

To Our Shareholders

I welcome this opportunity to report on the results of our company for Fiscal 2005 ended 31 March 2005.

Summary of Consolidated Financial Results for Fiscal 2005 (1 April 2004 through 31 March 2005)

The global economic outlook is becoming increasingly uncertain due to cost increases in raw materials primarily incurred by the rapid price increase of crude oil and the cost-push inflation on production from the depreciation of the U.S. dollar against most major currencies. In Japan, while investments in facility development and exports increased steadily, consumer purchasing power was weakened further under the continuing deflationary spiral.

Segment Information

< Sewing Machines >

Overseas, each of the eight sales subsidiaries posted net sales in the black. Sales of sewing machines in Europe and Asia as well as OEM business proceeded favorably, while mass-merchandise sales in North America and Europe were slow. As a result, overseas unit sales of sewing machines showed limited growth over the previous fiscal year, with net sales reaching 24,739 million yen (up 306 million yen compared with Fiscal 2004).

In Japan, through our direct sales outlets, Janome launched very unique products such as high-speed straight stitch sewing machines and cover stitch machines to meet the needs of serious sewers, and carried out aggressive sales activities through participation in a variety of consumer exhibitions and shows nationwide.

For our dealer network, Janome strived to expand their sales by flexibly supporting diversified sales channels to cope with rapid market price deflation affected mainly by dynamic expansion of mail order and internet sales.

However, due to the significant increase in the mid to low end sales ratio, net sales in the sewing machine segment in Japan declined to 11,519 million yen (down 354 million yen compared with Fiscal 2004).

Reflecting these, although global unit sales of sewing machines in Fiscal 2005 ended 31 March 2005 recorded 1,830,000 units (up 2.5% compared with Fiscal 2004), global net sales in the sewing machine segment this year posted 36,259 million yen (down 47 million yen compared with Fiscal 2004), due to a decrease in the average sales price.

< 24-Hour Clean Bath Systems and Water Ionizers >

With the introduction of new products, Janome pushed forward with aggressive sales through promotional activities such as participation in exhibitions and TV-commercials. In particular, Janome focused on development of the dealer network for private household customers, as well as the development of commercial customers, mainly bed and breakfasts and small inns. These resulted in net sales of 3,008 million yen.

< Industrial Machinery >

Overseas, Janome continued to carry out steady sales activities, while strengthening the presence of the JANOME brand in the global market through participation in a variety of exhibitions.

In Japan, net sales grew lead by the Electro Press and backed by positive investments in facility

development by the continuously favorable auto industry. Also, effort was put into developing the Desktop Robot to accommodate customization and meet market needs. This effort was effective with results reaching 3,561 million yen (up 350 million yen from Fiscal 2004).

< Other Services >

Net sales from other services such as electronic data processing services and installation/maintenance of 24-hour Clean Bath systems plus those from real estate made 5,607 million yen altogether (down 506 million yen compared with Fiscal 2004).

< Development and Production >

In the sewing machine segment, Janome manufactured new products to meet the requirements of serious sewers with the aim of developing a new generation of customers to further broaden our product lines.

In the industrial machinery segment, Janome developed a new desk-top robot series and a new Scara robot series with customizing functions to adapt to new market needs.

In production, facing drastically increasing material costs, Janome timely reviewed production procedures to intensify the *TPM* (Total Productivity Management: activities to optimally increase production efficiency) program, focusing on further cost reductions and quality improvements.

[Janome Group]

The total revenue of the Janome Group posted 48,438 million yen (down 366 million yen compared with Fiscal 2004). Operating income was 3,447 million yen (down 1,198 million yen) and ordinary income, 2,538 million yen (down 1,284 million yen). A consolidated net loss of 4,512 million yen was posted, mainly affected by allowance for doubtful accounts as an extraordinary loss.

[Janome Tokyo]

On a non-consolidated basis, Janome Tokyo posted revenue of 38,368 million yen (down 570 million yen compared with Fiscal 2004). Operating income was 1,680 million yen (down 447 million yen) and ordinary income, 2,322 million yen (up 34 million yen compared with Fiscal 2004). From the point of view of making our company's financial position much healthier for early recommencement of dividend payments to our shareholders, we posted an allowance of 7,000 million yen against a negotiated obligation as an extraordinary loss. Consequently, a non-consolidated net loss of 3,915 million yen was posted.

Janome Group established a new two-year plan, *STEP-2-PLAN* in April 2004, with Fiscal 2005 as the first year and Fiscal 2006 as the second year.

1. Achieve a consolidated operating income ratio of 10% by the end of Fiscal 2006 ending 31 March 2006.
2. Seek growth (expansion of sales and improvement of profitability).
3. Fortify the Company's financial position with the reduction of interest-bearing debts.
4. Eliminate accumulated net losses to prepare for recommencement of dividend payments to shareholders.

Aiming for these goals, Janome has been making every effort group-wide towards performance improvement.

Affected by unfavorable factors such as the drastic cost increase of raw materials and the depreciation of the U.S. dollar against most major currencies, profits were depressed and fell during this period. As a result, we regrettably could not reach the first year target by 31 March 2005.

For Fiscal 2006, Janome will vigorously push forward with every effort from the entire Janome Group to achieve the following goals:

- Achieve a consolidated operating income ratio of 8.4%.
- Increase sales and profitability lifting total sales to 1,900,000 units of sewing machines, 12,000 bath systems and 2,300 units of industrial machinery.
- Reduce interest-bearing debts and aim at recommencement of dividend payments to shareholders in the very near future.

Thank you for your support of our efforts.

Tokyo, June 2005

A handwritten signature in black ink, appearing to read 'S. Kato', with a stylized flourish at the end.

Sumikazu Kato
President

Consolidated Balance Sheets

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

As of 31 March 2005 and 2004

Millions of yen

	March 31 2005	March 31 2004	2005 over/(down) 2004
[ASSETS]			
Current assets			
Cash and cash equivalents	¥3,303	¥4,365	(¥1,062)
Accounts and notes receivable	8,017	7,645	372
Marketable securities	1,210	533	676
Inventories	7,312	6,884	427
Deferred tax assets	519	1,021	(501)
Other current assets	576	1,643	(1,066)
Allowance for doubtful accounts	(208)	(192)	(15)
Total current assets	20,732	21,901	(1,168)
Fixed assets			
Tangible fixed assets			
Buildings and structures	4,631	4,802	(170)
Machinery and vehicles	948	983	(35)
Land	16,524	16,385	139
Construction in progress	295	34	260
Other tangible fixed assets	1,237	1,090	146
Total tangible fixed assets	23,637	23,297	339
Intangible fixed assets	614	617	(2)
Investments and other assets			
Investment securities	7,391	8,492	(1,100)
Uncollectable receivable	30,000	30,000	--
Deferred tax assets	6,599	5,125	1,473
Other investments and assets	1,325	1,365	(39)
Allowance for doubtful accounts	(30,123)	(23,120)	(7,003)
Total investments and other assets	15,192	21,862	(6,669)
Total fixed assets	39,444	45,777	(6,332)
TOTAL ASSETS	60,177	67,678	(7,501)
[LIABILITIES]			
Current liabilities			
Notes and accounts payable	3,864	4,151	(287)
Short-term borrowings	14,011	30,650	(16,639)
Income taxes payable	290	495	(204)
Allowance for employees' bonuses	599	615	(15)
Other current liabilities	2,135	2,589	(453)
Total current liabilities	20,901	38,502	(17,660)
Fixed liabilities			
Bonds and notes	3,000	--	3,000
Long-term borrowings	15,031	3,786	11,245
Deferred tax liabilities	3,932	3,933	(0)
Liability for retirement payments	4,409	4,096	312
Other fixed liabilities	816	800	15
Total fixed liabilities	27,190	12,616	14,573
TOTAL LIABILITIES	48,092	51,118	(3,026)
[MINORITY INTEREST]			
Minority interest share	537	528	8
[STOCKHOLDERS' EQUITY]			
Common stock	7,623	7,623	--
Capital surplus	0	1,694	(1,694)
Retained earnings	(594)	2,208	(2,803)
Difference from revaluation of land	5,732	5,733	(0)
Difference from revaluation of investment securities	24	270	(246)
Foreign currency translation adjustments	(1,235)	(1,497)	262
Treasury stock, at cost	(2)	(1)	(1)
TOTAL STOCKHOLDERS' EQUITY	11,547	16,030	(4,483)
TOTAL OF LIABILITIES, MINORITY INTEREST SHARE AND STOCKHOLDERS' EQUITY	¥60,177	¥67,678	(¥7,501)

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

Consolidated Statements of Income

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

	Periods of 1 April 2004 - 31 March 2005 and 1 April 2003 - 31 March 2004			Millions of yen
	1 April 2004	1 April 2003	2005	
	-	-	over/(down)	
	31 March 2005	31 March 2004	2004	
Net sales	¥48,438	¥48,804	(¥366)	
Cost of sales	23,637	22,543	1,093	
Gross profit	24,800	26,260	(1,459)	
Selling, general and administrative expenses	21,353	21,614	(261)	
Operating income	3,447	4,646	(1,198)	
Other income				
Interest income	31	40	(8)	
Dividend income	12	113	(101)	
Miscellaneous	142	192	(50)	
Total other income	186	346	(160)	
Other expenses				
Interest expense	742	861	(119)	
Foreign exchange loss	144	229	(85)	
Minority interest in net loss of subsidiary	24	10	13	
Miscellaneous	184	66	117	
Total other expenses	1,095	1,169	(73)	
Ordinary profit	2,538	3,823	(1,284)	
Extraordinary profit				
Gain on sales on fixed assets	108	42	65	
Reversal of investment	--	986	(986)	
Gain on sales of investment securities	--	145	(145)	
Total extraordinary profit	108	1,174	(1,066)	
Extraordinary loss				
Accrual of allowance for bad debts	7,000	2,014	4,985	
Loss on revaluation and disposal of inventories	66	118	(51)	
Loss on sales and depreciation of fixed assets	65	69	(4)	
Loss on revaluation of investment securities	32	5	27	
Loss on revaluation of other investment	5	8	(2)	
Loss on sales of investment securities	--	118	(118)	
Total extraordinary loss	7,170	2,333	4,836	
Income before income taxes and minority interests	(4,523)	2,664	(7,187)	
Income tax, inhabitant tax and business tax	709	1,016	(307)	
Income tax adjustment	(801)	(460)	(341)	
Minority interest	81	131	(49)	
Net income	(¥4,512)	¥1,975	(¥6,488)	

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

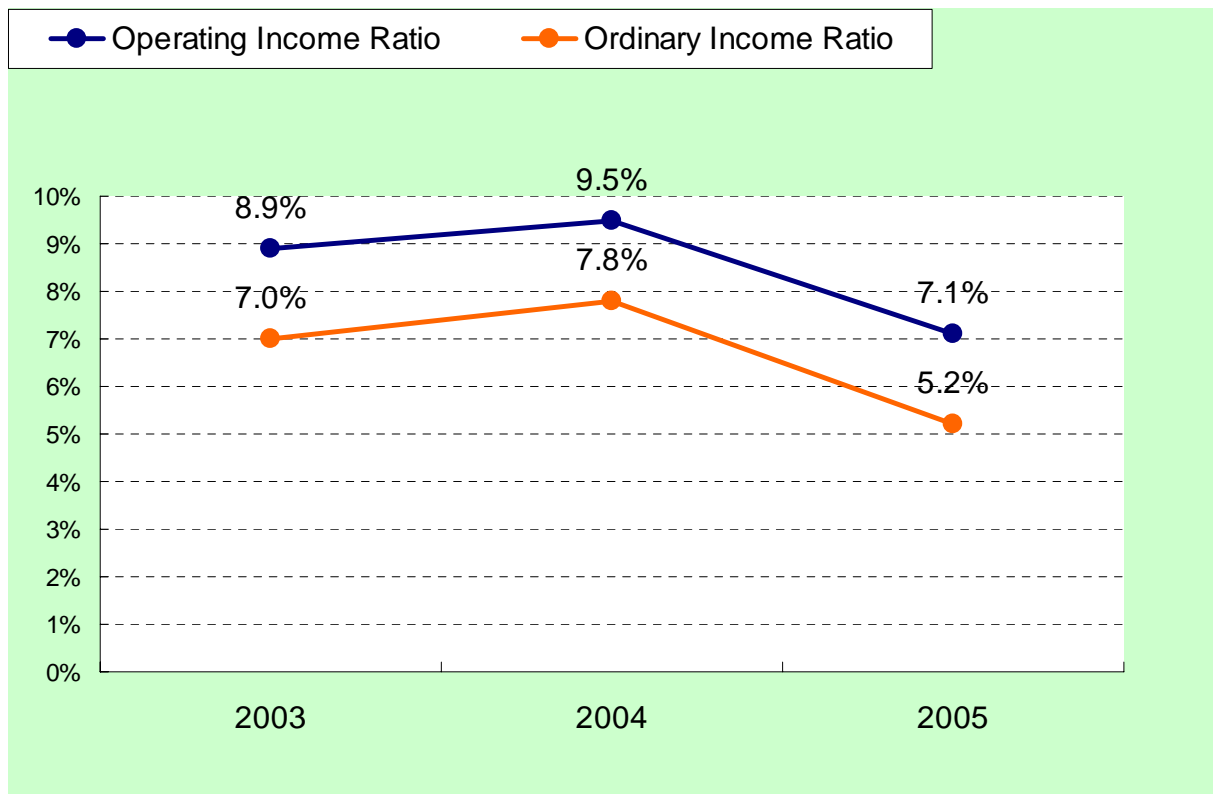
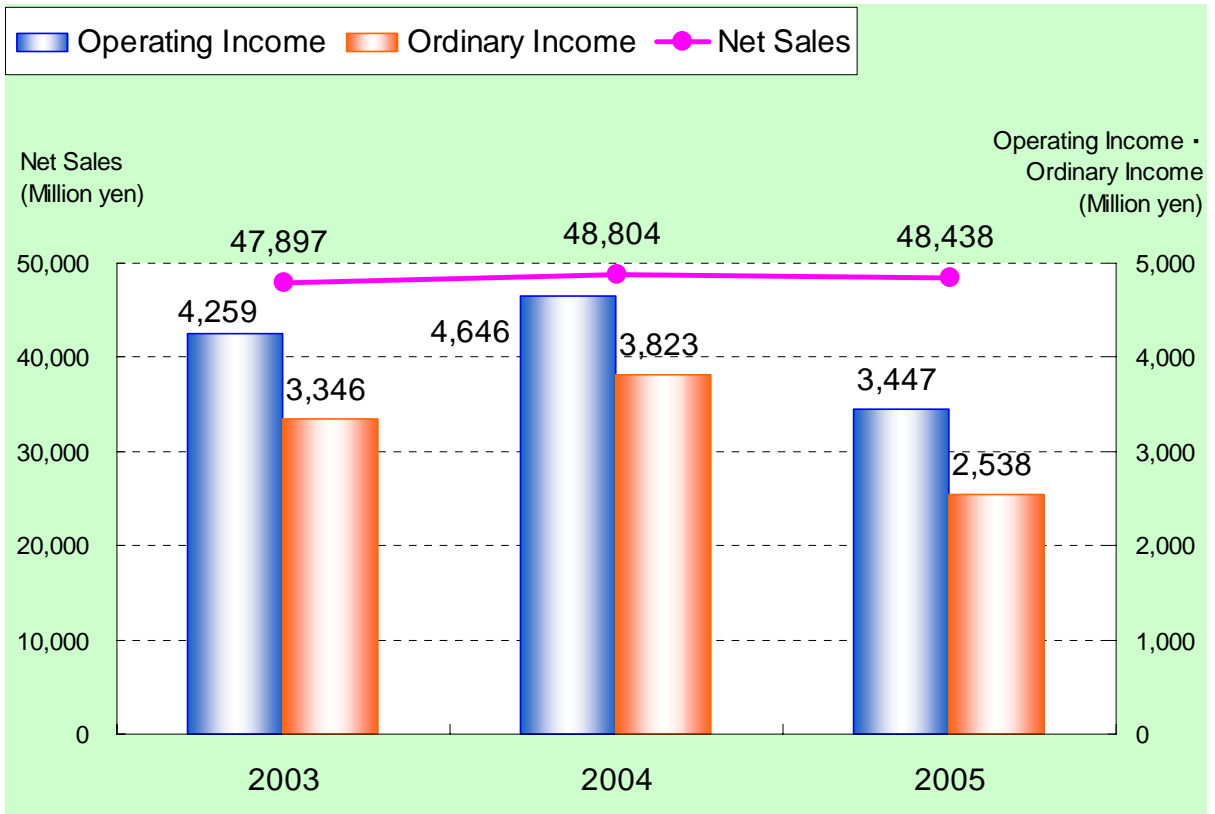
Consolidated Statements of Cash Flows

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

	Periods of April 1 - March 31, 2005 and 2004		Millions of yen
	1 April 2004	1 April 2003	
	-	-	
	31 March 2005	31 March 2004	
Net cash provided by (used in) operating activities	2,635	3,602	
Net cash provided by (used in) investing activities	(1,137)	(331)	
Net cash provided by (used in) financing activities	(2,721)	(5,583)	
Effect of exchange rate changes on cash and cash equiva	26	31	
Increase/decrease in cash and cash equivalents	(1,197)	(2,281)	
Cash and cash equivalents, at beginning of period	4,283	6,341	
Increase in cash and cash equivalents from affiliates	93	222	
Cash and cash equivalents, at end of period	3,179	4,283	

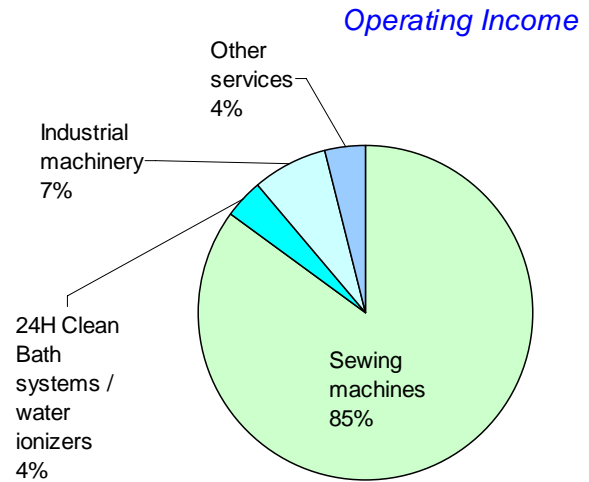
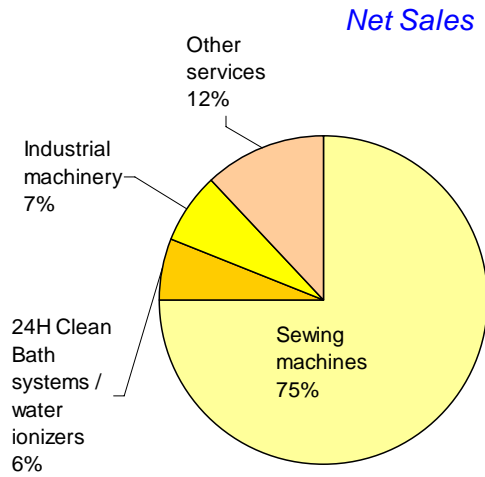
Note: Amounts less than one million yen are rounded down.

Consolidated Financial Results



Consolidated Segment Information (1 April 2004 – 31 March 2005)

Operation by Business



Share Information (as of 31 March 2005)

	Common Stock
Number of authorized shares	360,000,000
Number of shares in issue	152,460,000
Number of shareholders	13,011

Shareholders' classification (% vs. total number of shares)

