

**To Our Shareholders**



**Business Report for the First Half of the 105th Business Term**

(From January 1, 2019 through June 30, 2019)

**JUKI CORPORATION**

Securities code: 6440

# Business Performance Highlights

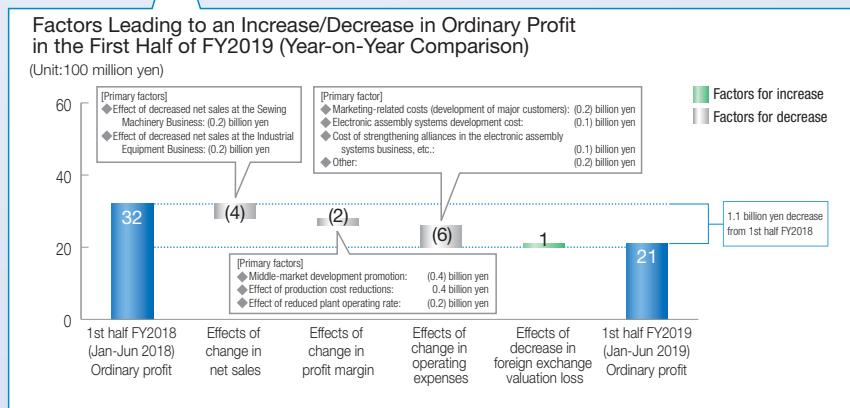
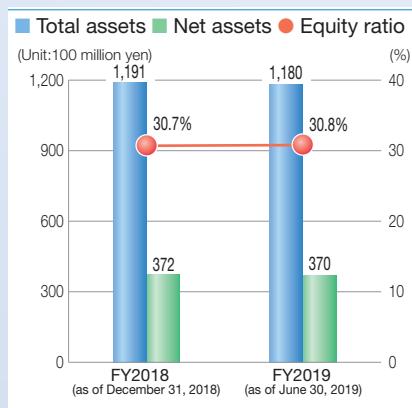
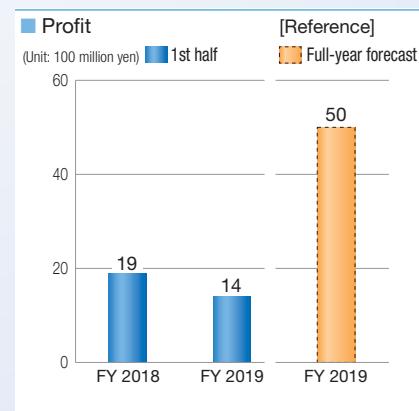
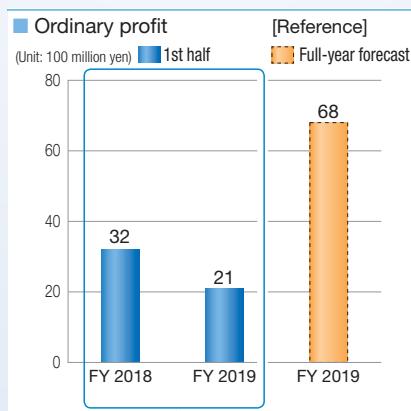
## Overview of Business Performance

**Net sales: 51.9 billion yen**  
(down by 1.3 billion yen year-on-year)

**Ordinary profit: 2.1 billion yen**  
(down by 1.0 billion yen year-on-year)

**Profit: 1.4 billion yen**  
(down by 0.5 billion yen year-on-year)

Net sales decreased 2.5% compared with the same period of the previous fiscal year. Despite efforts to promote solution sales activities and develop new middle-markets centered on Asian markets, sales decreased in China and Europe as trading environments deteriorated due to the protracted US-China trade dispute and the slowing of China's economy. Operating profit and ordinary profit marked declines of 28.9% and 33.7%, respectively, compared with the same period of the previous fiscal year, as decreased sales and the cost of middle-market development and cutting-edge product development eclipsed margin improvements from general cost reductions, etc.



Note: Figures in parentheses ( ) are negative values.

## To Our Shareholders

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

In conjunction with the release of the interim financial statements, we are pleased to present the business results for the first half of the 105th business year of the Company (January 1 to June 30, 2019).

In the period under review, we promoted marketing activities in our solutions business, suggesting products and services that meet customers' labor-saving and personnel-saving needs as well as offering smart factory proposals to enhance total-factory production efficiency. Furthermore, we strove to establish a solid customer base for the future by developing middle markets centered on the Asian markets and worked to create future-oriented business categories such as our Group Business.

In this environment, net sales posted 51,885 million yen, reflecting lower sales in China and Europe in an increasingly destabilized global economy affected by factors such as the protracted US-China trade dispute, the slowing of China's economy, and the U.K.'s exit from the EU. Earnings were shaped by efforts at margin improvements through cost reductions but eclipsed by the effects of lower sales and rates of factory operations, as well as increased expenditures for middle market development and cutting-edge product development. As a result, earnings marked operating profit of 2,595 million yen with ordinary profit of 2,107 million yen and 1,436 million yen in profit attributable to owners of parent.

Results projections for the full fiscal year ending December 2019 have been left unchanged from the previous release (February 12), as the US-China trade dispute, among other factors, creates uncertainty surrounding foreign

exchange trends and operating environments in emerging economies. Likewise, the previously released projection for a year-end dividend of 30 yen per share has been left unchanged.

While the global economy looks increasingly unstable, the pace of technological innovation keeps accelerating. In response, the Company will work to proactively identify and address customers' needs to invest in smart companies and smart factories, utilizing digitization and systemization. At the same time, efforts will continue, using open innovation, to further expand our business domains by transitioning from a *MONO [goods] manufacturing to a KOTO [value] creation* enterprise, with the aim of establishing the Company as an enterprise consistently providing customer-preferred, high-quality products and services in line with the vision of our current medium-term management plan.

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



**Akira Kiyohara**  
Representative Director

# Performance of the 1st Half of FY2019 (January-June, 2019)

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

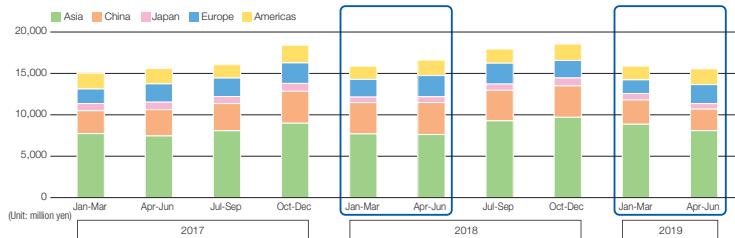
The Sewing Machinery & Systems Business saw decreased sales in China and Europe, despite favorable development of sales in Asian middle markets. As a result, overall sales at the Sewing Machinery & Systems Business Unit amounted to 34,109 million yen (a decrease of 1.9% from the same period of the previous fiscal year).

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

|              | Jan-Jun 2018 | Jan-Jun 2019 | Amount of change |
|--------------|--------------|--------------|------------------|
| China        | 76           | 55           | (21)             |
| Asia         | 153          | 169          | 16               |
| China+Asia   | 229          | 224          | (5)              |
| Japan        | 14           | 15           | 1                |
| Europe       | 47           | 39           | (8)              |
| Americas     | 35           | 36           | 1                |
| <b>Total</b> | <b>325</b>   | <b>314</b>   | <b>(11)</b>      |

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)

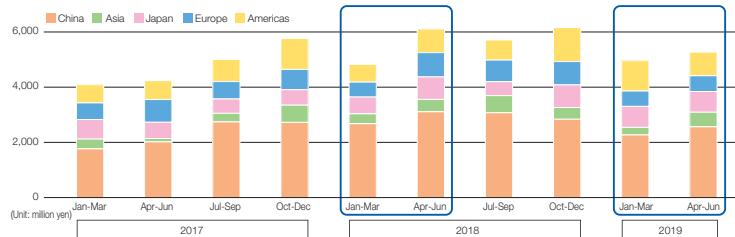
Electronic assembly systems performed well in the US, with greater sales of new mounters and labor-saving equipment featured in smart-factory propositions, but sales in China and Europe declined. Owing to these developments, overall net sales at the Industrial Equipment & Systems Business amounted to 17,654 million yen (a 3.6% decrease compared with the same period of the previous fiscal year).

### Net Sales of Electronic Assembly Systems: Year-on-Year Comparison (Unit: 100 million yen)

|              | Jan-Jun 2018 | Jan-Jun 2019 | Amount of change |
|--------------|--------------|--------------|------------------|
| China        | 58           | 48           | (10)             |
| Asia         | 8            | 8            | 0                |
| China+Asia   | 66           | 56           | (10)             |
| Japan        | 14           | 15           | 1                |
| Europe       | 14           | 11           | (3)              |
| Americas     | 15           | 20           | 5                |
| <b>Total</b> | <b>109</b>   | <b>102</b>   | <b>(7)</b>       |

Note: Figures in parentheses ( ) are negative values.

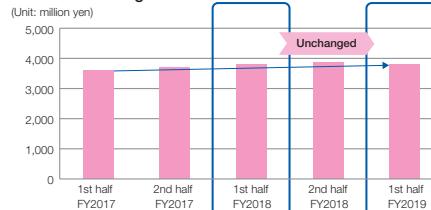
### Changes in Net Sales of Electronic Assembly Systems by Region (Monthly aggregation base) (Including parts/services)



### Group Business: Changes in Net Sales



### Parts Business: Changes in Net Sales



## 1. FY2019 Full-Year Results Forecasts

|   | (Unit: 100 million yen)       |                              | [Reference]                   |                              |
|---|-------------------------------|------------------------------|-------------------------------|------------------------------|
|   | Full-year<br>FY2019 (Jan-Dec) | 1st half<br>FY2019 (Jan-Jun) | Full-year<br>FY2018 (Jan-Dec) | 1st half<br>FY2018 (Jan-Jun) |
|   | Forecast                      | Actual                       | Actual                        | Actual                       |
| Net Sales                                 | 1,140                         | 519                          | 1,120                         | 532                          |
| (Sewing Machinery & Systems Business)     | (750)                         | (341)                        | (736)                         | (348)                        |
| (Industrial Equipment & Systems Business) | (390)                         | (177)                        | (382)                         | (183)                        |
| Operating profit                          | 73                            | 26                           | 91                            | 37                           |
| Ordinary profit                           | 68                            | 21                           | 83                            | 32                           |
| Profit                                    | 50                            | 14                           | 66                            | 19                           |
| Dividend per share                        | Full-year: ¥30                |                              | Full-year: ¥30                |                              |
| Exchange rate 1US\$                       | ¥105                          | ¥110                         | ¥111                          | ¥109                         |

## 2. Anticipated Business Climate

### The Economy

- **Risks of economic slowdown are rising, as instability of global economy increases**
  - e.g., China-U.S. trade friction, geopolitical risks, strong yen
- **Competition with other industries, other operational styles intensifying**
  - e.g., China's growing sewing machinery manufacturers, other industries entering the factory automation market
- **Technological innovation trend (from MONO [goods] manufacturing to KOTO [value] creation) accelerating**
  - Mounting interest in AI, robotics, IoT, etc.

### Customer Needs

- **Aggressive investment in smart company/smart factory concepts**
  - Introduction of digitization, systematization, and factory automation solutions

### In response, companies are called to:

- **Build a progressive management structure**
  - Accommodate labor shortages, work style reform, productivity improvement. Implement the "Corporate Initiatives for Improving the Environment, Society, and Governance" (ESG Initiatives)
- **Promote profit-oriented business management**
  - Annual sales and profits growth, stabilization of dividends, increases in equity

# Measures for Achieving the Medium-Term Management Plan (MTMP)

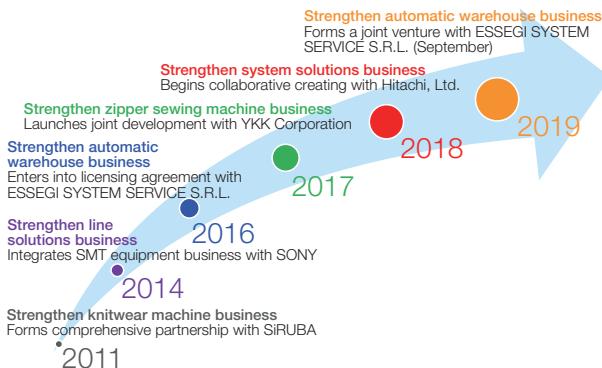
## 1. MTMP Vision and Five Basic Policies



## 2. Initiatives for Utilization of Alliance Network and Advancement of Borderless Marketing

### Alliance Strategy

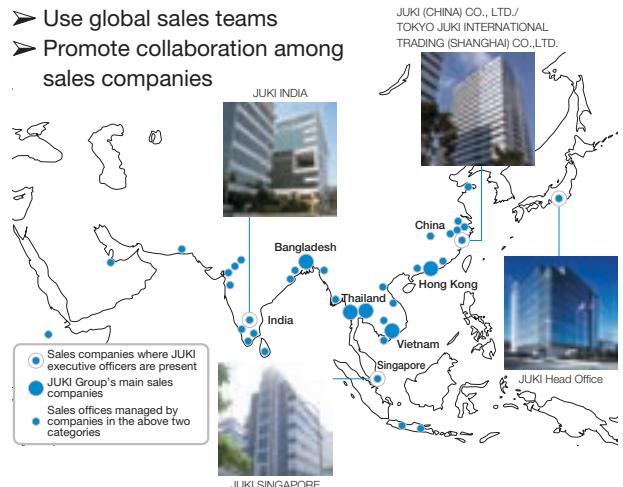
Accommodate diversification of customers' needs by further expanding business domain through open innovation (utilization of alliance network)



### Strategy to Advance Borderlessness

Accommodate customers' relocation of production facilities and businesses, and promote "borderless sales" covering Japan (Head Office), China, the rest of Asia, and Africa.

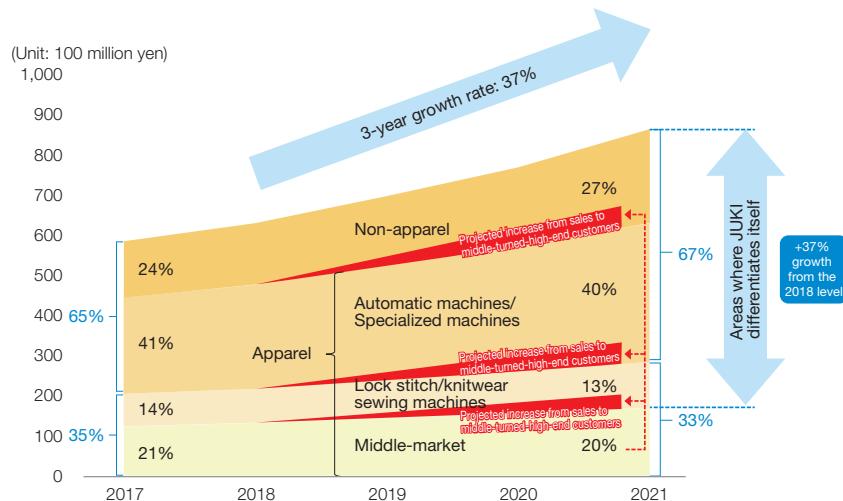
- Use global sales teams
- Promote collaboration among sales companies



## 1. Key Initiatives for Industrial Sewing Machines

|                        |  |
|------------------------|--|
| <b>Vision</b>          | Contribute to customer innovation through innovative technology and system proposals based on <b>JUKI Smart Solutions</b>  |
| <b>Basic Policy</b>    | Build a customer base for the future by developing <b>customers in the middle market</b> and bringing them into the high-end market<br>1. Target the middle market;                      2. Increase sales involving proposals for plants;<br>3. Utilize our alliance network  |
| <b>Key Initiatives</b> | <ul style="list-style-type: none"> <li>· Increase business with the growing middle-market user segment</li> <li>· Strengthen relationships with major users and win mid- and long-term capital investment projects</li> <li>· Further expand the non-apparel business</li> <li>· Utilize our alliance network to expand our scope of business</li> </ul> |

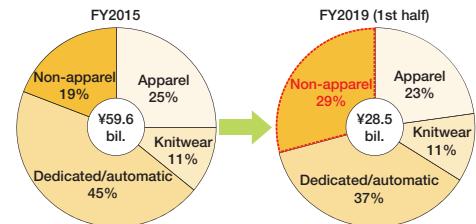
## 2. Industrial Sewing Machines Business Domain Expansion



Notes:  
 1. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.  
 2. Parts and services are not included.

Industrial Sewing Machines: Non-apparel business domain expanded more than apparel

- Strengthen capability to meet the growing demand for car-related products, athletic footwear, bags, etc.
- Strengthen sales to meet the demand for improved productivity of sewing lines

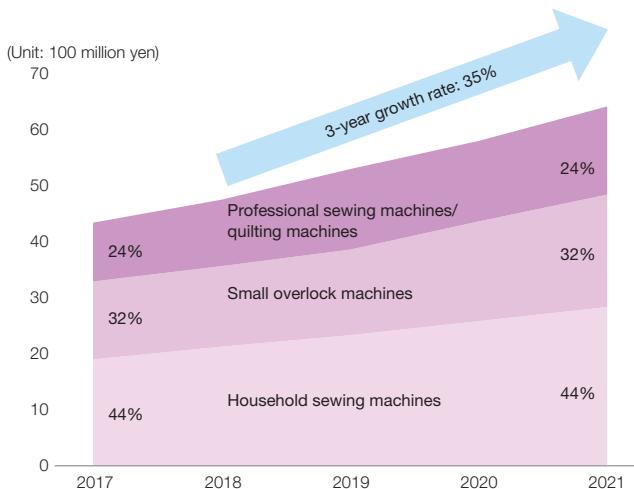


Notes:  
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 2. Parts and services are not included.

## 1. Key Initiatives for Household Sewing Machines

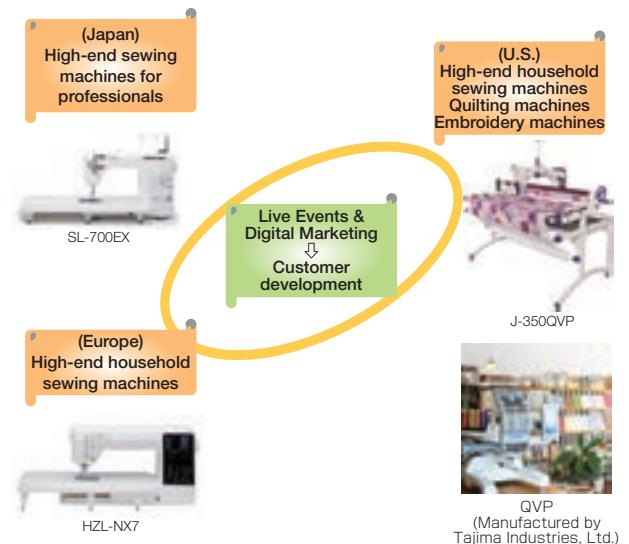
|                 |  |
|-----------------|--|
| Vision          | Create new ways to enjoy handicraft-making, in collaboration with customers (home sewers) who have excellent handicraft capabilities   |
| Basic Policy    | Develop solid business based on strengths in <b>high-end household sewing machines, small overlock machines, sewing machines for professionals, and quilting machines</b>  |
| Key Initiatives | <ul style="list-style-type: none"> <li>Target hobby and craft markets with product development that makes the most of JUKI's strengths</li> <li>Increase sales and improve profits with a focus on three key large-scale markets (Japan, the U.S., and Europe) that contain high-end markets</li> <li>Strengthen marketing capabilities and competitiveness of the JUKI brand</li> <li>Win over and secure new users by identifying user needs and strengthening our capability to disseminate information</li> <li>Expand the accessories and parts businesses</li> </ul> |

## 2. Sales Projection for Household Sewing Machines



Note: Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

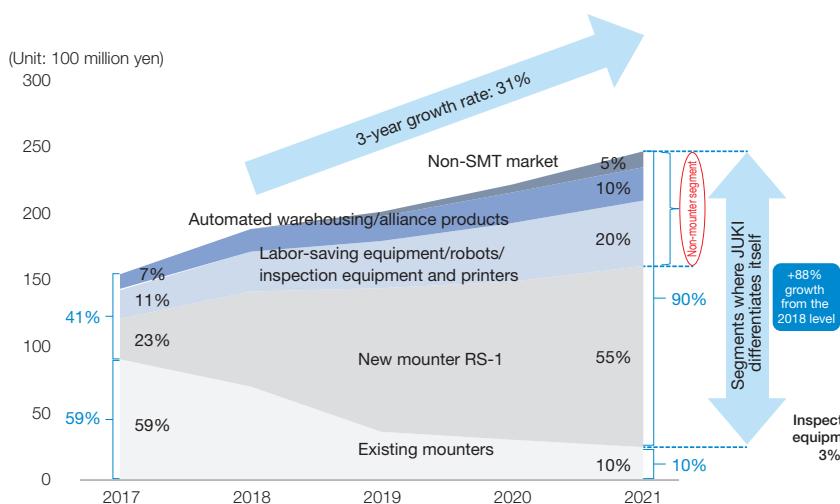
Expand product lineup to better meet each market's characteristics



## 1. Key Initiatives for Electronic Assembly Systems

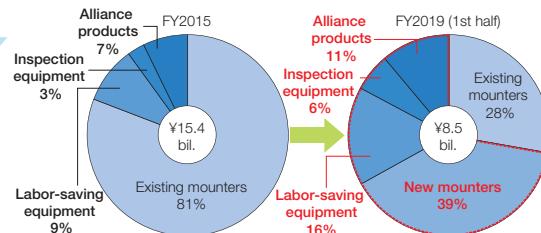
|                        |  |
|------------------------|--|
| <b>Vision</b>          | <p><b>Become an essential business partner for customers through devoting resources to our areas of strength and by proposing and providing automation and labor-saving solutions</b></p> <p>- Expand sales of JM + robot, and automated warehousing and peripheral equipment</p>  |
| <b>Basic Policy</b>    | <p><b>Expand business base by increasing solution sales in the non-mounter segment</b> and line solution sales in the mounter segment</p>  |
| <b>Key Initiatives</b> | <ul style="list-style-type: none"> <li>· Promote customer segment-specific sales strategy and product strategy</li> <li>· Expand sales and improve gross margin by launching new products</li> <li>· Expand sales of labor-saving equipment, automated warehousing, and alliance products through solution sales activities</li> </ul> |

## 2. Electronic Assembly Systems Business Domain Expansion



Electronic Assembly Systems: Make transition from existing mounters to new versions and advance expansion of non-SMT business domain

- Achieve product differentiation by combining TAKUMI head and high-speed rotary head for the new mounter (RS-1)
- Combine labor-saving equipment, inspection equipment, and alliance products in order to promote solution sales



Notes:

1. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.
2. Parts and services are not included.

Notes:

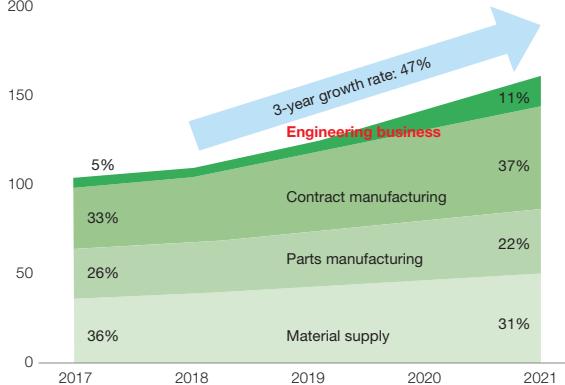
1. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.
2. Parts and services are not included.

## 1. Key Initiatives for Group Business

|                 |   |
|-----------------|---|
| Vision          | Grow into JUKI's third pillar business leveraging JUKI Group management resources (including manufacturing technologies)  |
| Basic Policy    | Increase sales to create the third pillar business <u>by acquiring new customers and expanding scope of business with important business customers</u><br>- Achieve sales target of 16.0 billion yen in 2021  |
| Key Initiatives | <ul style="list-style-type: none"> <li>· Increase sales by expanding scope of business with important business customers</li> <li>· Utilize JUKI and its Group companies' technologies to promote support services for the manufacturing of customers' products and plant facilities</li> </ul> |

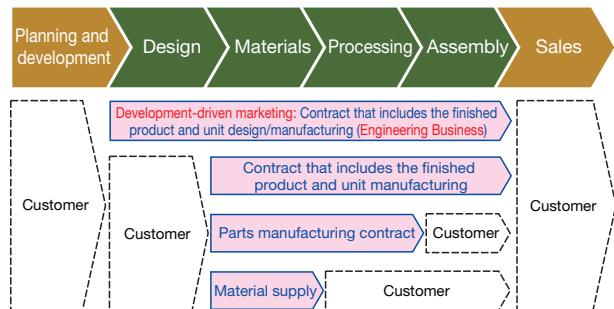
### Sales Projection for Group Business

(Unit: 100 million yen)  
200



Note: Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

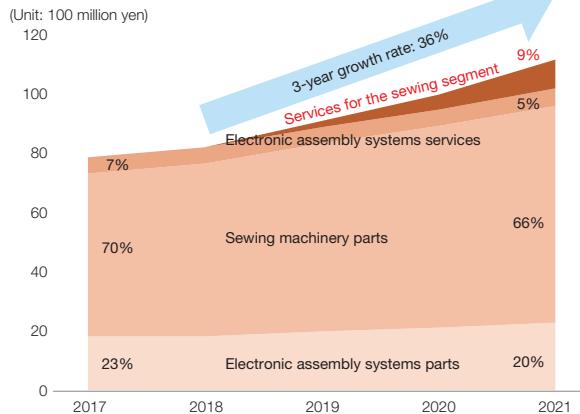
- ★For needs of external customers,
- ★by expanding contract range through Group's collaboration,
- ★support the manufacturing of customers' products and customers' production facilities



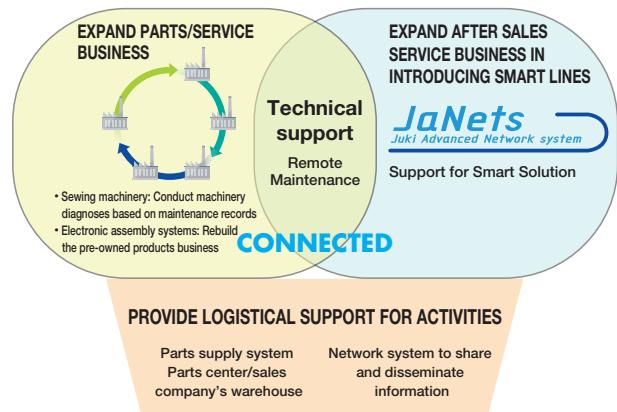
## 1. Key Initiatives for Customer Business

|                        |   |
|------------------------|---|
| <b>Vision</b>          | JUKI's parts can be received the day after they're ordered  |
| <b>Basic Policy</b>    | Expand parts business and services for the sewing segment, utilizing <u>system support/remote maintenance/diagnostic monitoring of production facilities</u>  |
| <b>Key Initiatives</b> | <ul style="list-style-type: none"> <li>· Introduce more new parts/devices</li> <li>· Establish a service business in the sewing segment, utilizing diagnosis of production facilities</li> <li>· Continue to expand market and product portfolio, and improve sales systems (logistics)</li> <li>· Rebuild the pre-owned products business</li> </ul> |

### Sales Projection for Customer Business



Note: Values in the graph for both actual and plan are based on internal projected foreign exchange rates.



## Consolidated Financial Statements for the First Half (Summary)

### Consolidated Balance Sheet

(Unit: million yen)

| Item                                   | FY2018<br>as of December 31,<br>2018 | 1st half FY2019<br>as of June 30, 2019 | Change  |
|--|--------------------------------------|--|---------|
| <b>Assets</b>                          |                                      |  |         |
| Current assets                         | 86,744                               | 85,781                                 | (963)   |
| Non-current assets                     | 32,376                               | 32,181                                 | (195)   |
| Total assets                           | 119,121                              | 117,963                                | (1,158) |
| <b>Liabilities</b>                     |                                      |  |         |
| Current liabilities                    | 59,266                               | 58,561                                 | (705)   |
| Non-current liabilities                | 22,613                               | 22,367                                 | (246)   |
| Total liabilities                      | 81,880                               | 80,929                                 | (951)   |
| <b>Net assets</b>                      |                                      |  |         |
| Shareholders' equity                   | 39,082                               | 39,640                                 | 558     |
| Accumulated other comprehensive profit | (2,552)                              | (3,324)                                | (772)   |
| Non-controlling interests              | 711                                  | 718                                    | 7       |
| Total net assets                       | 37,241                               | 37,034                                 | (207)   |
| Total liabilities and net assets       | 119,121                              | 117,963                                | (1,158) |

### Consolidated Statement of Profit & Loss

(Unit: million yen)

| Item   | 1st half FY2018<br>January 1, 2018<br>to June 30, 2018 | 1st half FY2019<br>January 1, 2019<br>to June 30, 2019 | Change  |
|--|--|--|---------|
| Net sales  | 53,235   | 51,885   | (1,350) |
| Cost of sales                                    | 37,177   | 36,463   | (714)   |
| Gross profit                                     | 16,057   | 15,421   | (636)   |
| Selling, general and administrative expenses     | 12,407   | 12,826   | 419     |
| Operating profit                                 | 3,650  | 2,595  | (1,055) |
| Non-operating profit                             | 637  | 462  | (175)   |
| Non-operating expenses                           | 1,109  | 949  | (160)   |
| Ordinary profit                                  | 3,178  | 2,107  | (1,071) |
| Extraordinary profit                             | 13   | 6  | (7)     |
| Extraordinary losses                             | 16   | 6  | (10)    |
| Profit before income taxes                       | 3,175  | 2,106  | (1,069) |
| Income taxes                                     | 1,177  | 641  | (536)   |
| Profit   | 1,998  | 1,465  | (533)   |
| Profit attributable to non-controlling interests | 55   | 29   | (26)    |
| Profit attributable to owners of parent          | 1,942  | 1,436  | (506)   |

Note: Figures in parentheses ( ) are negative values.

## Corporate Information (as of June 30, 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                 | 5,887 (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..... 10,879

## JUKI CORPORATION

2-11-1, Tsurumaki, Tama-shi, Tokyo 206-8551, Japan

Tel: +81-42-357-2211

<https://www.juki.co.jp/en>

### ■ Major Shareholders

| Shareholder name                                     | Number of shares<br>(1,000 shares) | Shareholding ratio<br>(%) |
|--|------------------------------------|---------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account)    | 2,639                              | 8.83                      |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,550                              | 5.19                      |
| GOVERNMENT OF NORWAY                                 | 1,243                              | 4.16                      |
| Mizuho Bank, Ltd.                                    | 938                                | 3.14                      |
| J.P.MORGAN BANK LUXEMBOURG S.A. 1300000              | 744                                | 2.49                      |

### ■ Stock Distribution Status by Owner Type

