

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
September 30, 2019	114,135	36,828	31.6
December 31, 2018	119,121	37,241	30.7

Reference: Equity As of September 30, 2019: 36,120 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)				25.00	25.00

Note: Revisions to the dividend forecasts most recently announced: Yes

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	100,000	(10.8)	4,000	(56.3)	2,900	(65.4)	2,000	(69.9)	68.27

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

*** Notes**

- (1) Changes in significant subsidiaries during the nine 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 September 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 September 30, 2019	578,603 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)

Nine months ended September 30, 2019	29,295,660 shares
Nine months ended September 30, 2018	29,296,191 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 nine months

(1) Explanation regarding operating results

During this fiscal year, the business environment showed increasing global economic instability due to an economic slowdown in China, the prolongation of trade friction between the U.S. and 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 face a growing need to strategically invest in digitization, the application of systemization, and smart companies and factories.

Based on a recognition of this environment, during the nine months ended September 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 borderless 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.

Under these circumstances, for the nine months ended September 30, 2019 there was a pronounced fall in sales in China, Europe, etc., especially due to the recent slowdown in customer demand of capital investment caused in turn by trade friction between the U.S. and China, resulting in total net sales of 74,424 million yen (down by 8.9% 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 an increase in expenses for strengthening organizations of solution businesses, resulted in operating profit of 3,238 million yen (down by 48.0% from the same period of the previous fiscal year). Ordinary profit stood at 2,476 million yen (down by 55.8% from the same period of the previous fiscal year), and profit attributable to owners of parent stood at 1,683 million yen (down by 53.8% 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 non-apparel sector were steady, but declined in China and Europe, resulting in net sales for the Sewing Machinery and Systems Business Segment as a whole of 48,613 million yen (down by 9.6% from the same period of the previous fiscal year). With respect to profits, the impact of the decline in sales, lower capacity utilization rates at factories, and the increase in expenses for developing borderless markets such as the middle market and other factors, resulted in segment profit (ordinary profit) of 2,418 million yen (down by 34.1% 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 an increase in sales of new mounters, as well as automated warehousing, inspection equipment and other labor-saving devices tied to smart factory proposals. However, sales in China, Europe and other areas declined, so that net sales of the Industrial Equipment and Systems Business Segment as a whole stood at 25,629 million yen (down by 7.6% from the same period of the previous fiscal year). With respect to profits, due to the impact of the decline in sales and the increase in expenses for advanced development such as strengthening organizations of solution businesses and expanding business areas, as well as other factors, segment profit (ordinary profit) amounted to 1,418 million yen (down by 47.8% from the same period of the previous fiscal year).

(2) Explanation regarding financial position

Assets, liabilities and net assets

Total assets as of September 30, 2019 were 114,135 million yen, a decrease of 4,985 million yen

compared to the previous fiscal year-end. This was mainly due to decreases in notes and accounts receivable - trade and inventories, despite an increase in property, plant and equipment in accordance with the changes to lease accounting. Liabilities were 77,307 million yen, a decrease of 4,572 million yen compared to the previous fiscal year-end. This mainly reflected a decrease in notes and accounts payable - trade. Although retained earnings recorded an increase, a higher negative value in foreign currency translation adjustment was posted, resulting in net assets of 36,828 million yen, a decrease of 412 million yen compared to the previous fiscal year-end. Consequently, the equity ratio was 31.6%.

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

The consolidated earnings forecasts for the fiscal year ending December 31, 2019 have been revised as follows, taking into consideration the results of the first nine months: net sales of 100,000 million yen, ordinary profit of 2,900 million yen, and profit attributable to owners of parent of 2,000 million yen. For further details, please see separate press release disclosed today, entitled “Notice of Revision to Consolidated Earnings Forecasts and Dividend Forecasts for the Fiscal Year Ending December 31, 2019.”

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(million yen)

	As of December 31, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	7,324	5,542
Notes and accounts receivable - trade	33,465	28,423
Inventories	43,516	43,637
Other	2,825	3,051
Allowance for doubtful accounts	(387)	(398)
Total current assets	86,744	80,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,890	11,474
Land	6,362	6,362
Other, net	4,888	6,057
Total property, plant and equipment	23,141	23,894
Intangible assets	1,992	1,959
Investments and other assets		
Other	8,645	9,333
Allowance for doubtful accounts	(1,402)	(1,308)
Total investments and other assets	7,242	8,024
Total non-current assets	32,376	33,878
Total assets	119,121	114,135
Liabilities		
Current liabilities		
Notes and accounts payable - trade	11,145	8,769
Electronically recorded obligations - operating	5,140	2,946
Short-term loans payable	35,901	36,264
Income taxes payable	1,115	165
Provision for bonuses	38	673
Other	5,926	6,243
Total current liabilities	59,266	55,062
Non-current liabilities		
Long-term loans payable	16,153	15,556
Provision for directors' retirement benefits	68	59
Net defined benefit liability	5,582	5,220
Other	809	1,407
Total non-current liabilities	22,613	22,244
Total liabilities	81,880	77,307

(million yen)

	As of December 31, 2018	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	18,044	18,044
Capital surplus	2,035	2,035
Retained earnings	19,610	20,414
Treasury shares	(607)	(607)
Total shareholders' equity	39,082	39,886
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	458	388
Foreign currency translation adjustment	(2,973)	(4,099)
Remeasurements of defined benefit plans	(38)	(54)
Total accumulated other comprehensive income	(2,552)	(3,766)
Non-controlling interests	711	708
Total net assets	37,241	36,828
Total liabilities and net assets	119,121	114,135

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

Consolidated statement of income (cumulative)

(million yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	81,703	74,424
Cost of sales	56,863	52,160
Gross profit	24,839	22,264
Selling, general and administrative expenses	18,618	19,026
Operating profit	6,221	3,238
Non-operating income		
Interest income	33	31
Dividend income	122	120
Commission fee	151	140
Reversal of allowance for doubtful accounts	172	106
Other	348	282
Total non-operating income	828	680
Non-operating expenses		
Interest expenses	612	597
Foreign exchange losses	782	771
Other	51	73
Total non-operating expenses	1,446	1,442
Ordinary profit	5,603	2,476
Extraordinary income		
Gain on sales of non-current assets	15	8
Total extraordinary income	15	8
Extraordinary losses		
Loss on sales and retirement of non-current assets	35	9
Loss on valuation of investments in capital	–	5
Total extraordinary losses	35	14
Profit before income taxes	5,583	2,469
Income taxes	1,834	756
Profit	3,749	1,712
Profit attributable to non-controlling interests	103	29
Profit attributable to owners of parent	3,645	1,683

Consolidated statement of comprehensive income (cumulative)

(million yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit	3,749	1,712
Other comprehensive income		
Valuation difference on available-for-sale securities	(226)	(70)
Foreign currency translation adjustment	(437)	(1,146)
Remeasurements of defined benefit plans, net of tax	(7)	(16)
Total other comprehensive income	(671)	(1,232)
Comprehensive income	3,077	480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,989	470
Comprehensive income attributable to non-controlling interests	88	10

**(3) 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

Nine months ended September 30, 2018 (January 1, 2018 to September 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	53,769	27,729	81,498	204	81,703	–	81,703
Inter-segment sales or transfers	758	261	1,020	348	1,369	(1,369)	–
Total	54,527	27,991	82,518	553	83,072	(1,369)	81,703
Segment profit	3,672	2,719	6,391	44	6,436	(832)	5,603

(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 832 million yen deducted from segment profit as adjustment are a deduction of 5 million yen in inter-segment eliminations and a deduction of 827 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.

Nine months ended September 30, 2019 (January 1, 2019 to September 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	48,613	25,629	74,243	181	74,424	–	74,424
Inter-segment sales or transfers	798	118	916	353	1,269	(1,269)	–
Total	49,411	25,748	75,160	534	75,694	(1,269)	74,424
Segment profit	2,418	1,418	3,837	56	3,894	(1,417)	2,476

(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 1,417 million yen deducted from segment profit as adjustment are a deduction of 6 million yen in inter-segment eliminations and a deduction of 1,411 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.