

To Our Shareholders



Business Report for the 105th Business Term

(From January 1, 2019 through December 31, 2019)

JUKI CORPORATION

Securities code: 6440

Business Performance Highlight

Overview of Business Performance

Net sales decreased by 11.5% year-on-year due mostly to remarkable decreases in sales in China and Europe arising from lower customer demand amidst the China-U.S. trade friction. JUKI, meanwhile, promoted solution business operations and searched for new middle-market customers, mainly in Asia.

Operating profit decreased by 58.0% and ordinary profit decreased by 64.9% year-on-year due to lower sales and a lower factory operating ratio, combined with higher operational expenses in the solution business. An improved gross margin rate achieved through cost reductions helped to contain the decrease in operating profit.

Net sales:
(Down by 12.8 billion yen year-on-year)

99.2 billion yen

Ordinary profit:
(Down by 5.4 billion yen year-on-year)

2.9 billion yen

Profit:
(Down by 4.8 billion yen year-on-year)

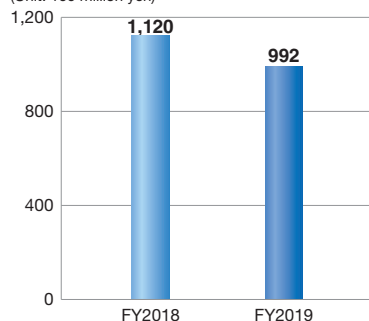
1.8 billion yen

Annual dividend:
(Ordinary dividend)

¥25 per share

Net sales

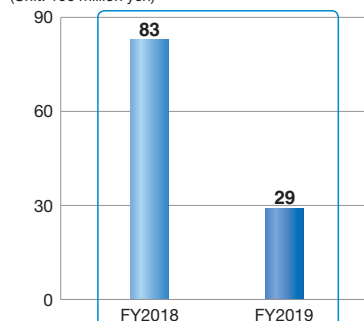
(Unit: 100 million yen)



Average exchange rate	1US\$	¥111	¥109
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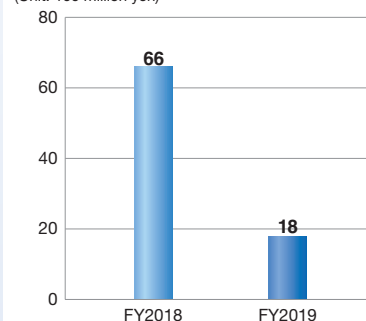
Ordinary profit

(Unit: 100 million yen)



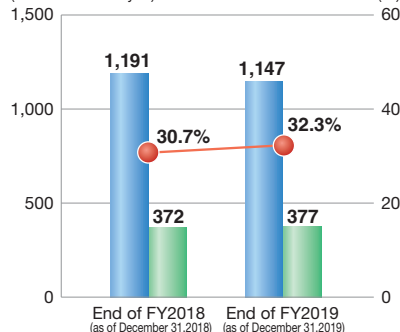
Profit

(Unit: 100 million yen)



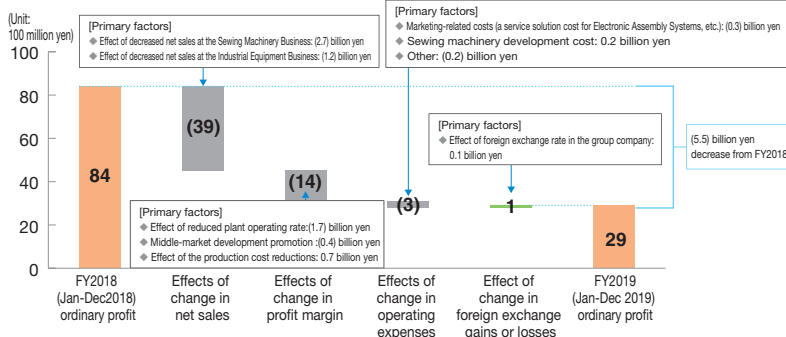
Total assets Net assets Equity ratio

(Unit: 100 million yen)



Average exchange rate	1US\$	¥111	¥110
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FY2019 Factors Leading to an Increase/Decrease in Ordinary Profit



Note: Figures in parentheses () are negative values.

I would like to express my sincere gratitude for your continued patronage and support of the Company.

We are pleased to present the business results for the 105th business year of the Company (January 1, 2019 to December 31, 2019).

Let's start with business environment for the year overall. The global economy grew less stable with the economic slowdown in China, the prolonged U.S.-China trade friction, the Brexit turmoil, and other factors. Customers, meanwhile, need more than ever to make strategic investments in smart companies of factories as industries worldwide adopt digital and systematized technologies and innovate new technologies powered by the likes of AI, IoT, and 5G.

Within this environment, we have provided products and services to respond to the customer demand for labor-saving and manpower-saving solutions, and promoted solution business operations to propose smart factories that raise the production efficiency as a whole. We have also worked to build a robust and far-reaching customer base by developing a middle market, mainly in Asia, and created far-seeing business categories like our Group Business. In spite of these efforts, net sales were 99,169 million yen (down by 11.5 % year-on-year). The decline arose chiefly from a remarkable drop in sales in China and Europe stemming from lower customer business demand amidst the China-U.S. trade friction, especially in the second half of the year.

Operating profit was 3,838 million yen (down by 58.0 % year-on-year), ordinary profit was 2,941 million yen (down by 64.9 % year-on-year), and profit attributable to owners of parent was 1,763 million yen (down by 73.4 % year-on-year). Sales and the factory operating ratio both declined, and solution business operation expenses rose in spite of an improvement in the gross margin rate through cost reductions.

Our basic policy is to constantly strive to return the company's profits to shareholders by paying a stable dividend commensurate with our internal reserves and business performance in the current term from a comprehensive viewpoint, while building robust and far-reaching business foundations and investing aggressively in development and plants and equipment. Based on this policy, JUKI shareholders will receive 25 yen per share as JUKI's 105th term-end dividend.

This fiscal year marked the start of our three-year

Medium-Term Management Plan (Phase II, 2020-2022) centered on structural reforms.

The following five transformations have been incorporated in the new Medium-Term Management Plan: (1) Developing growing markets and customers through a cross-border marketing strategy (Borderless X), (2) Expanding business domains that contribute to increasing earning capacity (Business Model X), (3) Expanding technological innovation domains (R&D Model X), (4) Establishing production systems and administration (back-office) operations centered on the 5S's of management* (Workstyle X), and (5) Achieving 'sustainable' management (SDGs Management X). By positioning these transformations as new growth engines for the JUKI Group, we will be promoting cross-border solution business operations, expanding our business domain further, and creating business opportunities through the achievement of SDGs management. Consequently, we will aim to steadily achieve our vision: To be a Monodzukuri (manufacturing)/Kotodzukuri (value-creation) company capable of improving the corporate value of both JUKI and its customers by supplying JUKI's excellent and innovative products and services."

For these endeavors, I would like to sincerely request your continued goodwill and support.

Note: 5S's of management* (5S's of JUKI's management: Simple, Slim, Speedy, Seamless, and Smart)



Akira Kiyohara
Representative Director

Sewing Machinery & Systems Business (Industrial Sewing Machines, Household Sewing Machines)

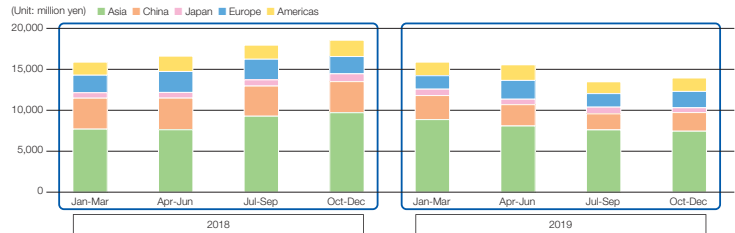
Net sales of the whole Sewing Machinery & Systems business were 64,260 million yen (down by 12.7% year-on-year) due mostly to decreases in sales in China and Europe, while sales of non-apparel sewing machines held steady in Asia.

● Net Sales of Industrial Sewing Machines: Year-on-Year Comparison (Unit: 100 million yen)

	Jan-Dec 2018	Jan-Dec 2019	Amount of change
China	151	98	(53)
Asia	343	320	(23)
China + Asia	494	418	(77)
Japan	31	29	(2)
Europe	93	76	(17)
Americas	72	66	(6)
Total	690	589	(101)

Note: Figures in parentheses () are negative values.

○ Change in Net Sales of Industrial Sewing Machines by Region



Industrial Equipment & Systems Business (Electronic Assembly Systems, Group Business, Customer Business)

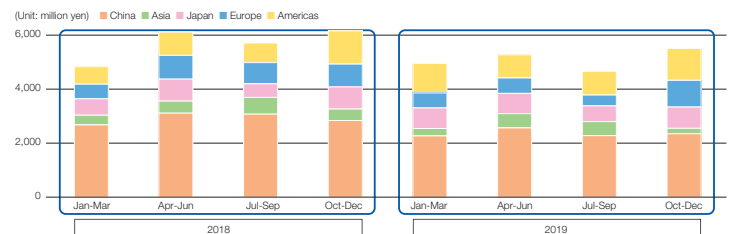
Net sales of the whole Industrial Equipment & Systems Business were 34,671 million yen (down by 9.2% year-on-year) due mostly to decreased sales in China, while sales of Electronic Assembly Systems held steady in the U.S. and sales of automated warehouse, inspection machines, and labor-saving equipment increased through the proposal of a smart factory solution.

● Net sales of Electronic Assembly Systems: Year-on-Year comparison (Unit: 100 million yen)

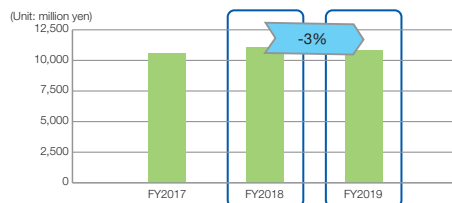
	Jan-Dec 2018	Jan-Dec 2019	Amount of change
China	117	95	(22)
Asia	19	15	(4)
China + Asia	135	110	(25)
Japan	27	29	2
Europe	30	25	(5)
Americas	35	40	5
Total	228	204	(24)

Note: Figures in parentheses () are negative values.

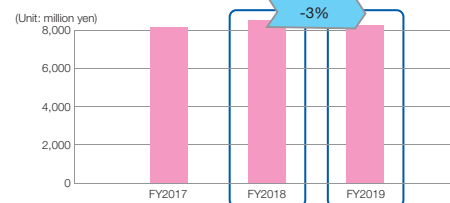
○ Changes in Net Sales of Electronic Assembly Systems by Region (including parts/services)



● Group Business: Changes in Net Sales



● Parts Business: Changes in Net Sales



Full-Year Forecast for FY2020 and Anticipated Business Climate

1. FY2020 Full-Year Results Forecasts

(Unit: 100 million yen)

	Forecasts for FY2020	Full-year results for FY2019
	Full-year (Jan-Dec)	Full-year (Jan-Dec)
Net Sales	1,060	992
Sewing Machinery & Systems	(677)	(643)
Industrial Equipment & Systems	(404)	(347)
Operating profit	41	38
Ordinary profit	33	29
Profit	23	18
Dividend per share	Full-year: ¥25	Full-year: ¥ 25
Exchange rate 1US\$	¥105	¥109

2. Anticipated Business Climate

The Economy

- Stagnation of world economic growth
 - ⇒ We experience **a downturn in general investment demand** due to the prolonged U.S.-China trade friction, Brexit, and the worsening situation in the Middle East.
 - ⇒ Customers rapidly relocate their **production bases** due to growing labor shortages and rising wages.
- Intensification of competition
 - ⇒ Industrial Sewing Machines: **Competition in the middle market is intensified** by the rise of Chinese manufacturers.
 - ⇒ Electronic Assembly Systems: **Competition is intensified** by expanded competition with rivals and market entries from different types of business.
- Acceleration of technological innovations
 - ⇒ **AI/IoT/5G and other forefront technologies are rapidly being adopted** in companies and people's daily lives.*

(* DX: Digital Transformation)

Social request

- Initiatives for achieving a sustainable society (based on SDG management)
 - ⇒ **Address global environmental problems.**
 - ⇒ Work on **promoting various workstyles and productivity improvements.**
 - ⇒ Strengthen **our compliance system and corporate governance structure.**

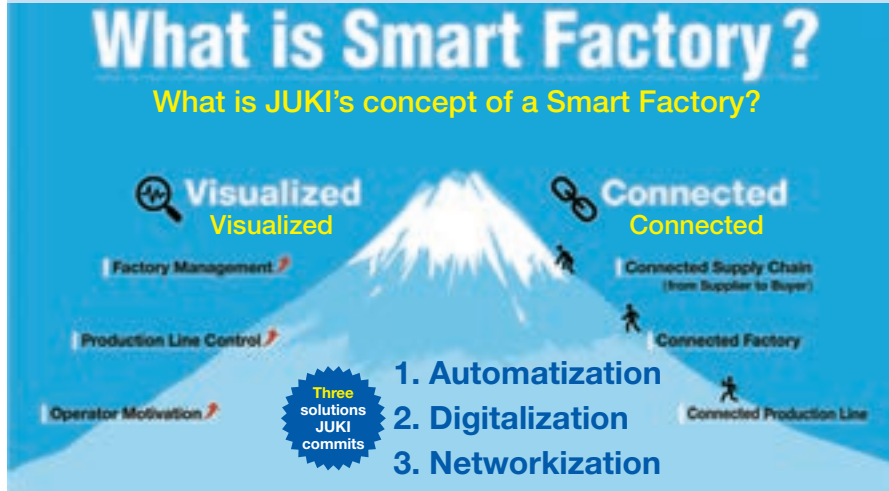
1. Vision for MTMP Phase II and the concept of a Smart Factory

We will “respond to changes in the business environment” and “continue tackling the challenges left unfinished in Phase I**” after clarifying our 2022 vision (3-year goal) to build a platform for future growth centered on structural reforms.

* Phase I: MTMP 2017-2019, Phase II: MTMP 2020-2022

Vision for Phase II (2022)

“To be a Monodzukuri (manufacturing)/Kotodzukuri (value-creation) company capable of improving the corporate value of both JUKI and its customers by supplying JUKI’s excellent and innovative products and services,” with the subtheme, “Building a win-win partnership towards creating smart factories.”



2. Five transformations set in MTMP

5X* is a new growth engine for JUKI. (* X: Transformation)

Through these transformations, we will create a “profitable business model” and build our future customer base.

Five transformations

- (1) “Borderless X” – Developing growing markets and customers through a cross-border marketing strategy
- (2) “Business Model X” – Expanding business domains that contribute to increasing earning capacity
- (3) “R&D Model X” – Expanding technological innovation domains
- (4) “Workstyle X” – Establishing production systems and administration (back-office) operations centered on the 5S’s of management*

* 5S’s of JUKI’s management: Simple, Slim, Speedy, Seamless, and Smart

- (5) “Sustainable Development Goals (SDGs) Management X” – Achieving ‘sustainable’ management

3. Summary of structural reforms

We prioritize our efforts in structural reform to achieve a plan focused on the “five transformations.”

(1) Implement cost structure reforms

- Streamline administration and back-office operations
- Rebuild the SCM system
- Implement reforms to realize smart factories

Improvement in current earnings

(2) Maximize added value by expanding our scope of business

- Industrial Sewing Machines: Strengthen sales capabilities in a high-dollar-earning business and increase the sales of new products
- Electronic Assembly Systems: Increase sales of non-mounter/non-SMT fields
- Group Business: Strengthen the engineering services business
- Customer Service: Expand a service-based business

Build a profitable revenue base

(3) Strengthen a borderless customer base

- Strengthen the development of a middle market
- Rebuild our sales network in priority markets
- Sales operations combined with head office and sales companies

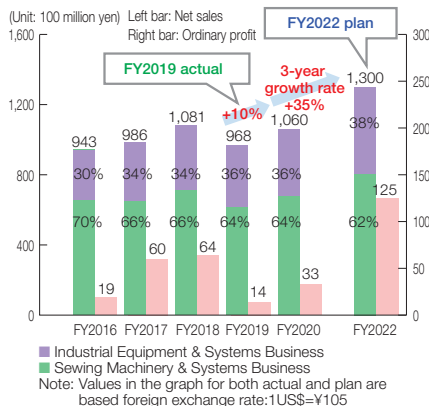
Build a future customer base

Build business foundations to achieve sustainable growth!

4. Progress Status of MTMP

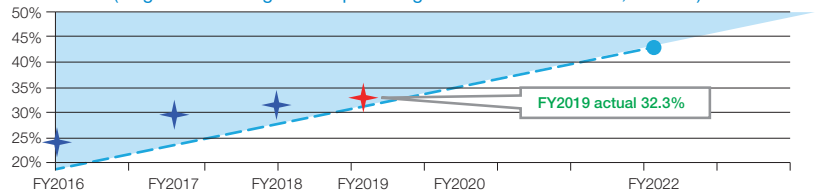
[Net sales/Ordinary profit]
(Target: annual growth rate of 10%)

FY2020 forecast 106 billion yen

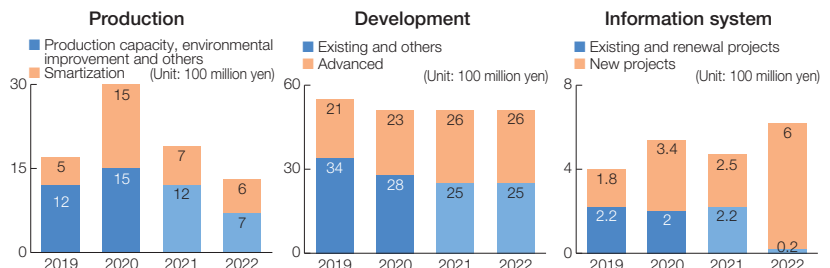


Equity Ratio

(Target: 44% or higher at a prevailing rate as of December31, FY2022)

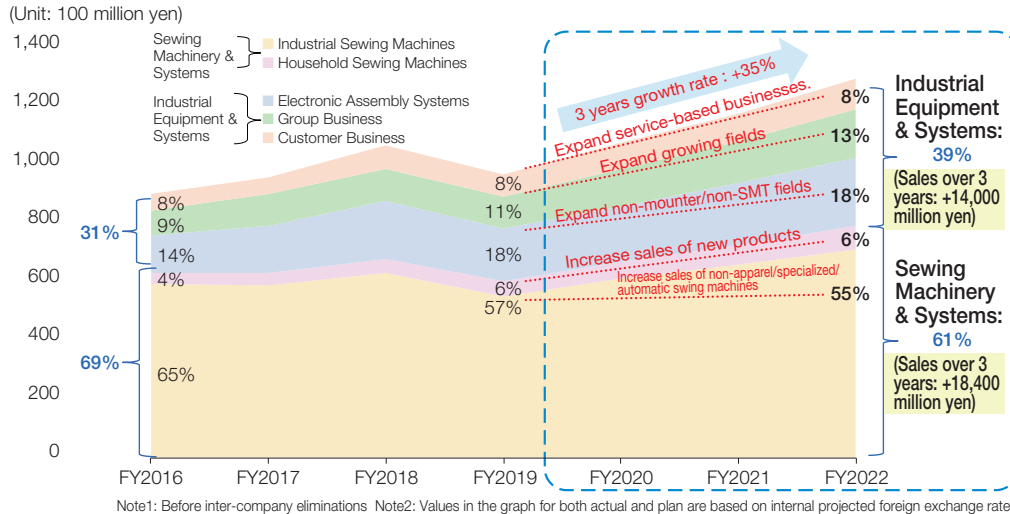


Invest Plan



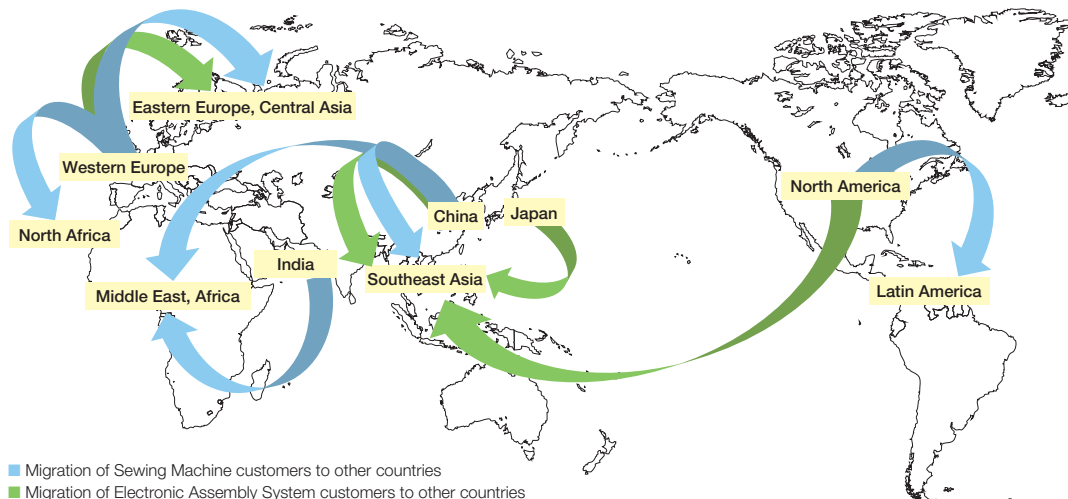
5. Initiatives for Expanding Our Scope of Business

We will expand our scope business and devote our management resources to growing fields and differentiated fields in each business domain.



6. Initiatives for Advancing of Borderless Marketing

Accommodate customers' relocation of production facilities and businesses, and promote "borderless sales" by bringing the head office and sales companies together as single team.



1. Vision and Basic Policies for Industrial Sewing Machines

Vision

Contribute to customer innovation through innovative technology and system proposals based on JUKI Smart Solutions

Basic Policies

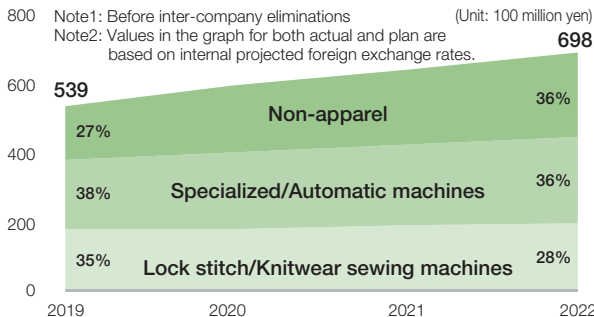
- Reinforce earnings by increasing sales in the non-apparel business
- Build a customer base for the future by developing customers in the middle market and bringing them into the high-end market

2. Initiatives for Expanding Our Scope of Business and Advancing Borderless Marketing

Initiatives for Expanding Our Scope of Business

Increase sales of non-apparel/specialized/automatic sewing machines

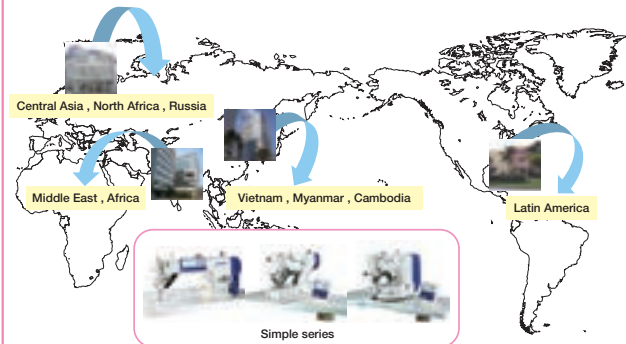
Sales target



Initiatives for Advancing of Borderless Marketing

Strengthen our attack on untapped markets

Increase sales of products designed for developing countries (Simple series)



1. Vision and a basic policy for Household Sewing Machines

Vision

Create new ways to enjoy handcraft - making, in collaboration with customers (home sewers) who have excellent handcraft capabilities

Basic policy

Develop solid business based on strengths in high-end household sewing machines, small overlock machines, sewing machines for professionals, and quilting machines

2. Initiatives for Expanding Our Scope of Business and Advancing Borderless Marketing

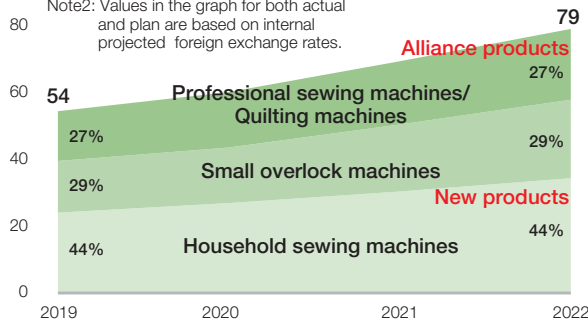
Initiatives for Expanding Our Scope of Business

- Launch new products for home sewers who have excellent handcraft capabilities
- Offer quilting and embroidering machines through alliance relationships

Sales target

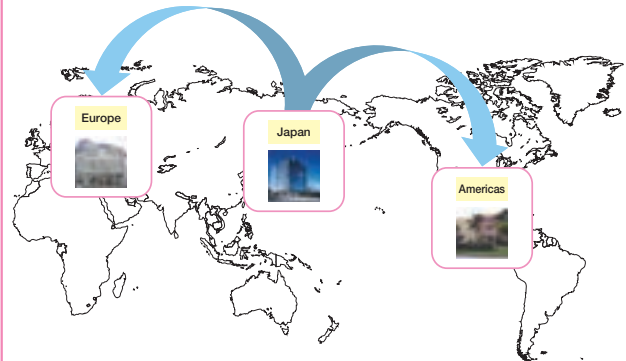
(Unit: 100 million yen)

Note1: Before inter-company eliminations
Note2: Values in the graph for both actual and plan are based on internal projected foreign exchange rates.



Initiatives for Advancing of Borderless Marketing

Increase sales in priority markets
(Japan, Americas, and Europe)



1. Vision and a Basic Policy for Electronic Assembly Systems

Vision

Become an essential business partner for customers through devoting resources to our areas of strength and by proposing and providing automation and labor-saving solutions
 - In 2022, we will achieve a 23% share of general-purpose machines on a unit basis and sales of 3,900 million yen for labor-saving equipment and robots, 2,500 million yen for inspection and t equipment, and 2,000 million yen for automated warehousing and alliance products -

Basic policy

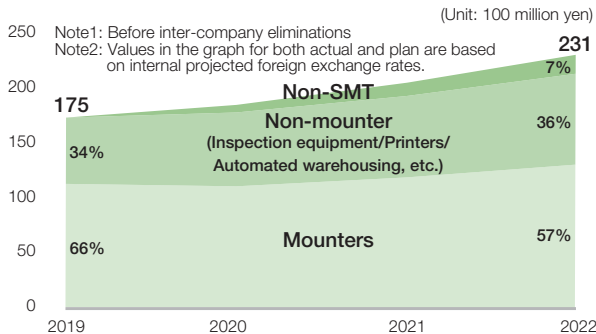
Expand business base by increasing solution sales in the non-mounter segment and line solution sales in the mounter segment

2. Initiatives for Expanding Our Scope of Business and Advancing Borderless Marketing

Initiatives for Expanding Our Scope of Business

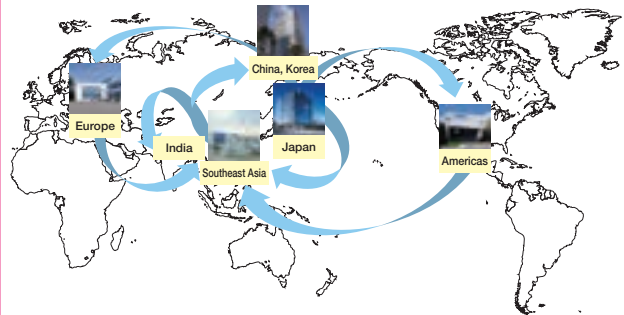
Expand non-mounter/non-SMT fields

Sales target



Initiatives for Advancing of Borderless Marketing

Strengthen our attack on priority markets in cooperation with sales companies



1. Vision and basic policies for Group Business

Vision

Grow into JUKI's third pillar business leveraging JUKI Group management resources (including manufacturing technologies)

Basic Policies

- Expand our business domains by strengthening planning/development, design, contracted assembly, and engineering services
- Find new customers by strengthening our sales structure

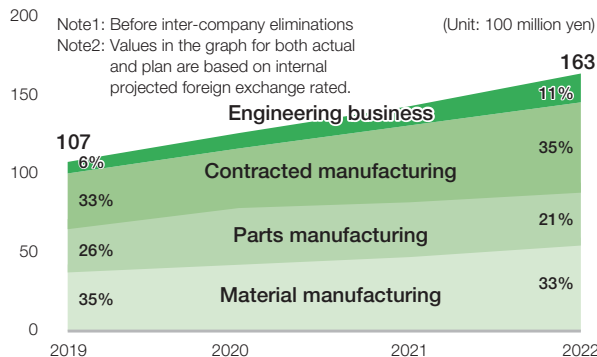
2. Initiatives for Expanding Our Scope of Business and Advancing Borderless Marketing

Initiatives for Expanding Our Scope of Business

Expand growing fields (planning/development, design, contracted assembly, and engineering services)

⇒ Our development department was established on January 1, 2020

Sales target



Initiatives for Advancing of Borderless Marketing

Strengthen sales not through cooperation between sales companies, but through the unified action of sales companies as a team

⇒ Our head office sales department was reorganized on January 1, 2020

Strengthen cooperation with the head office by establishing a branch office in Asia

⇒ Develop and expand businesses in Asia



Inspection equipment exhibition (in Thailand)

1. Vision and a Basic Policy for Customer Business

Vision

JUKI's parts can be received the day after they're ordered

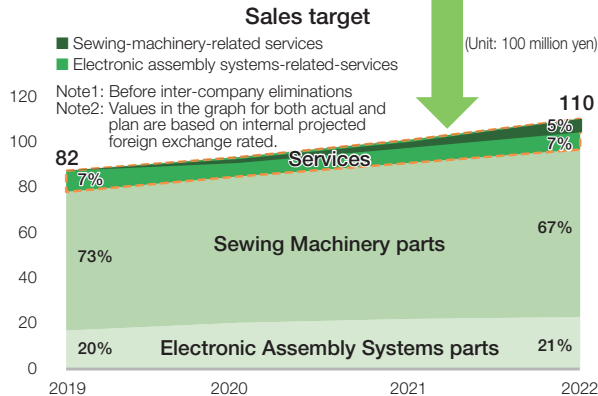
Basic policy

Make the change from the selling of “things” to the selling of “services” across the boundaries of sewing machinery and electronic assembly systems. - Speed up the implementation of a customer lock-in strategy by enhancing added value -

2. Initiatives for Expanding Our Scope of Business and Advancing Borderless Marketing

Initiatives for Expanding Our Scope of Business

Expand our service-based businesses
(especially, our sewing-machinery-related services)



Initiatives for Advancing of Borderless Marketing

· Strengthen direct marketing
⇒ Implement a customer lock-in strategy using a website service



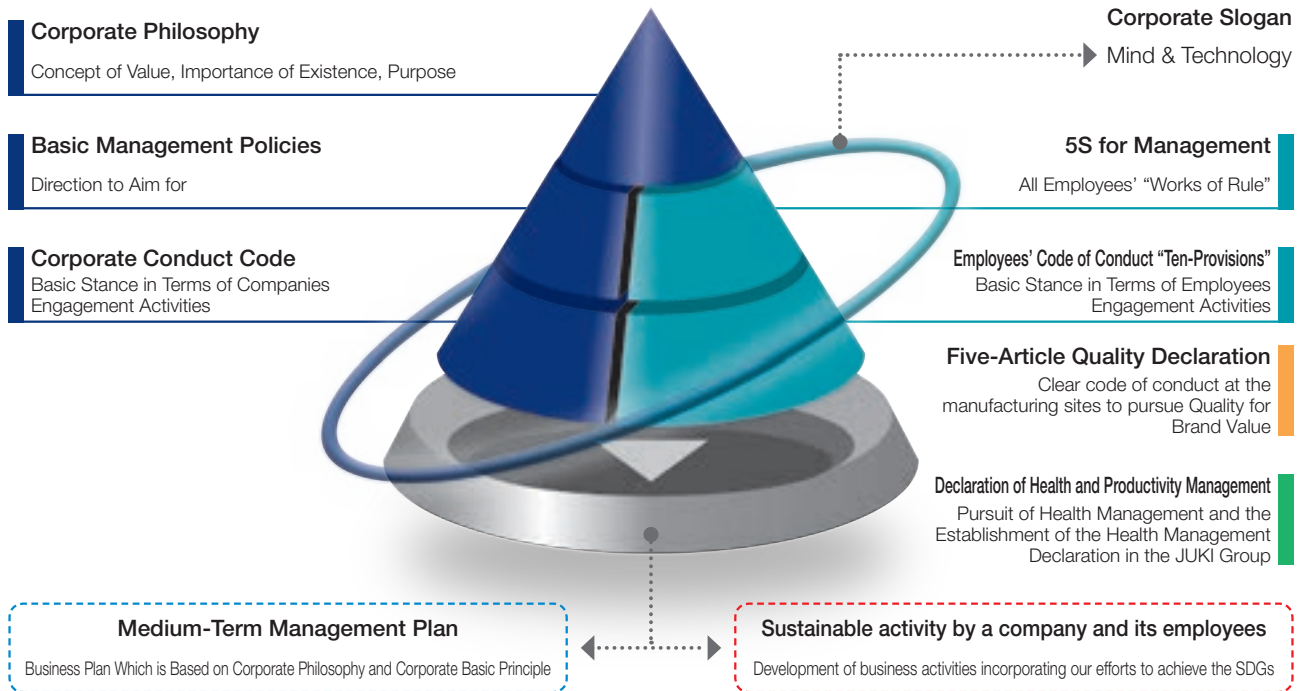
Build a parts supply system that incorporates the head office and sales companies working in combination
⇒ Build the management system to achieve stock optimization

Initiatives for Achieving the SDGs

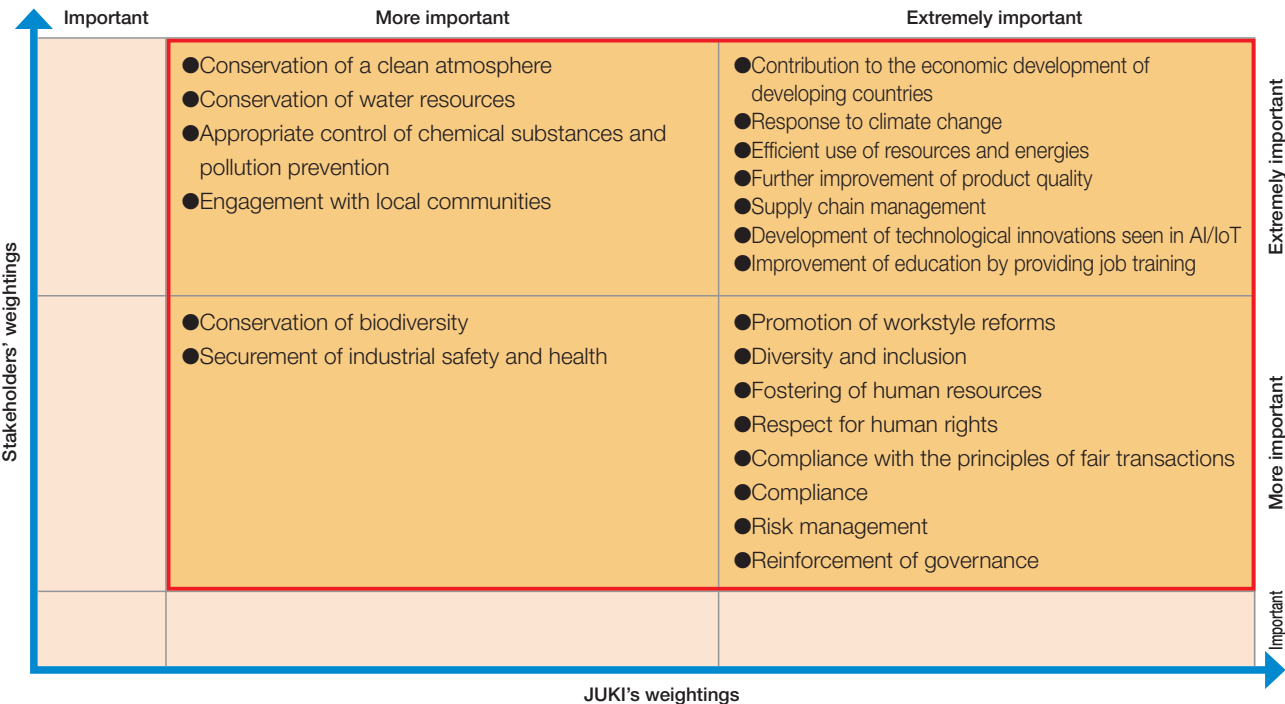
JUKI has been working on various businesses to realize a sustainable society.

We will eye the achievement of the SDGs in 2030, focus on business creation, and work to solve social issues.

JUKI Group Corporate Philosophy System Chart



We will pick out important problems that both JUKI and its stakeholders should address, address them in our business plan, and develop specific activities (sustainable activities by companies and their employees).



Environment	<ul style="list-style-type: none">· Initiatives for reducing CO₂ and waste· Development of energy-saving products· Implementation of green procurements
Society	<ul style="list-style-type: none">· Support for sewing factories in developing countries· Implementation of a modal shift in logistics· Design of a system for realizing various workstyles· Positive use of female workers, foreign workers, and re-hired employees· Implementation of family events
Governance	<ul style="list-style-type: none">· Maintenance and operation of a governance system· Establishment and operation of a task force to take measures to manage risk· Compliance with the corporate rules and the employees' Code of Conduct

Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

(Unit: million yen)

Item	FY2018 as of December 31, 2018	FY2019 as of December 31, 2019	Change
Assets			
Current assets	86,744	80,210	(6,534)
Non-current assets	32,376	34,505	2,129
Total assets	119,121	114,715	(4,406)
Liabilities			
Current liabilities	59,266	54,769	(4,497)
Non-current liabilities	22,613	22,194	(419)
Total liabilities	81,880	76,963	(4,917)
Net assets			
Shareholders' equity	39,082	39,966	884
Accumulated other comprehensive profit	(2,552)	(2,929)	(377)
Non-controlling interests	711	714	3
Total net assets	37,241	37,752	511
Total liabilities and net assets	119,121	114,715	(4,406)

Consolidated Statement of Profit & Loss

(Unit: million yen)

Item	FY2018 January 1, 2018 to December 31, 2018	FY2019 January 1, 2019 to December 31, 2019	Change
Net sales	112,064	99,169	(12,895)
Cost of sales	77,921	70,300	(7,621)
Gross profit	34,143	28,869	(5,274)
Selling, general and administrative expenses	24,995	25,030	35
Operating profit	9,148	3,838	(5,310)
Non-operating profit	1,106	852	(254)
Non-operating expenses	1,868	1,749	(119)
Ordinary profit	8,385	2,941	(5,444)
Extraordinary profit	17	11	(6)
Extraordinary losses	50	22	(28)
Profit before income taxes	8,353	2,930	(5,423)
Income taxes	1,573	1,141	(432)
Profit	6,780	1,789	(4,991)
Profit attributable to non-controlling interests	139	25	(114)
Profit attributable to owners of parent	6,640	1,763	(4,877)

Note: Figures in parentheses () are negative values.

Corporate Information (as of December 31, 2019)

Corporate Profile

Trade name	JUKI CORPORATION
Founded on	December 15, 1938
Paid-in capital	18,044.71 million yen
Head office	2-11-1, Tsurumaki, Tama-shi, Tokyo, Japan
Fiscal year-end	December
Business items	Industrial sewing machines, SMT systems, Household sewing machines, etc.
Number of employees	5,762 (on a consolidated basis)
Number of consolidated subsidiaries	26

Stock Information

- Total number of authorized shares 80,000,000 shares
- Total number of issued shares 29,874,179 shares
- Total number of shareholders 11,349

JUKI CORPORATION

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Major Shareholders

Shareholder name	Number of shares (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	2,304	7.71
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,707	5.71
GOVERNMENT OF NORWAY	1,195	4.00
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDE C/FIM/LUXEMBOURG FUNDS/U CITS ASSETS	980	3.28
Mizuho Bank, Ltd.	938	3.14

Stock Distribution Status by Owner Type

