

To Our Shareholders



Business Report for the 104th Business Term

(From January 1, 2018 through December 31, 2018)

JUKI CORPORATION

Securities code: 6440

Overview of Business Performance

Net sales increased 8.1% from the previous fiscal year, despite some production delays, thanks to gains in solution sales and progress in customer development in middle markets centered on Asia. Operating profit rose 12.2% from the previous fiscal year on the back of higher net sales, overriding a rise in middle market development strategy expenses and advanced development expenses. Ordinary profit expanded 7.0% from the previous fiscal year, despite a higher foreign exchange valuation loss caused by the weaker US dollar.

Net sales:
(up by 8.4 billion yen year-on-year)

112.0 billion yen

Ordinary profit:
(up by 0.5 billion yen year-on-year)

8.3 billion yen

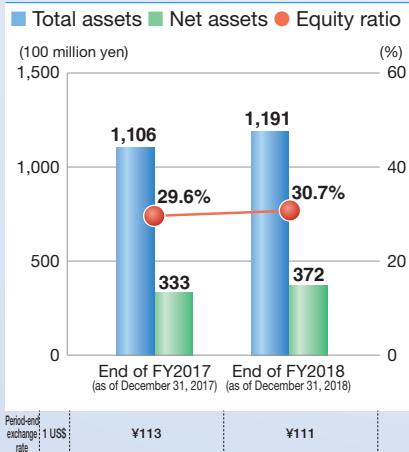
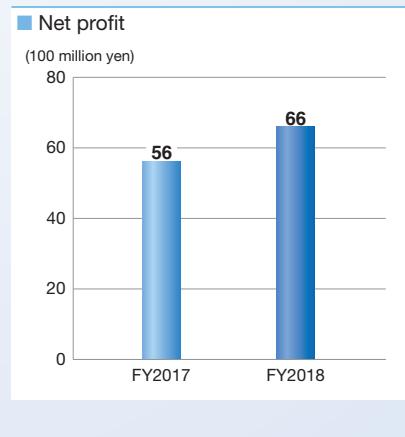
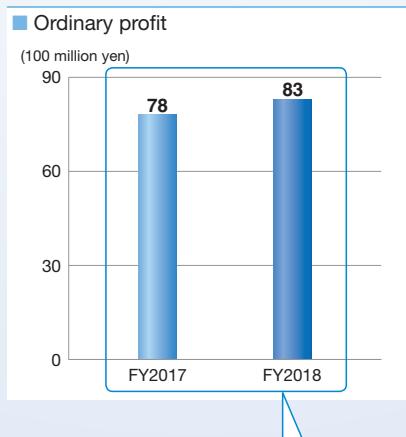
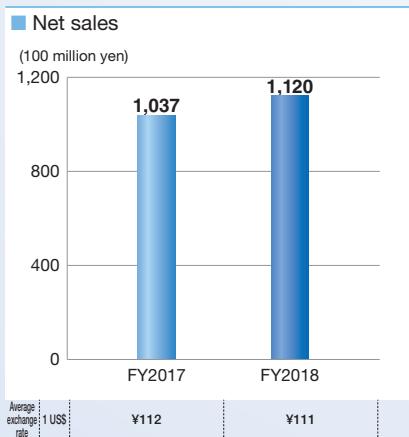
Profit:
(up by 1.0 billion yen year-on-year)

6.6 billion yen

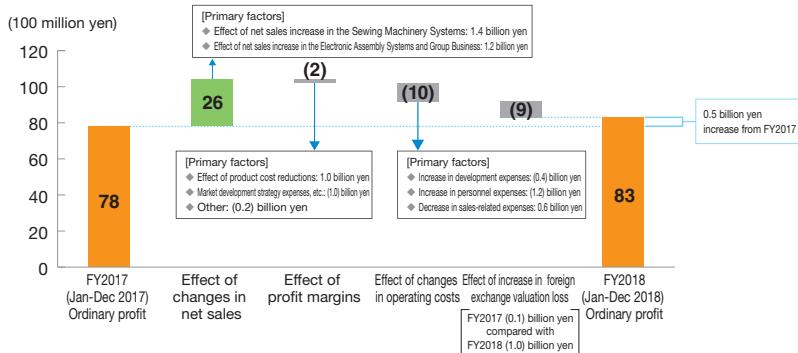
Annual dividend:
(ordinary dividend)

¥30 per share

(Reference information: Prior-year annual dividend per share: ¥35 [ordinary dividend ¥25, commemorative dividend ¥10])



FY2018 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 JUKI Corporation (“the Company”).

We are pleased to present the business results for the 104th business year of the Company (January 1, 2018, to December 31, 2018).

In the period under review, we engaged in solution sales activities proposing products and services that meet customers’ labor- and manpower-saving needs, as well as smart factory propositions, etc., to enhance the production efficiency of factories as a whole. At the same time, in order to build a solid customer base for the future, we promoted middle-market customer development centering on Asian markets. As a result, net sales posted 112,064 million yen (an increase of 8.1% from the previous fiscal year) as we succeeded in steadily capturing strong facility investment demand in Asia and China, despite some production delays due to an insufficient supply of electronic components.

Earnings marked an operating profit of 9,148 million yen (an increase of 12.2% from the previous fiscal year) on the strength of overall higher net sales outpacing a rise in middle-market development strategy expenses and advanced development expenses. Ordinary profit grew to 8,385 million yen (an increase of 7.0% from the previous fiscal year), despite a higher foreign exchange valuation loss associated with a valuation change of foreign-denominated receivables. Net profit attributable to owners of the parent company rose to 6,640 million yen (an increase of 17.7% from the previous fiscal year).

As to dividends, the Company maintains a fundamental dividend payment policy that strives to enhance shareholders’ returns through stable dividends, combined with comprehensive regard for the current fiscal year’s business performance as well as internal retention for active investments in development and facilities for the creation of future business platforms.

Consistent with that policy, for the 104th business year, we plan to raise the dividend by 5.00 yen, from 25.00 yen in the previous fiscal year to 30.00 yen per share.

Last year on December 15, the Company celebrated the 80th anniversary of its founding. In order to ensure the Group’s continued future growth beyond the 90th and 100th anniversaries, with our long-term vision of “Thriving in the 21st century as a global innovative *Monodzukuri* (manufacturing) enterprise” in mind, we will strive steadily in the current fiscal year to realize our maxim of “Being an enterprise that consistently provides customer-preferred, high-quality products and services,” which is the 3-year medium-term plan vision for fiscal years 2019 through 2021.

Attended by concerns that the global economy faces increasing uncertainty and slower growth, and amid accelerating technological innovation, in order to realize our vision, we will shift from a *Monodzukuri* enterprise to a *Kotozukuri* (value creation) enterprise, strengthen our value creation capabilities in solution sales and create new customer bases through market development, apply open innovation such as nurturing and utilizing globally innovative human resources and building smart business bases, and strive to expand into additional business areas.

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



Akira Kiyohara
Representative Director

Summary of Results for FY2018

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

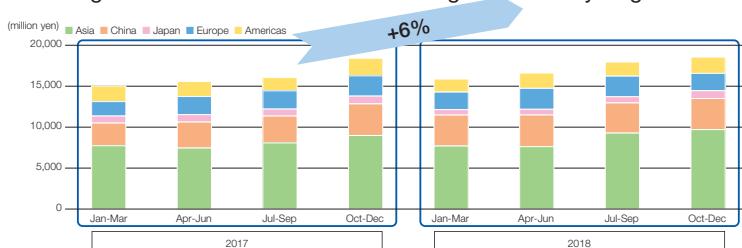
Viewed by market, sales were solid in high-end areas such as China, and the middle market in Asia posted higher sales compared with the previous fiscal year. As a result, overall sales at the Sewing Machinery & Systems Business Unit increased to 73,615 million yen (an increase of 6.6% from the previous fiscal year).

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

	Jan-Dec 2017	Jan-Dec 2018	Amount of change
Asia	322	343	20
China	131	151	21
Japan	36	31	(5)
Europe	87	93	6
Americas	75	72	(3)
Total	651	690	39

Note: Figures in parentheses () are negative values.

○ Changes in Net Sales of Industrial Sewing Machines by Region



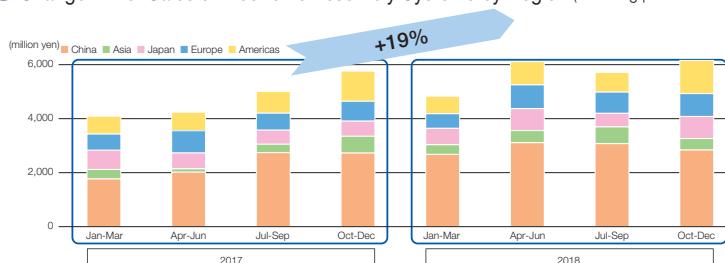
Industrial Equipment & Systems Business Unit (Electronic Assembly Systems, Group Business, Customer Business)

Industrial Equipment benefited from robust capital investment demand in China — the largest market — and elsewhere in Asia, with higher sales of new mounters and smart-factory proposals such as labor-saving equipment. Additionally, aspects of the Group Business such as contract processing marked advances in customer development. As a result, despite production delays causing us to miss out on some demand, overall sales at the Industrial Equipment & Systems Business Unit posted 38,182 million yen (an increase of 11.4% from the previous fiscal year).

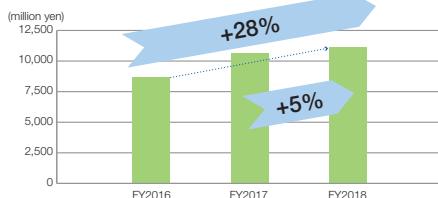
● Net Sales (Electronic Assembly Systems): Year-on-Year Comparison (100 million yen)

	Jan-Dec 2017	Jan-Dec 2018	Amount of change
China	92	117	23
Asia	14	19	5
Japan	24	27	4
Europe	28	30	2
Americas	33	35	2
Total	191	228	36

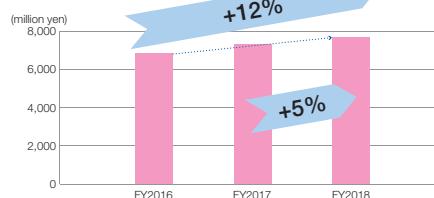
○ Change in Net Sales of Electronic Assembly Systems by Region (including parts/services)



● Group Business: Changes in Net Sales



● Parts Business: Changes in Net Sales



1. FY2019 Full-Year Results Forecasts

(100 million yen)

	Full-year results for FY2018	Forecasts for FY2019
	Full-year (Jan-Dec)	Full-year (Jan-Dec)
Net sales	1,120	1,140
Sewing Machinery & Systems	(736)	(750)
Industrial Equipment & Systems	(381)	(390)
Operating profit	91	73
Ordinary profit	83	68
Profit	66	50
Dividend per share	Full-year: ¥30	Full-year: ¥30
Exchange rate 1US\$	¥111	¥105

2. Anticipated Business Climate

The Economy

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

Customer Needs

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

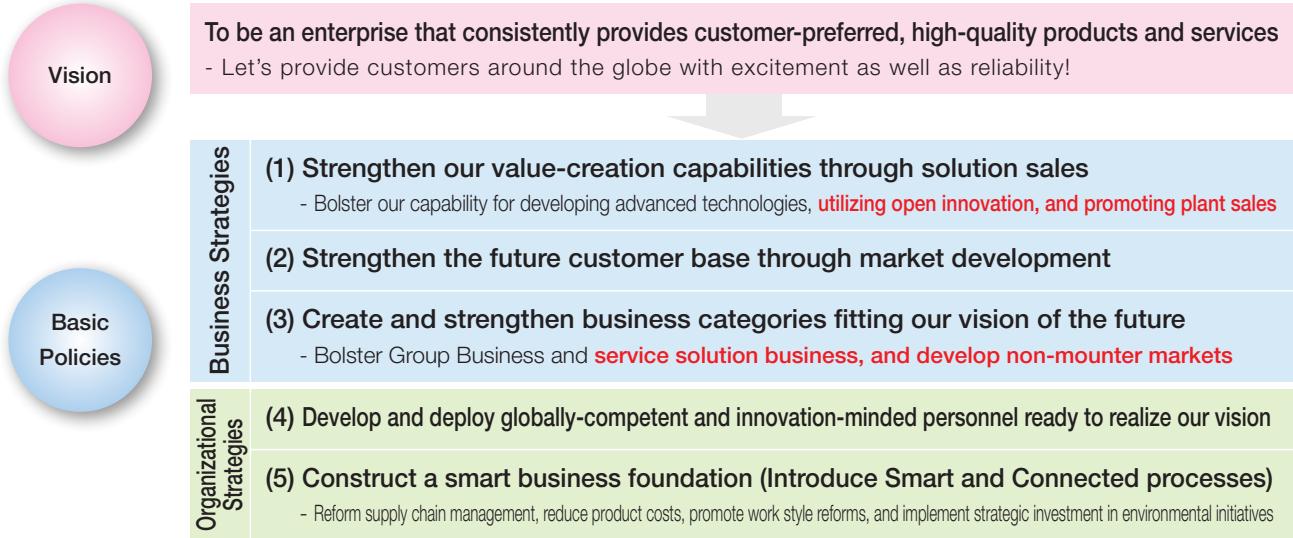
In response, companies are called to:

- **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)

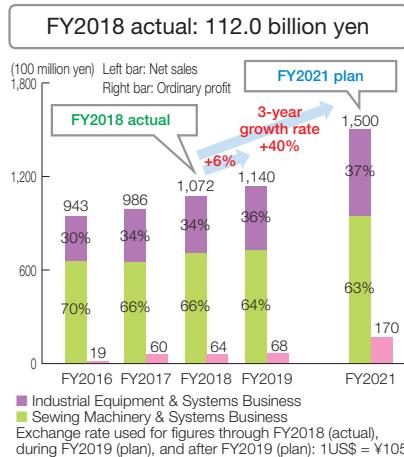
1. Measures for Achieving the Medium-Term Management Plan: Vision and Five Basic Policies

Embarking on the 3rd year of the Medium-Term Management Plan “Value Up 2022”

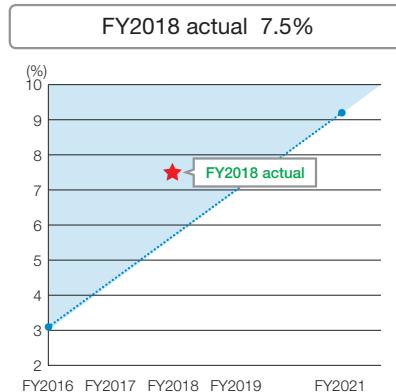


2. Measures for Achieving MTMP: Progress Status

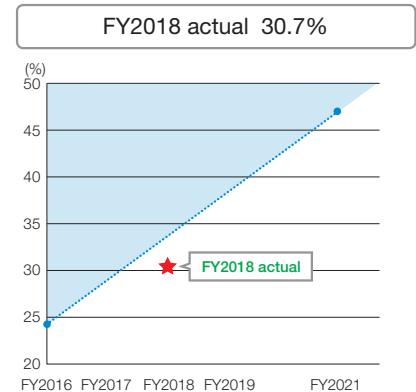
Net Sales, Ordinary Profit
(Target: annual growth rate of 9%)



Rate of Ordinary Profit to Net Sales
(Target: 9.2% or higher by FY2021)



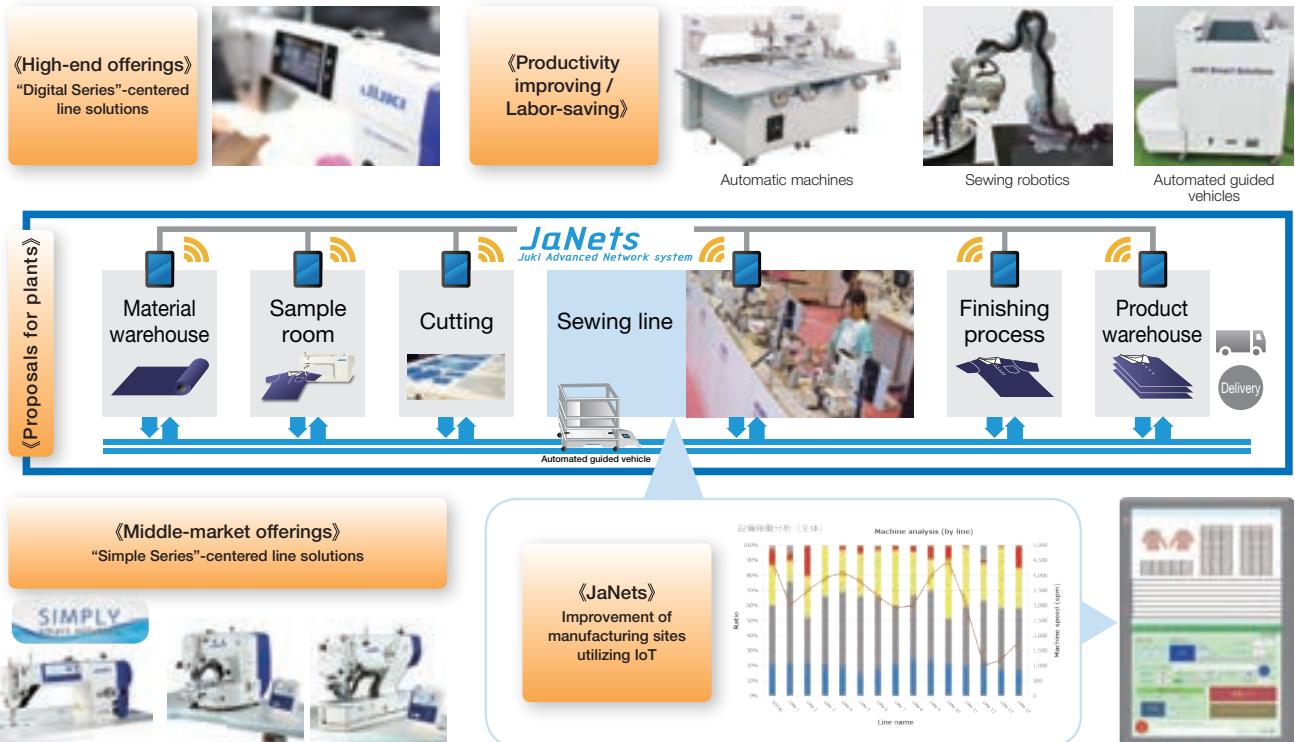
Equity Ratio
(Target: 47% or higher by FY2021 year-end)



1. Priority Measures for Industrial Sewing Machines

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

2. JUKI Smart Factory (Sewing Factory) Proposal (JUKI Smart Solutions)



1. Priority Measures 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 <u>high-end household sewing machines, small overlock machines, sewing machines for professionals, and quilting machines</u>
Key Initiatives	<ul style="list-style-type: none"> Target hobby and craft markets with product development that makes the most of JUKI's strengths 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 Strengthen marketing capabilities and competitiveness of the JUKI brand Win over and secure new users by identifying user needs and strengthening our capability to disseminate information Expand the accessories and parts businesses

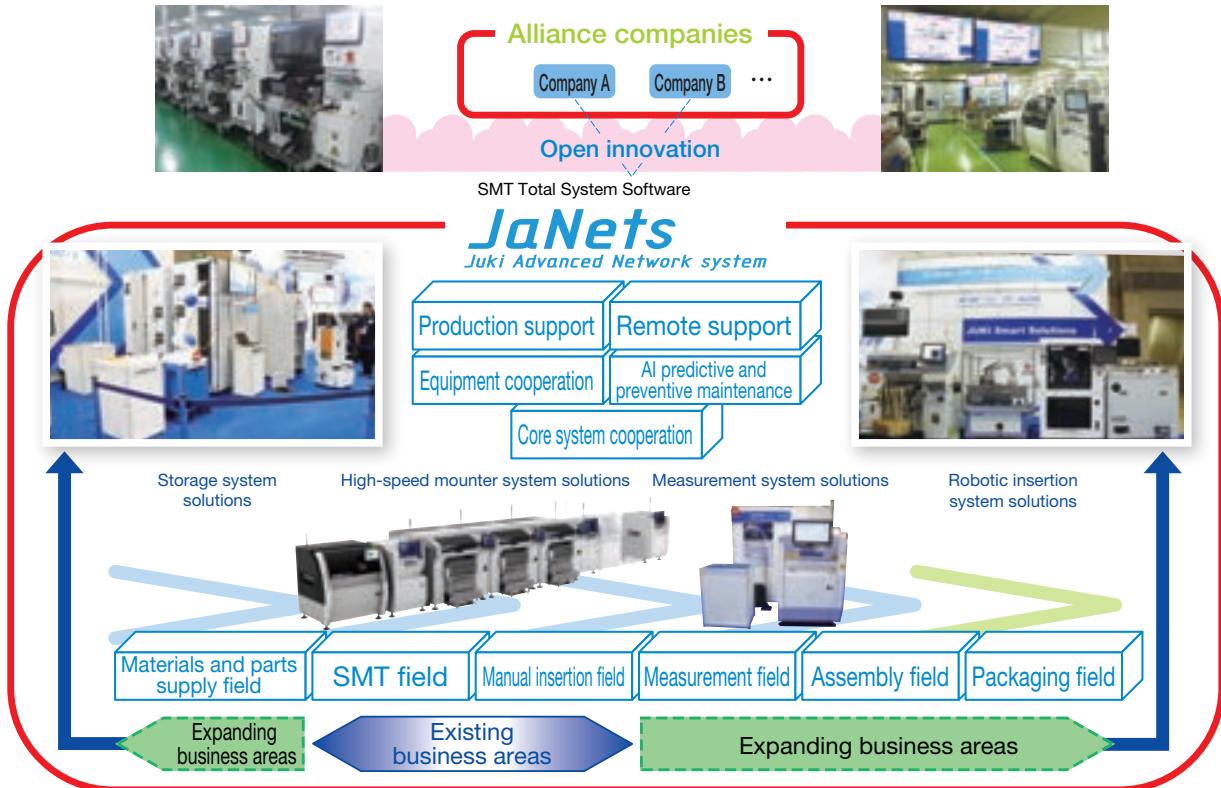
Expand product lineup to better meet each market's characteristics



1. Priority Measures for Electronic Assembly Systems

Vision	<p>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</p> <ul style="list-style-type: none"> - Expand sales of JM + robot, and automated warehousing and peripheral equipment
Basic Policy	<p>Expand business base by increasing solution sales in the non-mounter segment and line solution sales in the moulder segment</p>
Key Initiatives	<ul style="list-style-type: none"> · Promote customer segment-specific sales strategy and product strategy · Expand sales and improve gross margin by launching new products · Expand sales of labor-saving equipment, automated warehousing, and alliance products through solution sales activities

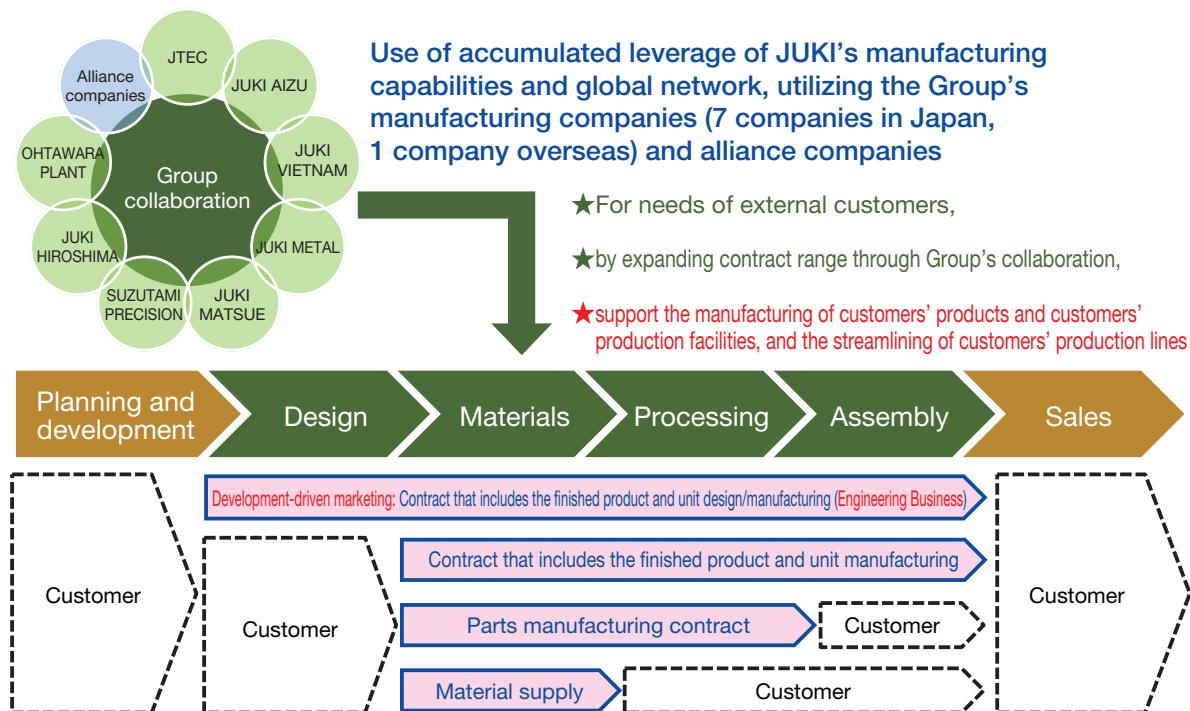
2. JUKI Smart Factory Proposal (JUKI Smart Solutions)



1. Priority Measures for Group Business

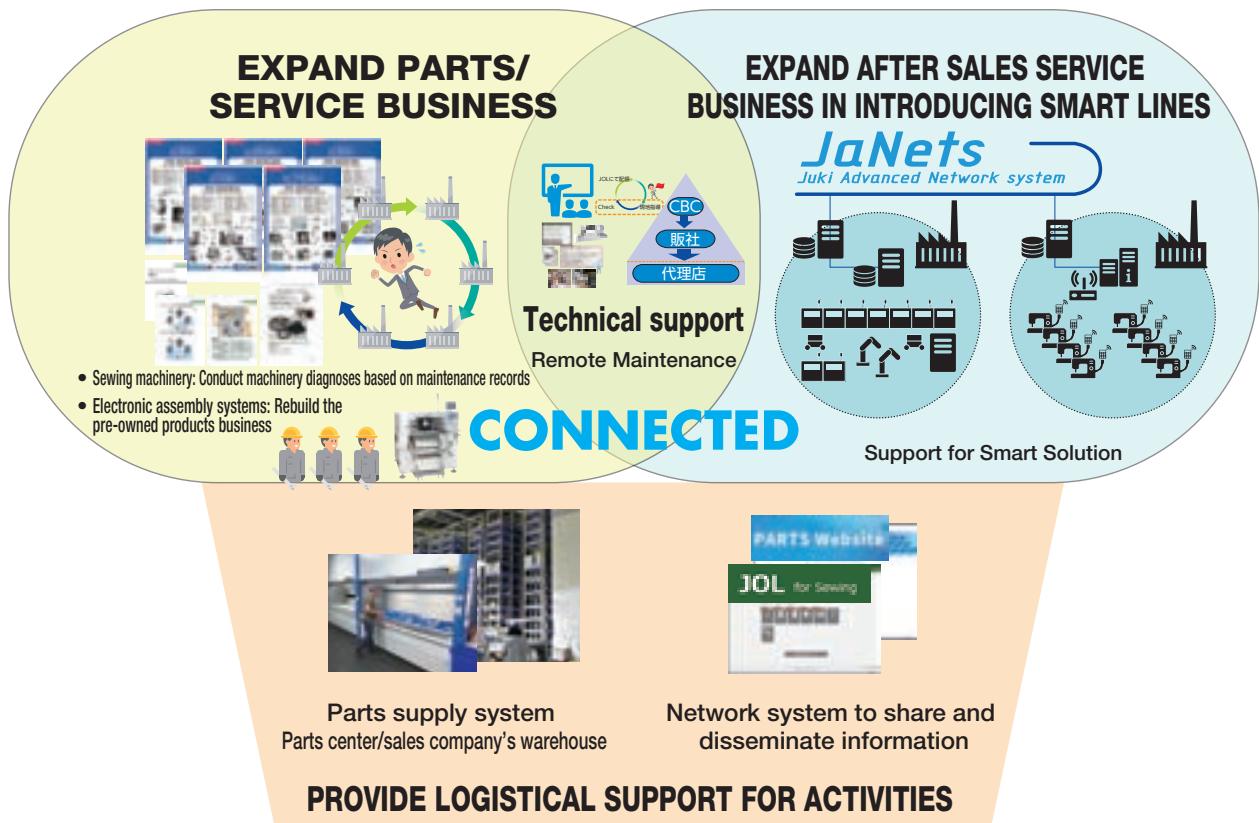
Vision	Grow into JUKI's third pillar business leveraging JUKI Group management resources (including manufacturing technologies)
Basic Policy	Increase sales to create the third pillar business <u>by acquiring new customers and expanding scope of business with important business customers</u> - Achieve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

2. JUKI's Proposal for "One-stop" Contract Manufacturing Services (JUKI Contract Business Model)



1. Priority Measures for Customer Business

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



Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

(million yen)

Item	FY2017 as of December 31, 2017	FY2018 as of December 31, 2018	Change
Assets			
Current assets	79,102	88,059	8,957
Non-current assets	31,451	31,062	(389)
Total assets	110,554	119,121	8,567
Liabilities			
Current liabilities	55,589	59,267	3,678
Non-current liabilities	21,621	22,612	991
Total liabilities	77,211	81,880	4,669
Net assets			
Shareholders' equity	33,468	39,082	5,614
Accumulated other comprehensive income	(742)	(2,552)	(1,810)
Non-controlling interests	617	711	94
Total net assets	33,343	37,241	3,898
Total liabilities and net assets	110,554	119,121	8,567

Note: Figures in parentheses () are negative values.

Consolidated Statement of Income

(million yen)

Item	FY2017 January 1, 2017 to December 31, 2017	FY2018 January 1, 2018 to December 31, 2018	Change
Net sales	103,659	112,064	8,405
Cost of sales	71,748	77,921	6,173
Gross profit	31,911	34,143	2,232
Selling, general and administrative expenses	23,755	24,995	1,240
Operating profit	8,156	9,148	992
Non-operating income	840	1,106	266
Non-operating expenses	1,157	1,868	711
Ordinary profit	7,839	8,385	546
Extraordinary income	39	17	(22)
Extraordinary losses	151	50	(101)
Profit before income taxes	7,727	8,353	626
Income taxes	2,029	1,573	(456)
Net profit	5,697	6,780	1,083
Profit (loss) attributable to non-controlling interests	54	139	85
Profit attributable to owners of the parent company (i.e., JUKI Corporation)	5,642	6,640	998

Corporate Information (as of December 31, 2018)

Corporate Profile

Registered 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	5,891 (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 9,938

JUKI CORPORATION

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http://www.juki.co.jp/index_e.html

Major Shareholders

Shareholder name	Number of shares (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1,960	6.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,296	4.42
GOVERNMENT OF NORWAY	1,294	4.41
Mizuho Bank, Ltd.	938	3.20
Nippon Life Insurance Company	732	2.49

Stock Distribution Status by Owner Type

