

## Message from the President



Janome Sewing Machine Co., Ltd. recorded sales of 1,780,000 units of sewing machines for the fiscal year ended 31 March 2004.

This is thanks to the excellent sales contribution of Janome's Group Companies and the distributors worldwide.

### **Consolidated results of fiscal 2004:**

- **Net sales of 48,804 million yen**
- **Operating income of 4,646 million yen**
- **Operating income ratio of 9.5%**
- **Record-high sewing machine sales of 1,780,000 units**

The Japanese economy is still in a deflation spiral and while consumer purchasing power has weakened, some signs of a recovery of the economy can be seen in increasing exports and promising investments in facility development. The Japanese yen appreciated sharply toward the second half of fiscal 2004, influencing yen-based sales negatively. Under these conditions, Janome has continuously made every effort, across the entire Janome Group, to improve profitability and efficiency through timely management and by further reducing costs and expenses. As a result, consolidated net sales in fiscal 2004 rose 48,804 million yen (up 1.9% compared with fiscal 2003), with operating income of 4,646 million yen (up 9.1% compared with fiscal 2003).

Global sales of household sewing and over-locking machine were a record 1,780,000 units (up 9.6% compared with fiscal 2003), with net sales revenue of 36,307 million yen (down 12 million yen compared with fiscal 2003). The increase in unit sales was primarily due to the positive effect of new models introduced in the market. Of the unit sales, overseas sales accounted for a record 1,580,000 units. Particularly, strong sales in North America as well as in Europe contributed to these record unit sales results. A weaker U.S. dollar impacted sharply on the net sales revenue (¥105.69/US\$ at the end of fiscal 2004, compared to ¥120.20/US\$ at the end of fiscal 2003), although the decrease in net sales revenue was mostly offset by the effects of the aggressive introduction of new models and stricter reduction of costs and expenses.

Total of net sales revenue for 24-hour Clean Bath systems & water ionizers increased by 216 million yen to 3,171 million yen compared with fiscal 2003. The increase can be attributed to the introduction of new products and aggressive sales promotional activities.

Net sales revenue of Industrial machinery increased by 508 million yen compared with fiscal 2003 to reach a total of 3,210 million yen. Price-competitive products suited for the market and offered with satisfactory after-sales service were accepted particularly in Mainland China and other Asian

countries. To further strengthen the awareness of the "JANOME" brand, presentations were made aggressively at industrial exhibitions worldwide.

Global economic circumstances have been changing drastically, due mainly to changes in exchange rates. Considering this situation, Janome has established a *New Two-Year-Plan* named "STEP-2-PLAN" with fiscal 2005 as the first year and fiscal 2006 as the second year.

**"STEP 2 PLAN"**

**ST : Strong Company**  
**E : Efficient and Ecological**  
**P : Profitable and Professional**  
**2 : 2 Million Units in 2 Years**

Janome will aim for the following goals in the fiscal year ending 31 March 2006:

- To achieve a consolidated operating income ratio of 10%.
- To aim for sales growth and profitability, with 52,000 million yen of net sales revenue and 5,200 million yen of operating income on a consolidated basis, and 42,000 million yen and 2,700 million yen respectively on a non-consolidated basis. Expansion of sales to 2,000,000 units of sewing machines, 15,000 units of 24-hour bathing systems/water purifiers and 3,000 units of industrial machinery will also contribute to the achievement of profitability.
- To reduce interest-bearing debts to enhance its financial position.
- To recommence dividend payments to shareholders.

With the spirit of *Stepping forward and Improvement* under the "STEP-2-PLAN", net sales revenue in fiscal 2005 should reach 50,000 million yen (up 2.5% compared with fiscal 2004) with operating income of 4,900 million yen (up 5.5% compared with fiscal 2004) expected. Janome estimates that it will receive 2,000 million yen of net income after taxes (up 1.3% compared with fiscal 2004).

Thank you for your ongoing support and cooperation.

July 2004



Sumikazu Kato  
President

# Consolidated Balance Sheets

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

For the fiscal years ended March 31

Millions of yen

|                                    | 2004          | 2003          |
|------------------------------------|---------------|---------------|
| [ ASSETS ]                         |               | (Reference)   |
| Current assets                     |               |               |
| Cash and cash equivalents          | ¥4,365        | ¥6,531        |
| Accounts and notes receivable      | 7,645         | 7,488         |
| Marketable securities              | 533           | 314           |
| Inventories                        | 6,884         | 6,818         |
| Deferred tax assets                | 1,021         | 824           |
| Other current assets               | 1,643         | 733           |
| Allowance for doubtful accounts    | (192)         | (216)         |
| Total current assets               | 21,901        | 22,493        |
| Fixed assets                       |               |               |
| Tangible fixed assets              |               |               |
| Buildings and structures           | 4,802         | 4,955         |
| Machinery and vehicles             | 983           | 939           |
| Land                               | 16,385        | 16,439        |
| Construction in progress           | 34            | 19            |
| Other tangible fixed assets        | 1,090         | 1,007         |
| Total tangible fixed assets        | 23,297        | 23,362        |
| Intangible fixed assets            | 617           | 608           |
| Investments and other assets       |               |               |
| Investment securities              | 8,492         | 7,943         |
| Uncollectable receivable           | 30,000        | 30,000        |
| Deferred tax assets                | 5,125         | 5,523         |
| Other investments and assets       | 1,365         | 1,579         |
| Allowance for doubtful accounts    | (23,120)      | (21,162)      |
| Total investments and other assets | 21,862        | 23,883        |
| Total fixed assets                 | 45,777        | 47,854        |
| <b>TOTAL ASSETS</b>                | <b>67,678</b> | <b>70,348</b> |

|   | 2004           | 2003           |
|---|----------------|----------------|
| [ LIABILITIES ]   |                |                |
| Current liabilities   |                |                |
| Notes and accounts payable  | 4,151          | 3,857          |
| Short-term borrowings   | 30,650         | 35,888         |
| Income taxes payable  | 495            | 445            |
| Allowance for employees' bonuses  | 615            | 575            |
| Other current liabilities   | 2,589          | 2,559          |
| Total current liabilities   | 38,502         | 43,325         |
| Fixed liabilities   |                |                |
| Long-term borrowings  | 3,786          | 4,467          |
| Deferred tax liabilities  | 3,933          | 3,960          |
| Liability for retirement payments   | 4,096          | 3,906          |
| Other fixed liabilities   | 800            | 790            |
| Total fixed liabilities   | 12,616         | 13,125         |
| <b>TOTAL LIABILITIES</b>  | <b>51,118</b>  | <b>56,450</b>  |
| <b>MINORITY INTEREST SHARE</b>  | <b>528</b>     | <b>445</b>     |
| [ STOCKHOLDERS' EQUITY ]  |                |                |
| Common stock,   | 7,623          | 7,623          |
| authorized 360,000,000 shares   |                |                |
| outstanding 152,441,154 shares  |                |                |
| Capital surplus   | 1,694          | 1,694          |
| Retained earnings   | 2,208          | 195            |
| Difference from revaluation of land   | 5,733          | 5,772          |
| Difference from revaluation of investment securities                          | 270            | (645)          |
| Foreign currency translation adjustments                                      | (1,497)        | (1,185)        |
| Treasury stock, at cost   | (1)            | (1)            |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   | <b>16,030</b>  | <b>13,452</b>  |
| <b>TOTAL OF LIABILITIES, MINORITY INTEREST SHARE AND STOCKHOLDERS' EQUITY</b> | <b>¥67,678</b> | <b>¥70,348</b> |

Note: Amounts less than one million yen have been rounded down.

## Consolidated Statements of Income

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

For the fiscal years ended March 31

Millions of yen

|   | 2004    | 2003        |
|---|---------|-------------|
|   |         | (Reference) |
| Net sales   | ¥48,804 | ¥47,897     |
| Cost of sales                                     | 22,543  | 22,637      |
| Gross profit                                      | 26,260  | 25,260      |
| Selling, general and administrative expenses      | 21,614  | 21,000      |
| Operating income                                  | 4,646   | 4,259       |
| Other income                                      |         |             |
| Interest income                                   | 40      | 44          |
| Dividend income                                   | 113     | 132         |
| Miscellaneous                                     | 192     | 163         |
| Total other income                                | 346     | 340         |
| Other expenses                                    |         |             |
| Interest expense                                  | 861     | 922         |
| Foreign exchange loss                             | 229     | 187         |
| Minority interest in net loss of subsidiary       | 10      | 14          |
| Miscellaneous                                     | 66      | 128         |
| Total other expenses                              | 1,169   | 1,253       |
| Ordinary profit                                   | 3,823   | 3,346       |
| Extraordinary profit                              |         |             |
| Reversal of investment                            | 986     | --          |
| Gain on sales of investment securities            | 145     | 0           |
| Gain on sales of fixed assets                     | 42      | 30          |
| Total extraordinary profit                        | 1,174   | 30          |
| Extraordinary loss                                |         |             |
| Accrual of allowance for bad debts                | 2,014   | --          |
| Loss on sales of investment securities            | 118     | 172         |
| Loss on revaluation or disposal of inventories    | 118     | 64          |
| Loss on sales or depreciation of fixed assets     | 69      | 130         |
| Loss on revaluation of other investment           | 8       | --          |
| Loss on revaluation of investment securities      | 5       | 14          |
| Bad debt expense                                  | --      | 31          |
| Total extraordinary loss                          | 2,333   | 414         |
| Income before income taxes and minority interests | 2,664   | 2,963       |
| Income tax, inhabitant tax, business tax          | 1,016   | 888         |
| Income tax adjustment                             | (460)   | 282         |
| Minority interest                                 | 131     | 127         |
| Net income  | ¥1,975  | ¥1,665      |

| Exchange rate           | the Year Ended March 31 |         |
|-------------------------|-------------------------|---------|
| Currency translated at: | 2004                    | 2003    |
| 1 US\$ =                | ¥105.69                 | ¥120.20 |

Note: Amounts less than one million yen have been rounded down.

## ***Consolidated Statements of Cash Flows***

### **JANOME SEWING MACHINE CO., LTD. AND CONSOLIDATED SUBSIDIARIES**

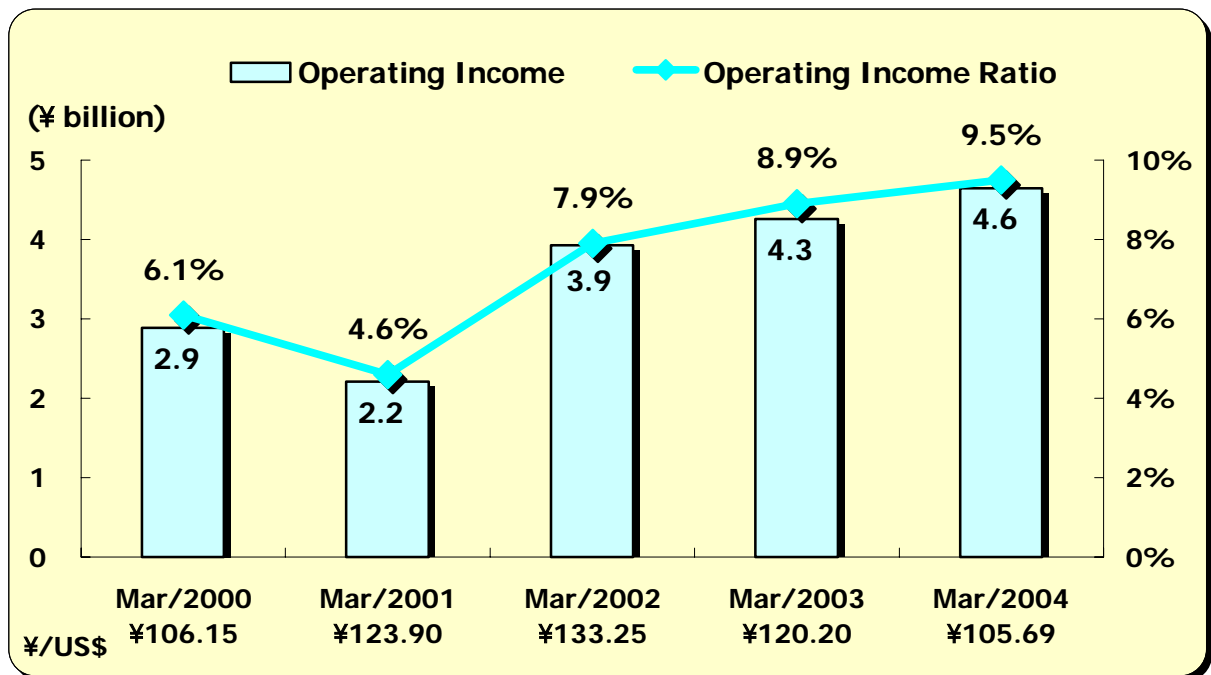
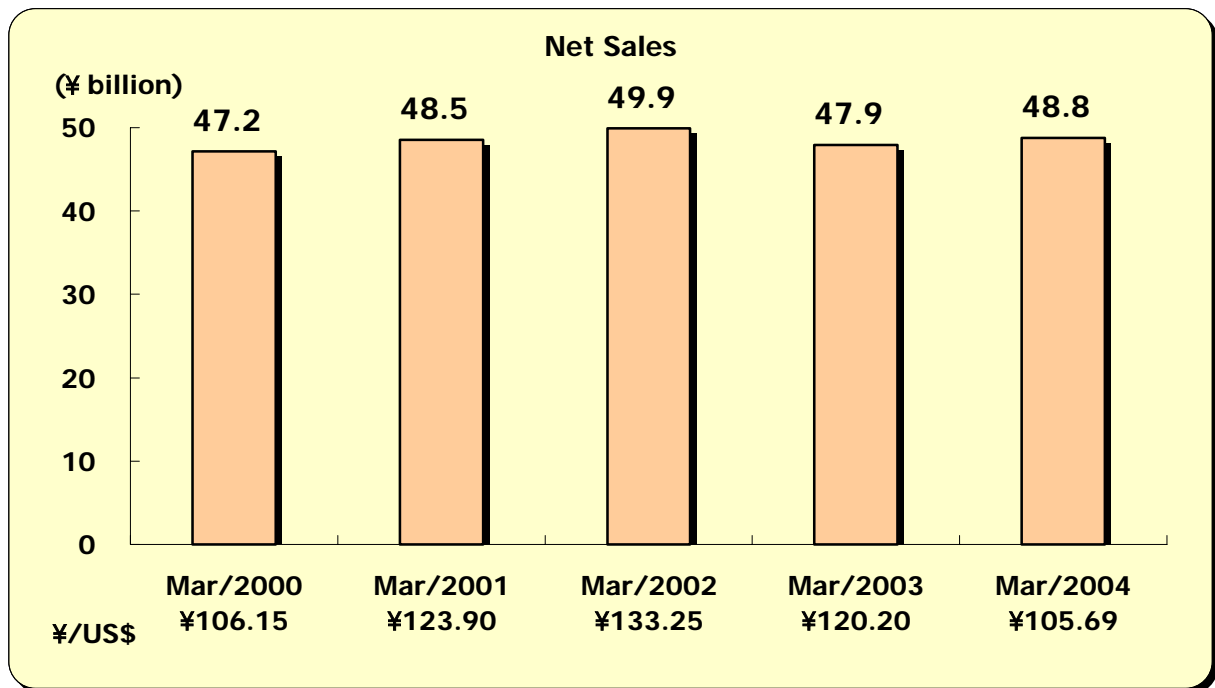
For the fiscal years ended March 31

Millions of yen

|  | 2004    | 2003        |
|--|---------|-------------|
|  |         | (Reference) |
| Net cash provided by (used in) operating activities                      | ¥3,602  | ¥2,826      |
| Net cash provided by (used in) investing activities                      | (331)   | (991)       |
| Net cash provided by (used in) financing activities                      | (5,583) | (1,717)     |
| Effect of exchange rate changes on cash and cash equivalent              | 31      | (79)        |
| Increase/decrease in cash and cash equivalents                           | (2,281) | 38          |
| Cash and cash equivalents, at beginning of period                        | 6,341   | 6,213       |
| Increase in cash and cash equivalents of newly consolidated subsidiaries | 222     | 90          |
| Cash and cash equivalents, at end of period                              | ¥4,283  | ¥6,341      |

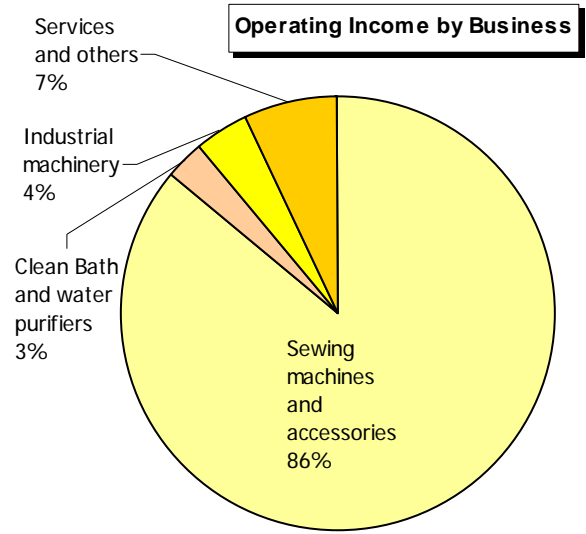
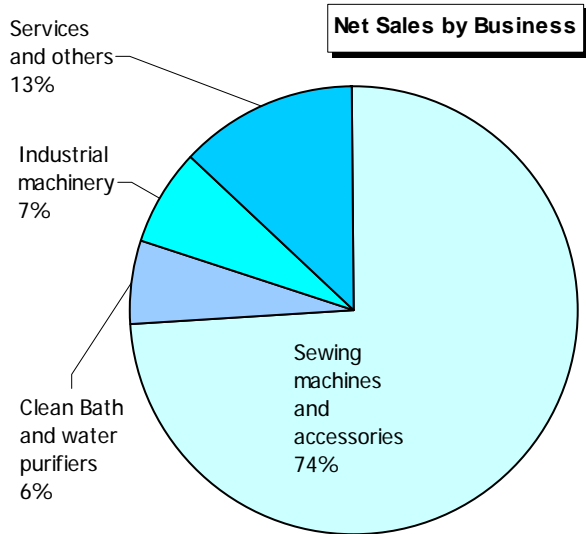
Note: Amounts less than one million yen have been rounded down.

## Summary of Consolidated Financial Results

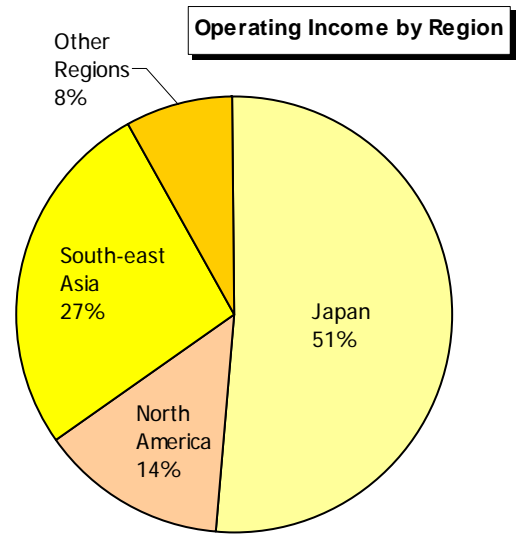
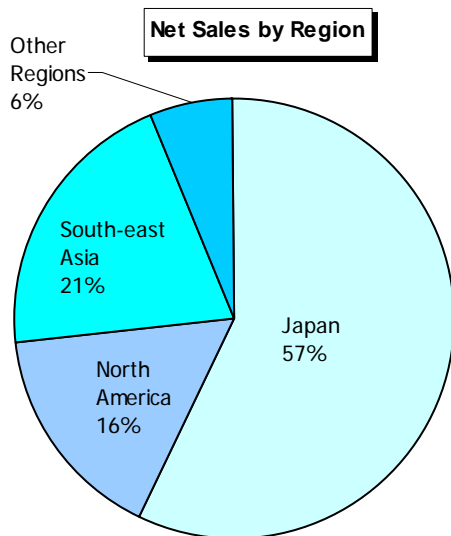


## Segment Information

### Operations by Business Segment



### Operations by Region



Note: Figures in % of net sales by region include intersegment sales.

## Share Information

|                             | Common Stock                                  |
|-----------------------------|---|
| Number of authorized shares | 360,000,000                                   |
| Number of shares in issue   | 152,460,000                                   |
| Number of shareholders      | 14,596 (Increase of 1,584 over previous year) |

(As of March 31, 2004)

### Shareholders' Classification (% vs. total number of shares)

