

(Reference Translation)



August 1, 2019

Summary of Financial Information and Business Results
for the First Six Months of Fiscal Year 2019 Ending December 31, 2019
on a Consolidated Basis
<under Japanese GAAP>

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Listing: First Section of the Tokyo Stock Exchange
Securities code: 6440
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Scheduled date to file the quarterly securities report: August 2, 2019
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the first six months of fiscal year 2019 ending December 31, 2019 (January 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
June 30, 2019	51,885	(2.5)	2,595	(28.9)	2,107	(33.7)	1,436	(26.0)
June 30, 2018	53,235	10.0	3,650	0.9	3,178	(11.5)	1,942	(19.2)

Note: Comprehensive income Six months ended June 30, 2019: 686 million yen [(30.6) %]
Six months ended June 30, 2018: 988 million yen [(51.6) %]

Six months ended	Basic earnings per share	Diluted earnings per share
	yen	yen
June 30, 2019	49.04	–
June 30, 2018	66.31	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
June 30, 2019	117,963	37,034	30.8
December 31, 2018	119,121	37,241	30.7

Reference: Equity As of June 30, 2019: 36,316 million yen

As of December 31, 2018: 36,529 million yen

2. Dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2018	–	0.00	–	30.00	30.00
Fiscal year ending December 31, 2019	–	0.00			
Fiscal year ending December 31, 2019 (Forecast)			–	30.00	30.00

Note: Revisions to the dividend forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year 2019 ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending December 31, 2019	114,000	1.7	7,300	(20.2)	6,800	(18.9)	5,000	(24.7)	170.67

Note: Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the six months under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2019	29,874,179 shares
As of December 31, 2018	29,874,179 shares

- b. Number of treasury shares at the end of the period

As of June 30, 2019	578,601 shares
As of December 31, 2018	578,403 shares

- c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2019	29,295,696 shares
Six months ended June 30, 2018	29,296,264 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Disclaimer regarding forward-looking statements

Forward-looking statements concerning future plans and strategies contained in this report are based on information currently available to JUKI and on certain assumptions deemed to be reasonable. Actual business results and other results may differ materially from the forward-looking statements due to various factors. Significant factors that may have an impact on actual results include, but not limited to, the economic environment surrounding JUKI's business, political situations in key markets, and foreign exchange rate fluctuations.

[Attached Material]

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1. Qualitative information regarding consolidated performance for the first six months

(1) Explanation regarding operating results

While the U.S. economy grew in a stable manner during the six months ended June 30, 2019, the business environment showed increasing global economic instability due to the prolongation of trade friction between the U.S. and China, an economic slowdown in China, and the withdrawal of Britain from the EU.

Meanwhile, trends in technological innovation are increasingly accelerating with the rising interest in AI, IoT, cloud, and other technologies, and customers faced a growing need to actively invest in digitization, the application of systemization, and smart companies and factories.

Based on a recognition of this environment, during the six months ended June 30, 2019, the Company worked to realize the vision of the current Medium-Term Management Plan to become an “enterprise that consistently provides customer-preferred, high-quality products and services” and convert from a “*Monodzukuri* (manufacturing)” enterprise to one based on “*Kotodzukuri* (value creation).” Specifically, the Company promoted solution sales activities, offering products and services that match customers’ needs for labor saving and proposing smart factories to boost factory-wide production efficiency. At the same time, it worked to build a stable customer base for the future by developing a middle market centered on the Asian market and undertaking the creation of business categories, such as the Group Businesses, in anticipation of the future of such categories. In these circumstances, for the six months ended June 30, 2019 sales fell in China and Europe due to the changes in the aforementioned business environment, and total net sales amounted to 51,885 million yen (down by 2.5% from the same period of the previous fiscal year).

In terms of profits, we worked to reduce costs to improve profitability, but the impact of the decline in sales and lower capacity utilization rates at factories, in addition to expenses recorded in relation to developing the middle market, and advanced development, resulted in operating profit of 2,595 million yen (down by 28.9% from the same period of the previous fiscal year). Ordinary profit stood at 2,107 million yen (down by 33.7% from the same period of the previous fiscal year), and profit attributable to owners of parent stood at 1,436 million yen (down by 26.0% from the same period of the previous fiscal year).

(Business overview by primary segment)

a. Sewing Machinery and Systems Business

By market, sales in the Asian middle market were steady, but declined in China and Europe, resulting in net sales for the Sewing Machinery and Systems Business Segment as a whole of 34,109 million yen (down by 1.9% from the same period of the previous fiscal year). With respect to profits, due to the impact of decrease in sales and the cost of developing the middle market and other factors, segment profit (ordinary profit) amounted to 1,811 million yen (down by 12.1% from the same period of the previous fiscal year).

b. Industrial Equipment and Systems Business

With respect to Electronic Assembly Systems Businesses, sales in the U.S. were steady, with sales of new mounters and labor-saving devices tied to smart factory proposals increasing. However, sales in China and Europe declined, so that net sales of the Industrial Equipment and Systems Business Segment as a whole stood at 17,654 million yen (down by 3.6% from the same period of the previous fiscal year). In terms of profits, segment profit (ordinary profit) stood at 1,177 million yen (down by 34.6% from the same period of the previous fiscal year) due to the impact of lower sales and of increases in advanced development expenses.

(2) Explanation regarding financial position

a. Analysis of financial position

Due to changes in lease accounting, property, plant and equipment increased, but there were decreases in notes and accounts receivable - trade and inventories, etc., leading to total assets as of June 30, 2019 of 117,963 million yen, a decrease of 1,157 million yen compared to the previous fiscal year-end. Liabilities were 80,929 million yen, a decrease of 950 million yen compared to the previous fiscal year-end. This mainly reflected decreases in notes and accounts payable - trade, and

an increase in short-term loans payable, etc. Although retained earnings recorded an increase, a higher negative value in foreign currency translation adjustment was posted, resulting in net assets of 37,034 million yen, a decrease of 207 million yen compared to the previous fiscal year-end. Consequently, the equity ratio was 30.8%.

b. Cash flows

Net cash provided by operating activities was 144 million yen (1,880 million yen provided in the same period of the previous fiscal year). The cash provided decreased from same period of the previous fiscal year mainly reflected a decrease in notes and accounts payable - trade, despite decreases in notes and accounts receivable - trade and inventories.

Net cash used in investing activities was 866 million yen (1,051 million yen used in the same period of the previous fiscal year). This was mainly the result of purchase of property, plant and equipment such as plant facilities.

Net cash provided by financing activities was 1,846 million yen (4 million yen used in the same period of the previous fiscal year). This primarily reflected an increase in short-term loans payable. As a result, cash and cash equivalents were 8,233 million yen, an increase of 931 million yen compared to the previous fiscal year-end.

(3) Explanation regarding forward-looking statements such as consolidated earnings forecasts

The consolidated earnings forecasts for the fiscal year ending December 31, 2019 have not been revised from those previously announced on February 12, 2019, taking into account uncertainty regarding the present foreign exchange trend and the business environment in the emerging countries due to occurrence of trade friction between U.S. and China and other factors. Going forward, the Company will closely examine its earnings forecasts after taking into account the impact on the Company's earnings from factors including the business environment.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(million yen)

	As of December 31, 2018	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	7,324	8,236
Notes and accounts receivable - trade	33,465	32,266
Inventories	43,516	42,493
Other	2,825	3,189
Allowance for doubtful accounts	(387)	(405)
Total current assets	86,744	85,781
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,890	11,615
Land	6,362	6,362
Other, net	4,888	5,464
Total property, plant and equipment	23,141	23,442
Intangible assets	1,992	1,945
Investments and other assets		
Other	8,645	8,110
Allowance for doubtful accounts	(1,402)	(1,317)
Total investments and other assets	7,242	6,792
Total non-current assets	32,376	32,181
Total assets	119,121	117,963
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,145	8,871
Electronically recorded obligations - operating	5,140	3,949
Short-term loans payable	35,901	38,723
Income taxes payable	1,115	694
Provision for bonuses	38	40
Other	5,926	6,282
Total current liabilities	59,266	58,561
Non-current liabilities		
Long-term loans payable	16,153	16,029
Provision for directors' retirement benefits	68	57
Net defined benefit liability	5,582	5,203
Other	809	1,077
Total non-current liabilities	22,613	22,367
Total liabilities	81,880	80,929

(million yen)

	As of December 31, 2018	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	18,044	18,044
Capital surplus	2,035	2,035
Retained earnings	19,610	20,167
Treasury shares	(607)	(607)
Total shareholders' equity	39,082	39,640
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	458	407
Foreign currency translation adjustment	(2,973)	(3,680)
Remeasurements of defined benefit plans	(38)	(51)
Total accumulated other comprehensive income	(2,552)	(3,324)
Non-controlling interests	711	718
Total net assets	37,241	37,034
Total liabilities and net assets	119,121	117,963

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income (cumulative)

(million yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Net sales	53,235	51,885
Cost of sales	37,177	36,463
Gross profit	16,057	15,421
Selling, general and administrative expenses	12,407	12,826
Operating profit	3,650	2,595
Non-operating income		
Interest income	18	18
Dividend income	109	113
Reversal of allowance for doubtful accounts	156	66
Other	353	263
Total non-operating income	637	462
Non-operating expenses		
Interest expenses	401	399
Foreign exchange losses	670	502
Other	36	48
Total non-operating expenses	1,109	949
Ordinary profit	3,178	2,107
Extraordinary income		
Gain on sales of non-current assets	13	6
Total extraordinary income	13	6
Extraordinary losses		
Loss on sales and retirement of non-current assets	16	6
Total extraordinary losses	16	6
Profit before income taxes	3,175	2,106
Income taxes	1,177	641
Profit	1,998	1,465
Profit attributable to non-controlling interests	55	29
Profit attributable to owners of parent	1,942	1,436

Consolidated statement of comprehensive income (cumulative)

(million yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Profit	1,998	1,465
Other comprehensive income		
Valuation difference on available-for-sale securities	(187)	(50)
Foreign currency translation adjustment	(817)	(716)
Remeasurements of defined benefit plans, net of tax	(4)	(12)
Total other comprehensive income	(1,009)	(779)
Comprehensive income	988	686
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	944	665
Comprehensive income attributable to non-controlling interests	43	20

(3) Consolidated statement of cash flows

(million yen)

	Six months ended June 30, 2018	Six months ended June 30, 2019
Cash flows from operating activities		
Profit before income taxes	3,175	2,106
Depreciation	1,199	1,404
Increase (decrease) in allowance for doubtful accounts	(132)	(53)
Increase (decrease) in net defined benefit liability	(31)	(111)
Decrease (increase) in net defined benefit asset	(38)	82
Increase (decrease) in provision for bonuses	13	3
Interest and dividend income	(127)	(131)
Interest expenses	401	399
Foreign exchange losses (gains)	(34)	11
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets	2	0
Decrease (increase) in notes and accounts receivable - trade	(329)	588
Decrease (increase) in inventories	(4,242)	128
Increase (decrease) in notes and accounts payable - trade	1,713	(3,333)
Increase (decrease) in notes discounted	42	0
Other, net	1,158	540
Subtotal	2,770	1,634
Interest and dividend income received	127	132
Interest expenses paid	(403)	(400)
Income taxes (paid) refund	(614)	(1,222)
Net cash provided by (used in) operating activities	1,880	144
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,256)	(913)
Proceeds from sales of property, plant and equipment and intangible assets	133	25
Other, net	71	21
Net cash provided by (used in) investing activities	(1,051)	(866)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,213	2,782
Proceeds from long-term loans payable	4,651	4,670
Repayments of long-term loans payable	(4,723)	(4,512)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,021)	(875)
Repayments of sale and installment back payables	(20)	(1)
Other, net	(103)	(217)
Net cash provided by (used in) financing activities	(4)	1,846
Effect of exchange rate change on cash and cash equivalents	(197)	(191)
Net increase (decrease) in cash and cash equivalents	627	931
Cash and cash equivalents at beginning of period	6,335	7,301
Cash and cash equivalents at end of period	6,963	8,233

**(4) Notes to quarterly consolidated financial statements
(Notes to premise of going concern)**

No items to report.

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

No items to report.

(Application of special accounting for preparing quarterly consolidated financial statements)

Calculation of taxes

Taxes are calculated by reasonably estimating the effective tax rate after application of tax effect accounting to profit before income taxes for the fiscal year, and multiplying the quarterly profit before income taxes by such estimated effective tax rate.

It should be noted that income taxes-deferred are included in income taxes.

(Changes in accounting policies)

Subsidiaries of the Group that apply IFRS have applied IFRS 16 (Leases) effective from the first quarter ended March 31, 2019. The impact from this application of the accounting standards on the quarterly consolidated financial statements is immaterial.

(Additional information)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidance effective from the beginning of the first quarter ended March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

(Segment information, etc.)

1. Information regarding the amounts of net sales and profit/loss by reportable segment

Six months ended June 30, 2018 (January 1, 2018 to June 30, 2018) (million yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Sewing Machinery and Systems Business	Industrial Equipment and Systems Business	Total				
Net sales							
To external customers	34,769	18,323	53,092	142	53,235	–	53,235
Inter-segment sales or transfers	479	200	679	231	911	(911)	–
Total	35,248	18,523	53,772	374	54,146	(911)	53,235
Segment profit	2,062	1,801	3,863	31	3,895	(716)	3,178

(Notes) 1. The “Other Businesses” category refers to business segments not included in reportable segments under which businesses such as the building management business are classified.

2. Included in the 716 million yen deducted from segment profit as adjustment are a deduction of 5 million yen in inter-segment eliminations and a deduction of 711 million yen in corporate loss that cannot be allocated to any reportable segment. The corporate loss mainly consists of costs related to the administrative functions of the Company that have not been attributed to any reportable segment and foreign exchange losses that have not been attributed to any reportable segment.

3. Segment profit is adjusted with ordinary profit in the quarterly consolidated statement of income.

Six months ended June 30, 2019 (January 1, 2019 to June 30, 2019) (million yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount recorded in the quarterly consolidated statement of income (Note 3)
	Sewing Machinery and Systems Business	Industrial Equipment and Systems Business	Total				
Net sales							
To external customers	34,109	17,654	51,764	121	51,885	–	51,885
Inter-segment sales or transfers	606	83	689	237	926	(926)	–
Total	34,716	17,737	52,454	358	52,812	(926)	51,885
Segment profit	1,811	1,177	2,989	40	3,029	(922)	2,107

(Notes) 1. The “Other Businesses” category refers to business segments not included in reportable segments under which businesses such as the building management business are classified.

2. Included in the 922 million yen deducted from segment profit as adjustment are 2 million yen in inter-segment eliminations and a deduction of 925 million yen in corporate loss that cannot be allocated to any reportable segment. The corporate loss mainly consists of costs related to the administrative functions of the Company that have not been attributed to any reportable segment and foreign exchange losses that have not been attributed to any reportable segment.

3. Segment profit is adjusted with ordinary profit in the quarterly consolidated statement of income.

2. Information regarding impairment loss of non-current assets and goodwill by reportable segment

No items to report.