

(Reference Translation)



August 4, 2023

**Summary of Financial Information and Business Results
for the First Six Months of Fiscal Year 2023 Ending December 31, 2023
on a Consolidated Basis
<under Japanese GAAP>**

Company name: **JUKI Corporation**
Listing: Tokyo Stock Exchange
Securities code: 6440
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Scheduled date to file the quarterly securities report: August 7, 2023
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 2023 ending December 31, 2023 (January 1, 2023 to June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended June 30, 2023	44,770	(23.6)	(1,689)	–	(1,317)	–	(1,541)	–
June 30, 2022	58,577	24.4	1,558	(18.3)	1,581	(7.8)	846	(30.7)

Note: Comprehensive income Six months ended June 30, 2023: 880 million yen [(81.8)%]
Six months ended June 30, 2022: 4,834 million yen [61.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	yen	yen
June 30, 2023	(52.36)	–
June 30, 2022	28.87	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
June 30, 2023	148,506	37,883	25.0
December 31, 2022	145,169	37,482	25.3

Reference: Equity As of June 30, 2023 37,115 million yen

As of December 31, 2022 36,738 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, 2022	–	0.00	–	20.00	20.00
Fiscal year ending December 31, 2023	–	0.00			
Fiscal year ending December 31, 2023 (forecast)			–	25.00	25.00

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

3. Consolidated earnings forecasts for the fiscal year 2023 ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(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, 2023	127,000	8.1	3,500	22.4	3,000	157.8	1,900	–	64.74

(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

New: - companies (company name), Excluded: - companies (company name)

(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, 2023	29,874,179 shares
As of December 31, 2022	29,874,179 shares

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

As of June 30, 2023	325,771 shares
As of December 31, 2022	503,016 shares

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

Six months ended June 30, 2023	29,447,139 shares
Six months ended June 30, 2022	29,327,503 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

In the business environment surrounding the Company in the six months ended June 30, 2023, the acceleration of a technological revolution in the form of AI/IoT/5G/VR, etc., and business developments due to changes in the market and customer base looking ahead to the post-pandemic period have created the need to build a new business model/management base in response to the new-normal environment. In addition, in response to the “sustainable development goals (SDGs),” society as a whole is further accelerating efforts to realize a sustainable society from a long-term perspective.

Meanwhile, although logistical disruptions are easing, economic activities were constrained by factors such as high resource prices due to the prolonged conflict in Ukraine and continuing tensions between the US and China, soaring overseas costs due to global inflation and rising interest rates, and foreign currency shortages in emerging countries. In addition, the competitive environment has intensified, including the entry of different industries into the market.

In this business environment, while sales in Europe and Japan were firm in the six months ended June 30, 2023, the Company experienced delays in economic recovery in China and other Asian countries, the largest markets, as well as materializing investment demand resulting from global production center relocation due to supply chain fragmentation, and postponement of purchases due to foreign currency shortages in emerging countries in South Asia and other regions. As a result, net sales decreased significantly to 44,770 million yen (down 23.6% year-on-year).

In terms of profits, despite the effects of yen depreciation on sales and the alleviation of semiconductor cost hikes that soared during the previous year, along with cost structural reforms, including price raise of industrial sewing machines and reduction of logistics and production costs, sharp declines in sales, decline in capacity utilization rates at factories, and the growing burden of overseas material costs and expenses resulted in an operating loss of 1,689 million yen (versus an operating profit of 1,558 million yen in the same period of the previous fiscal year); an ordinary loss of 1,317 million yen (versus an ordinary profit of 1,581 million yen in the same period of the previous fiscal year); and a loss attributable to parent of owners of 1,541 million yen (versus a profit attributable to owners parent of 846 million yen in the same period of the previous fiscal year).

In the second half, we will accelerate value-added structural reforms and improve our portfolio in high-value-added fields. This includes strengthening our global sales structure in Asia for industrial sewing machines; developing growing new customer segments; expanding customers and penetrating price increases in the non-apparel and knitwear markets; and strengthening new types of mounters and expansion areas in electronics assembly & systems.

Moreover, we will implement thoroughgoing cost structural reforms to restore sales and profits through dramatic reductions in fixed costs. This will include a significant downsizing of the headquarters and offices and eliminating or consolidating branches and warehouses.

By implementing the above measures, we will enhance the effectiveness in the medium to long term of our Medium-Term Management Plan, which covers the period from 2023 to 2025, as we also strive for early realization of our growth strategy by strongly promoting the reform of our business and system strategies through the 6 Reforms (6X).

(Business overview by primary segment)

i) Sewing Machinery and Systems Business

Sales of industrial sewing machines decreased due to the delay in economic recovery in China and other Asian countries as well as materializing investment demand resulting from global production center relocation, and the impact of foreign currency shortages in emerging countries in South Asia and other regions, resulting in overall sales of 27,448 million yen (down 30.2% year-on-year) for the Sewing Machinery and Systems Business.

In terms of profits, despite the effect of yen depreciation on sales and alleviation of semiconductor cost hikes that soared in the previous year, along with the efforts of cost reduction, including price raise of industrial sewing machines and reduction of logistics and production costs, a significant decrease in sales and lower capacity utilization rates at factories resulted in a segment loss (ordinary loss) of 1,530 million yen, compared with a profit of 25 million yen in the same period of the previous fiscal year.

In the second half, we will strengthen our global sales structure in Asia; expand our customer base in the non-apparel and knitwear markets; promote the expansion of high-value-added business areas such as smart solution proposals; and restore sales and revenues through further cost structural reforms.

ii) Industrial Equipment and Systems Business

Sales of electronics assembly & systems increased year-on-year in Europe and the U.S. due to firm capital investment demand. Growth was sluggish in other regions, resulting in year-on-year drop in overall sales. However, sales were firm in the Group Businesses such as contract manufacturing, mainly in Japan, partly due to a rise in demand for capital investment as customers moved to deal with supply chain fragmentation. As a result, net sales for the Industrial Equipment and Systems Business as a whole were 17,150 million yen (down 10.2% year-on-year).

In terms of profits, segment loss (ordinary loss) was 124 million yen, compared to a profit of 1,246 million yen for the same period of the previous fiscal year, due mainly to lower sales in the non-mounter business in electronics assembly & systems.

In the second half, we will strengthen our global sales structure in electronics assembly & systems to capture high-speed machine demand through line proposals centered on new products.

Additionally, we will strengthen efforts to expand business areas based on high added value.

Examples include automation equipment and automated warehouses. In the Group Businesses, we will strive to expand overall sales and profits by strengthening the contracted engineering business.

(2) Explanation regarding financial position

Total assets as of June 30, 2023 were 148,506 million yen, an increase of 3,336 million yen compared to the previous fiscal year-end. This was due mainly to an increase in inventories, while accounts receivable - trade decreased as sales declined. Liabilities were 110,623 million yen, an increase of 2,935 million yen compared to the previous fiscal year-end. This primarily reflected an increase in borrowings. Net assets increased 401 million yen from the end of the previous fiscal year-end to 37,883 million yen, due mainly to an increase in foreign currency translation adjustment, despite a decrease in retained earnings resulting from net loss and dividend payment.

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

There are no changes in the full-year earnings forecast that were previously announced.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(million yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	4,931	5,706
Notes and accounts receivable - trade, and contract assets	37,537	34,470
Inventories	62,429	67,294
Other	3,151	3,147
Allowance for doubtful accounts	(373)	(478)
Total current assets	107,677	110,140
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,516	10,305
Land	6,317	6,317
Other, net	6,692	7,082
Total property, plant and equipment	23,525	23,705
Intangible assets	2,316	2,379
Investments and other assets		
Other	11,956	12,698
Allowance for doubtful accounts	(306)	(417)
Total investments and other assets	11,649	12,281
Total non-current assets	37,492	38,365
Total assets	145,169	148,506
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,145	7,742
Electronically recorded obligations - operating	4,113	3,182
Short-term borrowings	58,807	62,724
Income taxes payable	547	590
Provision for bonuses	38	33
Contract liabilities	883	857
Other	8,255	9,399
Total current liabilities	81,791	84,529
Non-current liabilities		
Long-term borrowings	18,851	19,085
Provision for retirement benefits for directors (and other officers)	39	44
Retirement benefit liability	5,113	5,053
Other	1,892	1,909
Total non-current liabilities	25,896	26,093
Total liabilities	107,687	110,623

(million yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	18,044	18,044
Capital surplus	1,972	1,894
Retained earnings	15,816	13,687
Treasury shares	(527)	(341)
Total shareholders' equity	35,306	33,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	482	577
Foreign currency translation adjustment	1,048	3,349
Remeasurements of defined benefit plans	(99)	(97)
Total accumulated other comprehensive income	1,431	3,829
Non-controlling interests	743	767
Total net assets	37,482	37,883
Total liabilities and net assets	145,169	148,506

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

Consolidated statement of income (cumulative)

(million yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	58,577	44,770
Cost of sales	42,992	32,572
Gross profit	15,584	12,198
Selling, general, and administrative expenses	14,026	13,887
Operating profit (loss)	1,558	(1,689)
Non-operating income		
Interest income	24	27
Dividend income	93	92
Share of profit of entities accounted for using equity method	18	301
Foreign exchange gains	18	339
Commission income	107	47
Reversal of allowance for doubtful accounts	14	2
Subsidy income	26	57
Other	230	221
Total non-operating income	534	1,090
Non-operating expenses		
Interest expenses	458	680
Other	52	38
Total non-operating expenses	511	719
Ordinary profit (loss)	1,581	(1,317)
Extraordinary income		
Gain on sale of non-current assets	4	3
Gain on sale of investment securities	–	73
Total extraordinary income	4	76
Extraordinary losses		
Loss on sale and retirement of non-current assets	13	11
Business restructuring expenses	–	41*1
Loss on COVID-19	235*2	–
Other	–	2
Total extraordinary losses	249	55
Profit (loss) before income taxes	1,337	(1,296)
Income taxes	424	220
Profit (loss)	912	(1,517)
Profit attributable to non-controlling interests	65	24
Profit (loss) attributable to owners of parent	846	(1,541)

Consolidated statement of comprehensive income (cumulative)

(million yen)

Six months ended June 30, 2022 Six months ended June 30, 2023

Profit (loss)	912	(1,517)
Other comprehensive income		
Valuation difference on available-for-sale securities	(94)	95
Foreign currency translation adjustment	3,915	2,141
Remeasurements of defined benefit plans, net of tax	(21)	(0)
Share of other comprehensive income of entities accounted for using equity method	122	161
Total other comprehensive income	3,921	2,398
Comprehensive income	4,834	880
(Breakdown)		
Comprehensive income attributable to owners of parent	4,768	856
Comprehensive income attributable to non-controlling interests	65	24

(3) Consolidated statement of cash flows

(million yen)

Six months ended June 30, 2022 Six months ended June 30, 2023

Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	1,337	(1,296)
Depreciation	1,549	1,554
Amortization of goodwill	–	7
Increase (decrease) in allowance for doubtful accounts	232	168
Increase (decrease) in retirement benefit liabilities	(89)	(42)
Decrease (increase) in retirement benefit assets	(65)	(45)
Increase (decrease) in provision for bonuses	1	(8)
Interest and dividend income	(118)	(120)
Interest expenses	458	680
Foreign exchange losses (gains)	(91)	(124)
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	9	7
Decrease (increase) in trade receivables	(2,286)	5,427
Decrease (increase) in inventories	(6,062)	(604)
Increase (decrease) in trade payables	(801)	(2,637)
Other	(1,844)	(2,684)
Subtotal	(7,772)	279
Interest and dividends received	179	242
Interest paid	(458)	(681)
Income taxes refund (paid)	(827)	(440)
Net cash provided by (used in) operating activities	(8,879)	(599)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,022)	(1,251)
Proceeds from sale of property, plant and equipment, and intangible assets	17	10
Other	27	174
Net cash provided by (used in) investing activities	(977)	(1,067)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,855	3,415
Proceeds from long-term borrowings	4,860	5,111
Repayments of long-term borrowings	(4,944)	(5,744)
Purchase of treasury shares	(0)	(0)
Dividends paid	(729)	(545)
Other	(347)	(307)
Net cash provided by (used in) financing activities	11,693	1,929
Effect of exchange rate change on cash and cash equivalents	837	352
Net increase (decrease) in cash and cash equivalents	2,674	615
Cash and cash equivalents at beginning of period	6,566	4,910
Cash and cash equivalents at end of period	9,241	5,525

**(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)

(Application of Application Guidelines for the Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 31, June 17, 2021) from the beginning of the first quarter of the fiscal year under review, and the new accounting policy specified by the Guidelines is applied prospectively in accordance with the transitional treatment specified in Section 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This will not have an impact on quarterly consolidated financial statements.

(Additional information)

(Accounting estimates following the spread of COVID-19)

With regard to the effects of the spread of COVID-19, it is currently difficult to estimate these impacts, but based on external information we assume that the effects of the spread of COVID-19 will continue for the certain period of the fiscal year ending December 31, 2023, on which basis we have created accounting estimates related to such matters as judgments on impairment losses for non-current assets, and the recoverability of deferred tax assets.

However, this assumption is highly uncertain, and future results may differ from these estimates and assumptions.

(Changes in presentation)

(Consolidated statement of income)

In the six months ended June 30, 2023, the "share of profit of entities accounted for using equity method" and "foreign exchange gains" that had previously been included in the "other" category of "non-operating income" exceeded 20% of total non-operating income. Thus, it is presented as a separate item.

To reflect this change in presentation, the consolidated statement of income for the second quarter of the previous fiscal year has been reclassified. As a result, in the consolidated statement of income for the second quarter of the previous fiscal year, the 267 million yen that had previously been presented as "other" in "non-operating income" has become "share of profit of entities accounted for using equity method" of 18 million yen, "foreign exchange gains" of 18 million yen, and "other" of 230 million yen.

(Consolidated statement of income)

*1 Business restructuring expenses

Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

Business restructuring expenses include special severance payments and other expenses associated with the rationalization of personnel at a Chinese subsidiary as part of business restructuring.

*2 Loss on COVID-19

Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

The Company recorded an extraordinary loss of 235 million yen in labor costs incurred due to lockdowns imposed in China to prevent the spread of COVID-19.

(Segment information, etc.)

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

Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022) (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	39,350	19,097	58,447	130	58,577	–	58,577
Inter-segment sales or transfers	438	87	525	233	758	(758)	–
Total	39,788	19,184	58,972	363	59,336	(758)	58,577
Segment profit	25	1,246	1,272	19	1,292	289	1,581

- (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 289 million yen deducted from segment profit as adjustment are a deduction of 9 million yen in intersegment eliminations and a deduction of 298 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, 2023 (January 1, 2023 to June 30, 2023) (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	27,448	17,150	44,598	171	44,770	–	44,770
Inter-segment sales or transfers	513	54	567	251	819	(819)	–
Total	27,961	17,204	45,166	422	45,589	(819)	44,770
Segment profit (loss)	(1,530)	(124)	(1,654)	34	(1,620)	302	(1,317)

- (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 302 million yen deducted from segment profit as adjustment are a deduction of 29 million yen in inter-segment eliminations and a deduction of 332 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 (loss) 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.

(Revenue recognition)

Information on the breakdown of revenue from contracts with customers is as follows.

Six months ended June 30, 2022 (January 1, 2022 to June 30, 2022)

	(million yen)						
	Japan	Asia	China	Americas	Europe	Others	Total
Sewing Machinery and Systems Business	2,584	20,142	6,714	4,698	4,492	718	39,350
Industrial Equipment and Systems Business	5,342	3,662	5,527	2,783	1,573	208	19,097
Other Businesses	130	–	–	–	–	–	130
Total	8,056	23,804	12,242	7,482	6,065	926	58,577

(Note) Net sales are categorized into countries or regions based on the location of customers.

Six months ended June 30, 2023 (January 1, 2023 to June 30, 2023)

(million yen)

	Japan	Asia	China	Americas	Europe	Others	Total
Sewing Machinery and Systems Business	3,010	9,424	5,654	4,199	4,715	443	27,448
Industrial Equipment and Systems Business	5,951	2,437	3,801	2,929	1,904	126	17,150
Other Businesses	171	–	–	–	–	–	171
Total	9,133	11,861	9,455	7,128	6,620	570	44,770

(Note) Net sales are categorized into countries or regions based on the location of customers.