as record-high crude oil prices, interest rate hikes following a release of zero interest policy for bank lending rates, etc, are affecting the market. Furthermore, a variety of non-transparent sentiments still remain in the world economy due to long-running insecurity in the Middle East, and in addition, ongoing tensions with North Korea.

Janome is countering this by implementing aggressive group-wide management strategies with an aim to improve through more streamlined decision making as outlined in the "JUMP-2 PLAN"

Partly aided by the favorable trend of appreciation of the U.S. dollar against the Japanese yen, the Janome Group posted net sales of 23.144 billion yen (up 169 million yen compared to the same period of the previous year). Although we strived to reduce sales and administrative expenses, operating income was 958 million yen (down 276 million yen compared to the same period of the previous year) due to inflation of the sales cost which reflects the sharp increase in the cost of raw materials. Ordinary income decreased to 829 million yen (down 224 million yen compared to the same period of the previous year), as a result of decreases of interest payments in accordance with a decrease in interest-bearing debts. Net income declined this period to 191 million yen (down 409 million yen).

On a non-consolidated basis, Janome Tokyo posted net sales of 19.009 billion yen (down 941 million yen) and an operating income of 628 million yen (down 435 million yen). Ordinary income was 1.313 billion yen (down 639 million yen) and the net income was 776 million yen (down 909 million yen).

### 2. Overview of business results by segment

#### < Sewing machines and sewing-related products >

Overseas, Janome developed aggressive sales activities including enrichment of sales promotional support for Janome dealers and new market cultivation. However, particularly in North America, we struggled with slow sales at the mass-merchants. As a result, net sales overseas only increased by 400 million yen over the previous year.

In Japan, we endeavored to encourage demand for sewing machines through development of a sewing workshop, a sales promotional campaign, participation in a variety of exhibitions and the like.

However, net sales in Japan were below that of the same period for the previous year. This is a reflection of the increasingly difficult environment surrounding the "door-to-door sales" business, with a decrease of the at-home customer ratio as well as a decline in sales prices.

Overall, global net sales in sewing machines and sewing-related products posted 17.01 billion yen, nearly the same as the first half of Fiscal 2006 (down 71 million yen).

< Industrial equipment >

Sales of industrial equipment proceeded favorably, backed by an increase of capital investment in facilities for production expansion in automobiles and semi-conductors as well as in the electronic device industry since Fiscal 2006.

We emphasized active promotion of collaboration with outside parties in order to expand business categories to apply our industrial equipment materials and infrastructure of the technical service base. These resulted in an increase in demand for desk top robots and the Electro Press.

At the same time, we participated in a variety of exhibitions inside/outside Japan, and engaged in promotional activities through advertisements and print media, and presentation of our products on a caravan car tour. As a result, net sales in industrial equipment business totaled 2.389 billion yen over the same period of the previous year (up 279 million yen).

< 24-Hour Clean Bath systems and water ionizers >

Net sales of 24-Hour Clean Bath systems plus water ionizers totaled 1.179 billion yen (down 232 million yen compared to the same period of previous year), although we actively developed new customer accounts, and strived to promote sales through different kinds of promotional activities and participation in exhibitions of plumbing-related products as well as TV Shopping.

< Other services >

Net sales from other services such as computer software/electronic data processing services and installation/maintenance of 24-Hour Clean Bath systems plus those from real estate totaled 2.566 billion yen (up 194 million yen compared to the same period of the previous year).

3. Alignment of fiscal year ends throughout the Janome Group

Currently, seven consolidated subsidiaries of the Janome Group have fiscal terms ending on December 31. To promote efficient consolidated business operations of Janome Group, as well as improve the quality of financial information in order to make feasible more precise disclosures of Janome Group's management performance, the seven consolidated subsidiaries shall change their respective fiscal year ends from December 31 to that of March 31 in line with Janome Sewing Machine Co., Ltd., the parent company (annual fiscal year term shall start April 1 to end March 31 of the following year).

Accordingly, the consolidated financial results shall include adjustments for the three-month transition period from January 1 through March 31, 2007 of these seven consolidated subsidiaries.

4. Forecast for Fiscal 2007 (from April 1, 2006 to March 31, 2007)

For Fiscal 2007, we estimate that net sales on a consolidated basis will reach 51.5 billion yen (up 4.3% compared with Fiscal 2006), with an ordinary income of 2.9 billion yen (up 12.6% compared with Fiscal 2006), and a net income of 1.25 billion yen (down 47.6% compared with Fiscal 2006).

For reference purposes only, the forecast announced on May 9, 2006 with the financial results for Fiscal 2006, of net sales of 50 billion yen, an ordinary income of 2.8 billion yen, and a net income of 1.2 billion yen, projected on a consolidated basis, excludes both the adjustments for the fiscal year alignment transition period and estimates for Elna International Corporation.

On a non-consolidated basis, net sales of 39.5 billion yen (up 3.4%) are estimated, with an ordinary income of 2.4 billion yen (up 5%), and a net income of 1.2 billion yen (down 51.6%).

## 5. Financial position

Total assets as of September 30, 2006 were 59.862 billion yen (down 3.687 billion yen from a year earlier).

Total liabilities decreased by 8.757 billion yen from a year earlier to 38.205 billion yen, mainly due to a decrease of 10.123 billion yen in interest-bearing debts from a year earlier.

Total net assets (including minority interest share) increased by 1.317 billion yen from the end of Fiscal 2006 as of March 31, 2006 to 21.657 billion yen (up 5.069 billion yen from a year earlier).

Regarding cash flow positions, net cash generated by operating activities was plus 328 million yen, net cash generated by investing activities was minus 1.793 billion yen, and net cash used for financing activities was minus 928 million yen.

Reflecting these, cash and cash equivalents at the end of the first half of Fiscal 2007 amounted to 3.569 billion yen.

Trends in cash flow indices of Janome Group are as follows:

Consolidated basis: (ended):	FY2005 (Mar '05)	FY2006 First Half (Sep '05)	FY2006 (Mar '06)	FY2007 First Half (Sep '06)
• Shareholders' equity ratio:	19.2%	25.3%	32.8%	35.2%
• Equity ratio based on market value:	38.5%	46.3%	90.3%	63.6%
• Debt redemption years:	12.2 years	13.5 years	5.9 years	5.5 years
• Interest coverage ratio:	3.6 times	0.8 times	5.9 times	1.8 times

Formulae:

Shareholders' equity ratio: Shareholders' equity / total assets

Equity ratio based on market value: Market value of shareholders' equity\* / total assets

Debt redemption years: Total interest-bearing debts / net cash generated by operating activities

Interest coverage ratio: Net cash generated by operating activities / interest payment

\* Market value of shareholders' equity is calculated as:

Closing stock value at fiscal year end x number of shares authorized at fiscal year end