

(Translation)

Consolidated Financial Results
for the 2nd quarter of fiscal year ending March 31, 2018
(April 1, 2017 through September 30, 2017)
[Japanese GAAP]

November 8, 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 Ohba Title: President
Contact person: Name: Katsuhiko Nakatsubo Title: General Manager, Accounting
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Filing date of financial statements for the quarter : November 10, 2017

Payment date of cash dividends: ----

Supplementary materials prepared for quarterly financial results : Yes

Financial information meeting held for quarterly financial results: Yes (for securities analyst)

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

1. Consolidated results (April 1, 2017 through September 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 half year ended September 30, 2017	20,258	6.0	934	(13.5)	1,103	24.9	733	89.4
September 30, 2016	19,110	(7.7)	1,079	39.9	883	(12.9)	387	(9.2)

Note: Comprehensive income was

1,175 million yen (-%) ended September 2017
(721) million yen (-%) ended September 2016

	Net income per share - basic	Net income per share - diluted
First half year ended September 30, 2017	37.93	--
September 30, 2016	20.02	--

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
First half year ended September 30, 2017	Million yen 52,043	Million yen 24,893	% 46.2
March 31, 2017	52,052	23,941	44.4

Ref. Equity 24,030 million yen at the end of September 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 March 31, 2017	yen --	yen 0.00	yen --	yen 10.00	yen 10.00
March 31, 2018	--	0.00			
March 31, 2018 (Forecast)			--	10.00	10.00

Note: Revisions to the forecast of cash dividends in the current quarter: None

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	%
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
Full year (April 1, 2017 through March 31, 2018)	93.11

Note: Revisions to the forecast of cash dividends in the current quarter: None

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 September 2017

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

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

189,731 shares at the end of September 2017

189,721 shares at the end of March 2017

(iii) Average number of public shares during fiscal period

19,331,719 shares at the end of September 2017

19,331,730 shares at the end of September 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 2nd quarter of the fiscal year ending March 31, 2018

(1) Explanation of financial results

During the six-month period ended September 30, 2017, there was a continued moderate economic recovery in the global economy, primarily in developed countries. However, uncertainty about the future outlook persisted due to geopolitical risks including policy trends in the United States, difficulties in negotiations for the United Kingdom's withdrawal from the EU, and rising tensions on the Korean peninsula.

In Japan, while the economy maintained a recovery trend, supported by strong internal and external demand, a deep-rooted deflationary mindset among corporations and consumers held back growth in real wages and prices, thus economic weakness remained.

In the light of these conditions, Janome Group implemented measures including launching new products and participating in various exhibitions, in line with our medium-term business plans. The Group also worked to streamline operations and bolster productivity, while also implementing robust cost reductions.

As a result, in the second quarter sales were 20,258 million yen (up 1,147 million yen compared to the corresponding period of the previous fiscal year), operating income was 934 million yen (down 145 million yen), ordinary income was 1,103 million yen (up 219 million yen), and profit attributable to owners of parent was 733 million yen (up 346 million yen).

The performance by segment is outlined below.

<Household equipment>

In the overseas sewing machine market, Janome Group worked to stimulate demand, focused on the launch of new products including machines with an emphasis on functionality. The Group also undertook initiatives to strengthen sales promotion, including the first tour of distributors and dealers in five cities around the United States to launch new models.

In the domestic sewing machine market, Janome Group took part in exhibitions held in various locations around Japan, and supported sewing classes held at "Bobinage" in Kichijoji and directly managed branches nationwide, as well as an exhibition of a well-known kilt artist. In this way, the Group worked to energize the market by providing numerous opportunities for people to experience sewing machines and handicrafts close up.

As a result, total sales of sewing machines (overseas and Japan combined) amounted to 790,000 units (down 10,000 units from the corresponding period of the previous fiscal year), and in the household equipment segment overall, sales were 15,117 million yen (up 269 million yen) and operating income was 509 million yen (down 311 million yen).

<Industrial equipment>

In the industrial equipment segment, there was growth in orders for desk-top robots from manufacturers of information devices including smartphones. In addition, as moves to control soaring personnel costs boosted factory automation, especially in China, Janome Group rapidly supplied products in line with market demand, and as a result sales volume was the highest ever recorded for the first six months of the fiscal year. Sales of electro-press machines were strong, as the Group increased sales particularly to automotive component-related firms. In the die-casting-related business, sales increased, especially for robot components, due to a recovery in machinery orders at industrial equipment-related firms.

As a result, in the industrial equipment segment overall, sales were 3,534 million yen (up 631 million yen compared to the corresponding period of the previous fiscal year), and operating income was 347 million yen (up 131 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 1,606 million yen (up 246 million yen compared to the corresponding period of the previous fiscal year), with operating income of 58 million yen as a result of efforts to cut SG&A expense etc (up 41 million yen).

(2) Explanation of financial position

As of September 30, 2017, total assets on a consolidated basis were 52,043 million yen (down 8 million yen from the end of the previous fiscal year ended March 31, 2017).

Current assets were 24,168 million yen (up 407 million yen from the end of the previous fiscal year) due to factors including a decrease in cash and cash equivalents, and an increase in bills and accounts receivable. Fixed assets were 27,874 million yen (down 416 million yen from the end of the previous fiscal year) due to factors including a depreciation of tangible and intangible assets.

Current liabilities were 18,582 million yen (down 541 million yen from the end of the previous fiscal year) due to factors including an increase in bills and accounts payable, and decrease in short term borrowing. Fixed liabilities were 8,567 million yen (down 418 million yen from the end of the previous fiscal year) due to factors including a decrease in liability for a retirement benefits .

Net assets were 24,893 million yen (up 952 million yen from the end of the previous fiscal year) due to factors including an increase in retained earnings and foreign currency translations adjustments account.

[Overview of cash flow position]

Cash and cash equivalents on a consolidated basis as of September 30, 2017, decreased by 1,276 million yen from the previous fiscal year ended March 31, 2017, to 5,386 million yen (decrease of 448 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by operating activities amounted to an inflow of 702 million yen (as compared to an inflow of 794 million yen in the corresponding period of the previous fiscal year), due to factors including 1,104 million yen in quarterly income before income taxes and minority interests, an increase of 1,120 million yen in notes and accounts receivable and an increase of 630 million yen in accounts payable (increase of 794 million yen compared to the corresponding period of the previous fiscal year).

Net cash generated by investing activities amounted to an outflow of 303 million yen (as compared to an outflow of 230 million yen in the corresponding period of the previous fiscal year), due to purchase of tangible fixed assets of 267 million yen.

Net cash used for financing activities amounted to a reduction in funds of 1,697 million yen (as compared to an outflow of 491 million yen in the corresponding period of the previous fiscal year), due to factors including a decrease in short-term borrowings of 983 million yen and an outflow from repayment of long-term debts 442 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 Half as of September 30, 2017
ASSETS		
Current assets		
Cash and deposits	7,195	5,981
Notes and accounts receivable-trade	6,772	8,014
Merchandise and finished goods	5,849	5,784
Work in process	568	712
Raw materials and supplies	2,511	2,647
Other	1,028	1,209
Allowance for doubtful accounts	(165)	(181)
Total current assets	23,761	24,168
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	6,403	6,271
Land	14,557	14,516
Other tangible fixed assets (net)	2,325	2,322
Total tangible fixed assets	23,286	23,110
Intangible fixed assets		
Other intangible fixed assets	1,308	1,195
Total intangible fixed assets	1,308	1,195
Investments and other assets	3,696	3,568
Total fixed assets	28,291	27,874
TOTAL ASSETS	52,052	52,043
LIABILITIES		
Current liabilities		
Notes and accounts payable	2,781	3,480
Short-term loans payable	13,332	11,954
Income taxes payable	215	268
Provision for bonuses	499	644
Other current liabilities	2,294	2,234
Total current liabilities	19,124	18,582
Fixed liabilities		
Deferred income taxes for revaluation	3,442	3,434
Net defined benefit liability	4,799	4,424
Other fixed liabilities	744	708
Total fixed liabilities	8,985	8,567
TOTAL LIABILITIES	28,110	27,149

Currency unit: million yen

	Previous Fiscal Year ended Mar 31, 2017	Current First Half as of September 30, 2017
NET ASSETS		
Shareholders' equity		
Common stock	11,372	11,372
Retained earnings	6,158	6,715
Treasury stock, at cost	(325)	(325)
Total shareholders' equity	17,206	17,763
Other comprehensive income		
Valuation difference in other marketable securities	146	185
Land revaluation difference	6,420	6,403
Foreign currency translation adjustments	(205)	77
Remeasurements of defined benefit plans	(469)	(398)
Total other comprehensive income	5,892	6,267
Non-controlling interests	842	863
TOTAL NET ASSETS	23,941	24,893
TOTAL LIABILITIES AND NET ASSETS	52,052	52,043

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 First Half April 1, 2016 through September 30, 2016	Current First Half April 1, 2017 through September 30, 2017
Net sales	19,110	20,258
Cost of sales	10,794	12,258
Gross profit	8,316	8,000
Selling, general and administrative expenses	7,237	7,065
Operating income	1,079	934
Non-operating income		
Interest income	11	11
Dividend income	31	44
Exchange gains	-	139
Other	60	45
Total non-operating income	103	240
Non-operating expenses		
Interest expenses	76	51
Foreign exchange losses	146	-
Other	76	19
Total non-operating expenses	299	71
Ordinary income	883	1,103
Extraordinary profits		
Gain on sales of fixed assets	0	20
Total extraordinary profits	0	20
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	1	19
Loss on valuation of investment securities	6	-
Total extraordinary losses	7	19
Income before income taxes	876	1,104
Income tax, resident tax and business tax	317	279
Income tax adjustment	118	71
Total taxes	435	350
Profit	440	753
Profit attributable to non-controlling interests	53	20
Profit attributable to owners of parent	387	733

Consolidated statements of comprehensive income

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

Currency unit: million yen

	Previous First Half April 1, 2016 through September 30, 2016	Current First Half April 1, 2017 through September 30, 2017
Profit	440	753
Other comprehensive income		
Valuation difference on available-for-sale securities	(12)	39
Foreign currency translation adjustment	(1,267)	312
Remeasurements of defined benefit plans	117	70
Total other comprehensive income	(1,162)	422
Comprehensive income	(721)	1,175
Comprehensive income attributable to :		
owners of parent	(704)	1,125
non-controlling interests	(17)	50

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 First Half April 1, 2016 through September 30, 2016	Current First Half April 1, 2017 through September 30, 2017
Cash flows from operating activities		
Income before income taxes	876	1,104
Depreciation	705	675
Goodwill amortization	72	-
Increase/ (decrease) of employees retirement benefits	(109)	(329)
Interest and dividend income	(42)	(55)
Interest expenses	76	51
(Increase)/ decrease in accounts receivable	(296)	(1,120)
(Increase)/ decrease in inventories	(990)	(17)
Increase/ (decrease) in accounts payable	611	630
Others	304	(31)
Sub total	1,206	908
Interest and dividend received	43	58
Interest paid	(74)	(51)
Income taxes paid	(381)	(213)
Net cash generated by operating activities	794	702
Cash flows from investing activities		
Payments into time deposits	(3)	(60)
Proceeds from withdrawal of time deposits	-	42
Purchase of property, plant and equipment	(197)	(267)
Proceeds from sales of property, plant and equipment	2	75
Others	(32)	(92)
Net cash generated by investing activities	(230)	(303)
Cash flows from financing activities		
Net increase/(decrease) in short-term borrowings	363	(983)
Outflow from repayment of long-term debts	(787)	(442)
Cash dividends paid	--	(190)
Others	(67)	(81)
Net cash used for financing activities	(491)	(1,697)
Effect of exchange rate changes on cash and cash equivalents	(295)	21
Increase/(decrease) in cash and cash equivalents	(223)	(1,276)
Cash and cash equivalents at beginning of period	6,059	6,663
Cash and cash equivalents at end of period	5,835	5,386

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 first half (April 1, 2016 through September 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	14,847	2,903	17,750	1,359	19,110
Intersegment sales or transfers	19	357	376	420	797
Total	14,867	3,260	18,127	1,780	19,908
Segment profit	821	215	1,036	17	1,053

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	1,036
Other net profit	17
Elimination of intersegment transactions	25
Operating income in quarterly consolidated statements	1,079

II. Current first half (April 1, 2017 through September 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	15,117	3,534	18,651	1,606	20,258
Intersegment sales or transfers	18	373	391	401	792
Total	15,135	3,907	19,043	2,008	21,051
Segment profit	509	347	856	58	915

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	856
Other net profit	58
Elimination of intersegment transactions	19
Operating income in quarterly consolidated statements	934

3. Additional information

(1) Geographic segmentation

Previous first half (April 1, 2016 through September 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	12,224	3,309	218	3,357	19,110	--	19,110
(2) Intersegment sales or transfers	5,322	--	8,716	5	14,044	(14,044)	--
Total	17,546	3,309	8,935	3,363	33,155	(14,044)	19,110
Operating income	439	150	902	84	1,576	(496)	1,079

Current first half (April 1, 2017 through September 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	13,686	3,044	294	3,231	20,258	--	20,258
(2) Intersegment sales or transfers	3,825	--	8,081	0	11,907	(11,907)	--
Total	17,512	3,044	8,375	3,232	32,165	(11,907)	20,258
Operating income	626	64	310	117	1,120	(185)	934

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 first half (April 1, 2016 through September 30, 2016)

Currency unit: million yen

	North America	Europe	Other Regions	Total
Net sales				
I Overseas sales	3,432	4,510	4,728	12,671
II Consolidated sales				19,110
III Ratio of overseas sales to consolidated sales	18.0%	23.6%	24.7%	66.3%

Current first half (April 1, 2017 through September 30, 2017)

Currency unit: million yen

	North America	Europe	Other Regions	Total
Net sales				
I Overseas sales	3,246	5,072	5,140	13,460
II Consolidated sales				20,258
III Ratio of overseas sales to consolidated sales	16.0%	25.0%	25.4%	66.4%

Notes:

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

2. Countries or regional analyses

(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