

## **Qualitative Information Concerning Consolidated Financial Results for the first nine months of fiscal year ending 31 March, 2011**

### **(1) Qualitative information concerning consolidated financial results**

For the nine months ended 31 December, 2010, economies in emerging countries were the first to return to growth, while economies in major industrialized countries showed moderate recovery.

However, the outlook of the global economy is increasingly unclear due to a protracted appreciation of the yen and a persistently severe employment environment.

Under these circumstances, the Group focused on earning and expanding profits through aggressive sales promotion such as the launch of a new sewing machine model HORIZON Memory Craft 7700 QCP, while implementing a radical reduction in production costs based upon its profitability improvement plan.

### **[Operational results by segment]**

#### **(i) Household equipment:**

Internationally, despite the negative impact of fluctuations in currency exchange rates, sales recovery in Russia contributed to an increase in revenue and, with the development of aggressive promotional activities in emerging markets such as Latin America, business progressed steadily.

Domestically, the Company attempted to stimulate demand and activate the market through the launch of a new model and participation in exhibitions of sewing machines and 24-hour clean bath systems. However, these attempts fell short of raising consumer motivation. Consequently, retail prices lowered and sales proceeded unfavorably.

Overall, sales of sewing machines showed a slight gain at 1.32 million units, an increase of 40 thousand units compared to the corresponding period of the previous fiscal year.

Total net sales in the household equipment business were 22.135 billion yen (up 1.7% compared to the corresponding period of the previous fiscal year), with an operating income of 1.527 billion yen (up 54.2% compared to the corresponding period of the previous fiscal year).

#### **(ii) Industrial equipment:**

Sales of desk-top robots and electro-press machines proceeded favorably due to a rise in orders from IT-related and auto-related industries, in the Asian market, particularly in mainland China, Korea and Thailand.

Collectively, net sales for the industrial equipment business were 3.176 billion yen (up 52.6% compared to the corresponding period of the previous fiscal year) with an operating income of 350 million yen (compared with an operating loss of 175 million yen for the corresponding period of the previous fiscal year).

#### **(iii) Other:**

In other business segments including IT software development net sales were 2.157 billion

yen (down 19.3% compared to the corresponding period of the previous fiscal year) due to a decrease in incoming orders, with an operating income of 38 million yen (down 22.3% compared to the corresponding period of the previous fiscal year), despite the Company's profit improvement measures including decreasing outsourcing expenses by promoting the in-house development of software.

Janome Group net sales for the nine month period totaled 27.47 billion yen (up 3.6% compared to the corresponding period of the previous fiscal year) with an operating income of 1.884 billion yen (up 117.9% compared to the corresponding period of the previous fiscal year) and an ordinary income of 1.438 billion yen (up 143.9% compared to the corresponding period of the previous fiscal year). The net income for this period reached 852 million yen (up 147.3% compared to the corresponding period of the previous fiscal year).

## **(2) Qualitative information concerning consolidated financial position**

Total assets on a consolidated basis as of 31 December, 2010, were 48.632 billion yen (down 1.879 billion yen from the previous fiscal year ended 31 March, 2010).

### **(i) Assets**

Current assets decreased to 18.953 billion yen (down 1.208 billion yen from the previous fiscal year ended 31<sup>st</sup> March, 2010) due to a decrease in cash and deposits. Fixed assets were 29.678 billion yen (down 671 million yen from the previous fiscal year ended 31<sup>st</sup> March, 2010), due to a decrease in the depreciation of fixed assets, etc.

### **(ii) Liabilities**

Current liabilities decreased by 3.332 billion yen to 17.633 billion yen owing to a decrease in short-term borrowings, and fixed liabilities increased by 1.162 billion yen to 17.059 billion yen due to an increase in long-term borrowings, etc. As a result, total liabilities were 34.692 billion yen (down 2.17 billion yen from the previous fiscal year ended 31<sup>st</sup> March, 2010).

### **(iii) Net assets**

Net assets increased to 13.939 billion yen (up 290 million yen from the previous fiscal year ended 31 March, 2010) despite a decrease in the foreign currency translation adjustments account, although the total shareholders equity increased as a result of the net income for this period.

## **[Overview of cash flow position]**

Cash and cash equivalents on a consolidated basis as of 31 December, 2010, decreased by 1.097 billion yen from the previous fiscal year ended 31<sup>st</sup> March, 2010, totaling 5.772 billion yen (an increase of 921 million yen compared to the corresponding period of the previous fiscal year).

### **(i) Operating activities**

Net cash generated by operating activities amounted to an inflow of 1.491 billion yen. This was due to a return of 1.31 billion yen for net income before income taxes and minority interests, an increase in accounts receivable of 633 million yen, an increase in inventories of 111 million yen and an increase in accounts payable of 216 million yen, etc.

**(ii) Investing activities**

Net cash generated by investing activities amounted to an outflow of 525 million yen. This was due to proceeds of 180 million yen from sales of fixed assets including real estate held by overseas subsidiaries, expenditures of 374 million yen for purchase of tangible fixed assets and expenditures of 289 million yen for the purchase of intangible fixed assets, etc.

**(iii) Financing activities**

Net cash used for financing activities amounted to an outflow of 1.905 billion yen. This was due to a decrease in short-term borrowings of 3.356 billion yen and an inflow from long-term borrowings of 4.5 billion yen, and an outflow from repayment of long-term debts of 2.19 billion yen, etc.

**(3) Qualitative information concerning forecast of consolidated financial results for fiscal year ending 31<sup>st</sup> March, 2011**

Although the consolidated results for the first nine months ended 31st December, 2010 progressed steadily, there are no revisions to the earnings forecast for the consolidated results of the full year ending 31<sup>st</sup> March, 2011, announced by the Company on 6<sup>th</sup> August, 2010, due to concerns about economic slowdown, an unclear outlook for trends in currency exchange rates and raw material costs, as well as other factors that may occur toward the fourth quarter of this fiscal year.