

(Translation)

Consolidated Financial Results
for the 1st quarter of fiscal year ending March 31, 2018
(April 1, 2017 through June 30, 2017)
[Japanese GAAP]

August 4, 2017

Company name: **JANOME SEWING MACHINE CO., LTD.** Tokyo Stock Exchange in Japan
Securities code: 6445 [URL http://www.janome.co.jp](http://www.janome.co.jp)
Representative: Name: Michio Oba Title: President
Contact person: Name: Katsuhiko Nakatsubo Title: General Manager, Accounting
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Filing date of financial statements for the first quarter year: August 10, 2017

Payment date of cash dividends: ----

Supplementary materials prepared for quarterly financial results : None

Financial information meeting held for quarterly financial results: None

(Amounts less than one million yen are rounded down.)

1. Consolidated results (April 1, 2017 through June 30, 2017)

(1) Consolidated financial results

Percentages represent the percentage of change from the previous fiscal year.

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|--|--------------|--------------|------------------|---------------|-----------------|--------------|---|-------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| First three months ended June 30, 2017 | 9,485 | (0.2) | 343 | (32.8) | 444 | (4.1) | 341 | 49.3 |
| June 30, 2016 | 9,502 | (2.8) | 511 | 176.9 | 463 | 90.4 | 228 | 214.7 |

Note: Comprehensive income was

480 million yen (-%) ended June 30, 2017

(887) million yen (-%) ended June 30, 2016

| | Net income per share - basic | Net income per share - diluted |
|--|------------------------------|--------------------------------|
| First three months ended June 30, 2017 | 17.66 | -- |
| June 30, 2016 | 11.83 | -- |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|----------------------|---------------|---------------|--------------|
| | Million yen | Million yen | % |
| June 30, 2017 | 51,448 | 24,198 | 45.4 |
| March 31, 2017 | 52,052 | 23,941 | 44.4 |

Ref. Equity 23,370 million yen at the end of June 2017, and 23,098 million yen at the end of March 2017

2. Cash dividends

| | Annual cash dividends per share | | | | |
|------------------------------|---------------------------------|-----------|-----------|----------|-------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| Fiscal year ended | yen | yen | yen | yen | yen |
| March 31, 2017 | -- | 0.00 | -- | 10.00 | 10.00 |
| March 31, 2018 | -- | | | | |
| March 31, 2018 (Forecast) | | 0.00 | -- | 10.00 | 10.00 |

3. Forecast of consolidated results for fiscal year ending March 31, 2018

(April 1, 2017 through March 31, 2018)

Percentages represent the percentage of change from the previous fiscal year.

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|---|-------------|-------|------------------|-------|-----------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| First half (April 1, 2017 through September 30, 2017) | 19,000 | (0.6) | 1,000 | (7.4) | 1,000 | 13.2 | 600 | 55.0 |
| Full year (April 1, 2017 through March 31, 2018) | 40,000 | 2.9 | 2,700 | 9.0 | 2,600 | 21.6 | 1,800 | 12.0 |

| | Net Income per share - basic yen |
|---|-------------------------------------|
| First half (April 1, 2017 through September 30, 2017) | 31.04 |
| Full year (April 1, 2017 through March 31, 2018) | 93.11 |

4. Others

(1) Changes in significant subsidiaries during the current fiscal year : None

Note: This refers to a presence/absence of changes in specified subsidiaries accompanying changes in scope of consolidation during the current quarter.

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles, procedures and presentations, etc.

(i) Changes due to amendments in accounting principles: None

(ii) Any changes other than the aforementioned: None

(iii) Changes in accounting estimate: None

(iv) Restatement: None

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at the end of fiscal period (including treasury stock)

19,521,444 shares at the end of June 2017

19,521,444 shares at the end of March 2017

(ii) Number of treasury stock shares at the end of fiscal period

189,721 shares at the end of June 2017

189,721 shares at the end of March 2017

(iii) Average number of public shares during fiscal period

19,331,723 shares ended June 30, 2017

19,331,730 shares ended June 30, 2016

Statement Relating to Execution Status of Audit Procedures

This quarterly financial report is exempt from audit procedures.

Explanation regarding the appropriate use of result forecasts, and other special items

The forward-looking statements stated in this report include expectations based on assumption, forecast and projection by our management available as of the date of their announcement. It is possible that actual results may differ materially from these expectations due to various factors.

1. Qualitative Information Concerning Financial Results for the 1st quarter of the fiscal year ending March 31, 2018

(1) Explanation of financial results

During the first quarter ended June 30, 2017, the global economy was affected by factors including concerns about US policy trends, a slowdown in emerging market economies, as well as heightened geopolitical risk including increased tensions in the Middle East and on the Korean Peninsula; thus the outlook remained uncertain.

The Japanese economy continued to recover moderately, but consumer spending was lacklustre due to weak growth in real wages. The risk of underperformance also persisted, due to factors including uncertainties in the global economy and volatility in financial markets.

In the light of these conditions, the Janome Group endeavoured to streamline its operations and bolster its marketing capability through structural reform, in line with our medium-term business plans, while also implementing robust cost reductions.

As a result, in the first quarter sales were 9,485 million yen (down 16 million yen compared to the corresponding period of the previous fiscal year), operating income was 343 million yen (down 167 million yen), ordinary income was 444 million yen (down 19 million yen), and profit attributable to owners of parent was 341 million yen (up 112 million yen).

The performance by segment is outlined below.

<Household equipment>

In the household equipment segment, the Group focused on stimulating demand in the domestic and overseas sewing machine markets, conducting proactive marketing activities. In Europe, distributors, agents and dealers from 17 countries participated in the 1st Janome European Institute 2017 – the first of its kind in the industry – aimed at enhancing the Janome brand and further strengthening our sales structure.

Additionally, the Group achieved growth in sewing machine sales volumes in Russia and emerging markets, as a result of which sewing machine sales in the overseas and Japanese markets combined totalled 370,000 units (up 10,000 units compared to the corresponding period of the previous fiscal year). On a monetary basis, however, sales fell 340 million yen compared to the corresponding period of the previous fiscal year to 6,959 million yen, and operating income was 164 million yen (down 227 million yen).

<Industrial equipment>

The industrial equipment segment achieved record high quarterly unit sales, with growth in desk-top robot orders from manufacturers of information devices including smartphones and tablets. Sales of electro-press machines were strong, as the Group made efforts to market products particularly to automotive component-related companies. In the die-casting-related business, the Group quickly responded to the needs of existing customers, leading to an increase in orders for robot components and gypsum molded products.

As a result of the above, sales were 1,814 million yen (up 289 million yen compared to the corresponding period of the previous fiscal year), and operating income was 149 million yen (up 53 million yen).

<Other>

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 711 million yen (up 34 million yen compared to the corresponding period of the previous fiscal year), and operating income was 20 million yen (up 10 million yen), thanks to efforts to reduce costs including selling, general and administrative expenses.

(2) Explanation of financial position

As of June 30, 2017, total assets on a consolidated basis were 51,448 million yen (down 603 million yen from the previous fiscal year ended March 31, 2017).

Current assets were 23,412 million yen (down 348 million yen from the previous fiscal year) due to factors including a decrease in cash and cash equivalents, and an increase in work in process and raw materials and supplies.

Fixed assets were 28,036 million yen (down 254 million yen from the previous fiscal year ended March 31, 2017) due to factors including a depreciation.

Current liabilities were 18,529 million yen (down 594 million yen from the previous fiscal year) due to factors including a decrease in short-term borrowing, while fixed liabilities were 8,719 million yen (down 265 million yen from the previous fiscal year) due to decrease in liability for retirement benefits.

Net assets were 24,198 million yen (up 256 million yen from the previous fiscal year) due to factors including an increase in retained earnings.

[Overview of cash flow position]

Cash and cash equivalents on a consolidated basis as of June 30, 2017 decreased by 852 million yen from the previous fiscal year ended March 31, 2017, to 5,811 million yen (decrease of 510 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 745 million yen (as compared to an inflow of 899 million yen in the corresponding period of the previous fiscal year), due to 446 million yen in quarterly income before income taxes and minority interests, an increase of 288 million yen in inventory, and an increase of 324 million yen in notes and accounts payable, etc.

Net cash generated by investing activities amounted to an outflow of 35 million yen (as compared to an outflow of 101 million yen in the corresponding period of the previous fiscal year) due to purchase of tangible fixed assets of 103 million yen.

Net cash used for financing activities amounted to a reduction in funds of 1,527 million yen (as compared to an outflow of 231 million yen in the corresponding period of the previous fiscal year), due to factors including a decrease in short-term borrowings of 1,322 million yen.

2. Consolidated Financial Statements

Consolidated Balance Sheets

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

Currency unit: million yen

| | Previous Fiscal Year ended Mar 31, 2017 | Current First Quarter as of June 30, 2017 |
|---------------------------------------|--|--|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 7,195 | 6,402 |
| Notes and accounts receivable-trade | 6,772 | 6,777 |
| Merchandise and finished goods | 5,849 | 5,799 |
| Work in process | 568 | 770 |
| Raw materials and supplies | 2,511 | 2,650 |
| Other | 1,028 | 1,198 |
| Allowance for doubtful accounts | (165) | (186) |
| Total current assets | 23,761 | 23,412 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 6,403 | 6,331 |
| Land | 14,557 | 14,505 |
| Other tangible fixed assets (net) | 2,325 | 2,282 |
| Total tangible fixed assets | 23,286 | 23,119 |
| Intangible fixed assets | | |
| Other intangible fixed assets | 1,308 | 1,248 |
| Total intangible fixed assets | 1,308 | 1,248 |
| Investments and other assets | 3,696 | 3,668 |
| Total fixed assets | 28,291 | 28,036 |
| TOTAL ASSETS | 52,052 | 51,448 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable | 2,781 | 3,128 |
| Short-term loans payable | 13,332 | 12,110 |
| Income taxes payable | 215 | 89 |
| Provision for bonuses | 499 | 250 |
| Other current liabilities | 2,294 | 2,950 |
| Total current liabilities | 19,124 | 18,529 |
| Fixed liabilities | | |
| Deferred income taxes for revaluation | 3,442 | 3,434 |
| Net defined benefit liability | 4,799 | 4,586 |
| Other fixed liabilities | 744 | 698 |
| Total fixed liabilities | 8,985 | 8,719 |
| TOTAL LIABILITIES | 28,110 | 27,249 |

Currency unit: million yen

| | Previous Fiscal Year ended Mar 31, 2017 | Current First Quarter as of June 30, 2017 |
|---|--|--|
| NET ASSETS | | |
| Shareholders' equity | | |
| Common stock | 11,372 | 11,372 |
| Retained earnings | 6,158 | 6,324 |
| Treasury stock, at cost | (325) | (325) |
| Total shareholders' equity | 17,206 | 17,371 |
| Other comprehensive income | | |
| Valuation difference in other marketable securities | 146 | 164 |
| Land revaluation difference | 6,420 | 6,403 |
| Foreign currency translation adjustments | (205) | (136) |
| Remeasurements of defined benefit plans | (469) | (432) |
| Total other comprehensive income | 5,892 | 5,998 |
| Non-controlling interest | 842 | 828 |
| TOTAL NET ASSETS | 23,941 | 24,198 |
| TOTAL LIABILITIES AND NET ASSETS | 52,052 | 51,448 |

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Income

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

Currency unit: million yen

| | Previous Three Months April 1, 2016 through June 30, 2016 | Current Three Months April 1, 2017 through June 30, 2017 |
|---|--|---|
| Net sales | 9,502 | 9,485 |
| Cost of sales | 5,289 | 5,614 |
| Gross profit | 4,213 | 3,871 |
| Selling, general and administrative expenses | 3,701 | 3,527 |
| Operating income | 511 | 343 |
| Non-operating income | | |
| Interest income | 5 | 7 |
| Dividend income | 28 | 39 |
| Exchange gains | -- | 65 |
| Other | 20 | 25 |
| Total non-operating income | 54 | 136 |
| Non-operating expenses | | |
| Interest expenses | 36 | 26 |
| Foreign exchange losses | 52 | -- |
| Other | 13 | 9 |
| Total non-operating expenses | 102 | 35 |
| Ordinary income | 463 | 444 |
| Extraordinary profits | | |
| Gain on sales of fixed assets | 0 | 13 |
| Total extraordinary profits | 0 | 13 |
| Extraordinary losses | | |
| Loss on sales and retirement of noncurrent assets | 0 | 10 |
| Loss on valuation of investment securities | 6 | -- |
| Total extraordinary losses | 6 | 10 |
| Income before income taxes and minority interests | 457 | 446 |
| Income tax, resident tax and business tax | 179 | 74 |
| Income tax adjustment | 30 | 25 |
| Total taxes | 210 | 99 |
| Net income | 247 | 346 |
| Profit attributable to non-controlling interest | 18 | 5 |
| Profit attributable to owners of parent | 228 | 341 |

Consolidated statements of comprehensive income

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

Currency unit: million yen

| | Previous Three Months April 1, 2016 through June 30, 2016 | Current Three Months April 1, 2017 through June 30, 2017 |
|---|--|---|
| Net income | 247 | 346 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (16) | 18 |
| Foreign currency translation adjustment | (1,188) | 78 |
| Remeasurements of defined benefit plans | 70 | 36 |
| Total other comprehensive income | (1,134) | 133 |
| Comprehensive income | (887) | 480 |
| Comprehensive income attributable to: | | |
| owners of parent | (839) | 464 |
| non-controlling interest | (47) | 15 |

Note: Amounts less than one million yen are rounded down.

Consolidated Statement of Cash Flows

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

Currency unit: million yen

| | Previous Three Months April 1, 2016 through June 30, 2016 | Current Three Months April 1, 2017 through June 30, 2017 |
|--|--|---|
| Cash flows from operating activities | | |
| Net income before income taxes and minority interests | 457 | 446 |
| Depreciation | 358 | 338 |
| Goodwill amortization | 36 | -- |
| Increase/ (decrease) of employees retirement benefits | (58) | (61) |
| Interest and dividend income | (34) | (46) |
| Interest expenses | 36 | 26 |
| (Increase)/ decrease in accounts receivable | 150 | 30 |
| (Increase)/ decrease in inventories | (151) | (228) |
| Increase/ (decrease) in accounts payable | (147) | 324 |
| Others | 521 | 95 |
| Sub total | 1,168 | 926 |
| Interest and dividend received | 37 | 34 |
| Interest paid | (28) | (23) |
| Income taxes paid | (277) | (191) |
| Net cash generated by operating activities | 899 | 745 |
| Cash flows from investing activities | | |
| Payments into time deposits | (1) | (0) |
| Proceeds from withdrawal of time deposits | -- | 42 |
| Purchase of property, plant and equipment | (92) | (103) |
| Proceeds from sales of property, plant and equipment | 2 | 68 |
| Purchase of intangible assets | (16) | (30) |
| Others | 6 | (11) |
| Net cash generated by investing activities | (101) | (35) |
| Cash flows from financing activities | | |
| Net increase/(decrease) in short-term borrowings | (185) | (1,322) |
| Cash dividends paid | -- | (149) |
| Others | (45) | (56) |
| Net cash used for financing activities | (231) | (1,527) |
| Effect of exchange rate changes on cash and cash equivalents | (303) | (34) |
| Increase/(decrease) in cash and cash equivalents | 262 | (852) |
| Cash and cash equivalents at beginning of period | 6,059 | 6,663 |
| Cash and cash equivalents at end of period | 6,321 | 5,811 |

Note: Amounts less than one million yen are rounded down.

Notes of Consolidated Financial Statements

(Notes regarding going concern assumptions)

None.

(Notes on significant changes in the amount of shareholders' equity)

None.

(Consolidated Segment Information)

I. Previous three months (April 1, 2016 through June 30, 2016)

1. Information on net sales and operating income/(loss) by reportable segment

Currency unit: million yen

| | Reportable segment | | | Other* | Total |
|---------------------------------|---------------------|----------------------|-------|--------|-------|
| | Household equipment | Industrial equipment | Total | | |
| Net sales | | | | | |
| Net sales to external customers | 7,300 | 1,524 | 8,825 | 677 | 9,502 |
| Intersegment sales or transfers | 9 | 151 | 160 | 212 | 372 |
| Total | 7,309 | 1,675 | 8,985 | 889 | 9,875 |
| Segment profit | 391 | 96 | 487 | 10 | 497 |

Note*: "Other" is not categorized in the reportable business segment and includes IT software/electronic data processing services and real estate, etc.

2. Difference between the sum of reportable segment profits and losses and operating income in quarterly consolidated statements of income and major factors in the difference (adjustment of difference)

Currency unit: million yen

| Profit | Amount |
|---|--------|
| Reportable segment total | 487 |
| Other net profit | 10 |
| Elimination of intersegment transactions | 13 |
| Operating income in quarterly consolidated statements | 511 |

II. Current Three Months (April 1, 2017 through June 30, 2017)

1. Information on net sales and operating income/(loss) by reportable segment

Currency unit: million yen

| | Reportable segment | | | Other* | Total |
|---------------------------------|---------------------|----------------------|-------|--------|-------|
| | Household equipment | Industrial equipment | Total | | |
| Net sales | | | | | |
| Net sales to external customers | 6,959 | 1,814 | 8,774 | 711 | 9,485 |
| Intersegment sales or transfers | 7 | 177 | 185 | 200 | 385 |
| Total | 6,967 | 1,991 | 8,959 | 911 | 9,871 |
| Segment profit | 164 | 149 | 313 | 20 | 333 |

Note*: "Other" is not categorized in the reportable business segment and includes IT software/electronic data processing services and real estate, etc.

2. Difference between the sum of reportable segment profits and losses and operating income in quarterly consolidated statements of income and major factors in the difference (adjustment of difference)

Currency unit: million yen

| Profit | Amount |
|---|--------|
| Reportable segment total | 313 |
| Other net profit | 20 |
| Elimination of intersegment transactions | 9 |
| Operating income in quarterly consolidated statements | 343 |

3. Additional information

(1) Geographic segmentation

Previous three months (April 1, 2016 through June 30, 2016)

Currency unit: million yen

| | Japan | North America | South East Asia | Other Regions | Total | Elimination / Corporate | Consolidated |
|-------------------------------------|-------|---------------|-----------------|---------------|--------|-------------------------|--------------|
| Net sales | | | | | | | |
| (1) Net sales to external customers | 5,926 | 1,641 | 115 | 1,819 | 9,502 | -- | 9,502 |
| (2) Intersegment sales or transfers | 2,407 | -- | 4,033 | -- | 6,441 | (6,441) | -- |
| Total | 8,334 | 1,641 | 4,148 | 1,819 | 15,943 | (6,441) | 9,502 |
| Operating income/ (loss) | 133 | 66 | 404 | 40 | 644 | (133) | 511 |

Current three months (April 1, 2017 through June 30, 2017)

Currency unit: million yen

| | Japan | North America | South East Asia | Other Regions | Total | Elimination / Corporate | Consolidated |
|-------------------------------------|-------|---------------|-----------------|---------------|--------|-------------------------|--------------|
| Net sales | | | | | | | |
| (1) Net sales to external customers | 6,528 | 1,254 | 128 | 1,575 | 9,485 | -- | 9,485 |
| (2) Intersegment sales or transfers | 1,205 | -- | 3,463 | 0 | 4,668 | (4,668) | -- |
| Total | 7,733 | 1,254 | 3,591 | 1,575 | 14,154 | (4,668) | 9,485 |
| Operating income/ (loss) | 85 | (35) | 64 | 28 | 141 | 201 | 343 |

Notes:

(1) Countries or regional analyses presented are based on geographic proximity.

(2) Major countries or regions are defined as follows:

- (i) North America U.S.A., Canada
- (ii) South East Asia R.O.C. (Taiwan), Thailand
- (iii) Other regions U.K., Netherlands, Switzerland, Australia, New Zealand, Chile, Brazil

(2) Overseas sales by region

Previous three months (April 1, 2016 through June 30, 2016)

Currency unit: million yen

| | North America | Europe | Other Regions | Total |
|---|---------------|--------|---------------|-------|
| Net sales | | | | |
| I Overseas sales | 1,668 | 2,074 | 2,506 | 6,248 |
| II Consolidated sales | | | | 9,502 |
| III Ratio of overseas sales to consolidated sales | 17.6% | 21.8% | 26.4% | 65.8% |

Current three months (April 1, 2017 through June 30, 2017)

Currency unit: million yen

| | North America | Europe | Other Regions | Total |
|---|---------------|--------|---------------|-------|
| Net sales | | | | |
| I Overseas sales | 1,326 | 2,330 | 2,508 | 6,165 |
| II Consolidated sales | | | | 9,485 |
| III Ratio of overseas sales to consolidated sales | 14.0% | 24.6% | 26.4% | 65.0% |

1. Overseas sales include sales by the Company and its subsidiaries in countries and regions outside Japan.

(1) Countries or regional analyses presented are based on geographic proximity.

(2) Major countries or regions are as follows:

- (i) North America U.S.A., Canada
- (ii) Europe U.K., Netherlands, Germany, Switzerland, Russia
- (iii) Other regions South East Asia, Oceania, Middle East, Africa, Central/South America