

(Reference Translation)



August 4, 2020

Summary of Financial Information and Business Results
for the First Six Months of Fiscal Year 2020 Ending December 31, 2020
on a Consolidated Basis
<under Japanese GAAP>

Company name: **JUKI Corporation**
Listing: First Section of the Tokyo Stock Exchange
Securities code: 6440
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Scheduled date to file the quarterly securities report: August 5, 2020
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 2020 ending December 31, 2020 (January 1, 2020 to June 30, 2020)

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

| Six months ended | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|------------------|-------------|--------|------------------|--------|-----------------|--------|---|--------|
| | million yen | % | million yen | % | million yen | % | million yen | % |
| June 30, 2020 | 30,496 | (41.2) | (3,468) | – | (3,442) | – | (3,902) | – |
| June 30, 2019 | 51,885 | (2.5) | 2,595 | (28.9) | 2,107 | (33.7) | 1,436 | (26.0) |

Note: Comprehensive income Six months ended June 30, 2020: (4,625) million yen [– %]
Six months ended June 30, 2019: 686 million yen [(30.6) %]

| Six months ended | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| | yen | yen |
| June 30, 2020 | (133.21) | – |
| June 30, 2019 | 49.04 | – |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------|--------------|-------------|--------------|
| As of | million yen | million yen | % |
| June 30, 2020 | 130,282 | 32,394 | 24.4 |
| December 31, 2019 | 114,715 | 37,752 | 32.3 |

Reference: Equity As of June 30, 2020: 31,728 million yen

As of December 31, 2019: 37,037 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, 2019 | – | 0.00 | – | 25.00 | 25.00 |
| Fiscal year ending December 31, 2020 | – | 0.00 | | | |
| Fiscal year ending December 31, 2020 (Forecast) | | | – | – | – |

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

3. Consolidated earnings forecasts for the fiscal year 2020 ending December 31, 2020 (January 1, 2020 to December 31, 2020)

(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, 2020 | – | – | – | – | – | – | – | – | – |

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
- (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: None
 - 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, 2020 | 29,874,179 shares |
| As of December 31, 2019 | 29,874,179 shares |

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

| | |
|-------------------------|----------------|
| As of June 30, 2020 | 578,837 shares |
| As of December 31, 2019 | 578,789 shares |

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

| | |
|--------------------------------|-------------------|
| Six months ended June 30, 2020 | 29,295,356 shares |
| Six months ended June 30, 2019 | 29,295,696 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

During the six months ended June 30, 2020, the business environment was characterized by worldwide restrictions on movement caused by the spread of novel coronavirus disease (COVID-19). With lockdowns being expanded in some countries, economic activity at the corporate level has stagnated in many regions and consumption demand remains weak, while the slowdown in the global economy has become increasingly marked.

With regard to the environment in which the Company operates, the sewing factories that make up our customers in a number of countries and regions have suspended business, and demand for capital investment remains at low levels due to such factors as low operating rates at some companies.

Under the vision “a *Mono-Koto dzukuri (manufacturing-value creation)* enterprise, capable of elevating the corporate value of both JUKI and its customers through JUKI products and services” of the Medium-Term Management Plan Phase II, which serves as the focal point for structural reforms from 2020 to 2022, the Company will carry out structural reforms centered on the “5 Reforms*.” To accomplish this, the Company has (i) carried out cost structural reforms through streamlining, etc. of administrative and indirect operations, (ii) maximized added value by expanding business areas, such as by strengthening sales capabilities in highly profitable areas and (iii) strengthened the customer base by eliminating borders, such as by improving efforts to develop the middle market.

* 5 Reforms = (i) Develop markets and customer with potential for growth, (ii) Expand business areas for increasing profitability, (iii) Expand innovative technical areas, (iv) Construct a production organization and administrative (indirect) work organization centered on the management 5Ss (Simple, Slim, Speedy, Seamless and Smart) and (v) Conduct “sustainable” management

In response to this situation, the Company worked to improve profitability by further deepening the structural reforms that were begun at the beginning of the fiscal year, stopping all operations at the head office and Group factories in Japan and overseas, temporarily suspending administrative (indirect) functions, introducing new forms of working, implementing reforms of personnel systems (including treatment), and reviewing the capital investment plan, etc., resulting in fixed-cost reductions of approximately 3.2 billion yen in the first half compared to the same period of the previous fiscal year.

As a result, net sales stood at 30,496 million yen (down by 41.2% from the same period of the previous fiscal year). In terms of profits, operating loss stood at 3,468 million yen (compared to operating profit of 2,595 million yen for the same period of the previous fiscal year), ordinary loss stood at 3,442 million yen (compared to ordinary profit of 2,107 million yen for the same period of the previous fiscal year), and loss attributable to owners of parent stood at 3,902 million yen (compared to profit attributable to owners of parent of 1,436 million yen for the same period of the previous fiscal year).

In view of the continued presence of coronavirus, in the second half we will make further fixed-cost reductions of approximately 2.0 billion yen year on year by institutionalizing new forms of working and implementing further reforms to personnel systems. In addition, we will review work operations by establishing specialized departments with a focus on the post-coronavirus era, and build highly efficient management systems through the introduction of RPA and other technologies.

In addition, the percentage by which the monthly remuneration of the officers of the Company is reduced has been expanded from July to 5 - 30%, and bonuses for the first half have been voluntarily returned.

(Business overview by primary segment)

a. Sewing Machinery and Systems Business

By meeting the increase in demand generated by people cocooning at home following the spread of COVID-19, sales of household sewing machines rose in Japan and European markets, but sales of industrial sewing machines declined significantly in other markets, centered on Asia, with the result that for the Sewing Machinery and Systems Business as a whole net sales came to 18,442 million yen (down by 45.9% year on year). In terms of profits, although the Company strove to reduce costs through the structural reforms mentioned above, factors such as the decline in sales and the fall in

capacity utilization rates at factories resulted in a segment loss (ordinary loss) of 1,801 million yen, compared to segment profit of 1,811 million yen in the same period of the previous fiscal year.

b. Industrial Equipment and Systems Business

With signs of a recovery in capital investment demand becoming visible in relation to 5G, etc., primarily in China and other countries, industrial equipment sales in the second quarter rose by 10.7% compared to the first quarter, but in year-on-year terms sales fell in every region, and sales also failed to grow in Group Businesses such as contract manufacturing, mainly for in-car-related products, with the result that net sales for the Industrial Equipment and Systems Business as a whole declined by 32.4% year on year to 11,940 million yen. In terms of profits, we made efforts to reduce costs by means of the structural reforms mentioned above, and succeeded in reducing the amount of red ink in the second quarter, but factors such as the decline in sales and the fall in capacity utilization rates at factories resulted in segment loss (ordinary loss) of 615 million yen compared to segment profit of 1,177 million yen in the same period of the previous fiscal year.

(2) Explanation regarding financial position

Assets, liabilities and net assets

During the six months ended June 30, 2020, in order to prepare for the impact of the spread of COVID-19, and with the aim of further increasing the stability of our financial foundation, we worked speedily to formulate a financing strategy that included Group companies, and to augment the amount of cash at hand.

As a result, total assets as of June 30, 2020 were 130,282 million yen, an increase of 15,566 million yen compared to the previous fiscal year-end. This was mainly due to a fall in accounts receivable - trade, which was more than offset by a rise in cash and deposits. Liabilities were 97,888 million yen, an increase of 20,924 million yen compared to the previous fiscal year-end, primarily due to an increase in short-term and long-term borrowings, while accounts payable-trade decreased. Net assets were 32,394 million yen, a decrease of 5,357 million yen compared to the previous fiscal year-end. This was mainly due to a decrease in retained earnings in addition to a higher negative value in foreign currency translation adjustment.

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

Economic activity at companies continued to stagnate amid restrictions on going out in countries around the world due to the spread of COVID-19.

At this time, it is difficult to predict when the spread of COVID-19 will be brought under control. Therefore, because it is difficult to reasonably calculate earnings forecasts, the consolidated earnings forecasts for the fiscal year ending December 31, 2020 remain yet to be determined. The Company will announce the consolidated earnings forecasts once it is able to do so.

In addition, forecasts for the year-end dividend for the fiscal year ending December 31, 2020 also remain yet to be determined, and will be announced once the Company is able to calculate the consolidated earnings forecasts for the fiscal year ending December 31, 2020.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(million yen)

| | As of December 31, 2019 | As of June 30, 2020 |
|--|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,987 | 31,203 |
| Notes and accounts receivable - trade | 30,461 | 21,207 |
| Inventories | 41,461 | 41,127 |
| Other | 2,684 | 2,908 |
| Allowance for doubtful accounts | (383) | (492) |
| Total current assets | 80,210 | 95,955 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 11,514 | 11,580 |
| Land | 6,362 | 6,322 |
| Other, net | 6,278 | 6,275 |
| Total property, plant and equipment | 24,154 | 24,178 |
| Intangible assets | 2,096 | 1,998 |
| Investments and other assets | | |
| Other | 9,611 | 9,502 |
| Allowance for doubtful accounts | (1,357) | (1,352) |
| Total investments and other assets | 8,254 | 8,150 |
| Total non-current assets | 34,505 | 34,327 |
| Total assets | 114,715 | 130,282 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 7,120 | 4,735 |
| Electronically recorded obligations - operating | 2,877 | 2,487 |
| Short-term borrowings | 37,211 | 53,508 |
| Income taxes payable | 452 | 298 |
| Provision for bonuses | 28 | 38 |
| Other | 7,078 | 5,051 |
| Total current liabilities | 54,769 | 66,119 |
| Non-current liabilities | | |
| Long-term borrowings | 15,400 | 24,823 |
| Provision for retirement benefits for directors (and other officers) | 61 | 65 |
| Retirement benefit liability | 5,251 | 5,277 |
| Other | 1,480 | 1,601 |
| Total non-current liabilities | 22,194 | 31,768 |
| Total liabilities | 76,963 | 97,888 |

(million yen)

| | As of December 31, 2019 | As of June 30, 2020 |
|---|-------------------------|---------------------|
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 18,044 | 18,044 |
| Capital surplus | 2,035 | 2,035 |
| Retained earnings | 20,494 | 15,859 |
| Treasury shares | (607) | (607) |
| Total shareholders' equity | 39,966 | 35,332 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 468 | 442 |
| Foreign currency translation adjustment | (3,437) | (4,074) |
| Remeasurements of defined benefit plans | 40 | 28 |
| Total accumulated other comprehensive income | (2,929) | (3,603) |
| Non-controlling interests | 714 | 665 |
| Total net assets | 37,752 | 32,394 |
| Total liabilities and net assets | 114,715 | 130,282 |

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

Consolidated statement of income (cumulative)

(million yen)

| | Six months ended June 30, 2019 | Six months ended June 30, 2020 |
|---|-----------------------------------|-----------------------------------|
| Net sales | 51,885 | 30,496 |
| Cost of sales | 36,463 | 23,750 |
| Gross profit | 15,421 | 6,745 |
| Selling, general and administrative expenses | 12,826 | 10,214 |
| Operating profit (loss) | 2,595 | (3,468) |
| Non-operating income | | |
| Interest income | 18 | 28 |
| Dividend income | 113 | 89 |
| Reversal of allowance for doubtful accounts | 66 | 21 |
| Subsidy income | 5 | 544 |
| Other | 258 | 188 |
| Total non-operating income | 462 | 873 |
| Non-operating expenses | | |
| Interest expenses | 399 | 395 |
| Foreign exchange losses | 502 | 383 |
| Other | 48 | 67 |
| Total non-operating expenses | 949 | 847 |
| Ordinary profit (loss) | 2,107 | (3,442) |
| Extraordinary income | | |
| Gain on sales of non-current assets | 6 | 30 |
| Total extraordinary income | 6 | 30 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 6 | 26 |
| Loss on valuation of investment securities | – | 112 |
| Extra retirement payments | – | 83 |
| Total extraordinary losses | 6 | 223 |
| Profit (loss) before income taxes | 2,106 | (3,635) |
| Income taxes | 641 | 307 |
| Profit (loss) | 1,465 | (3,942) |
| Profit (loss) attributable to non-controlling interests | 29 | (40) |
| Profit (loss) attributable to owners of parent | 1,436 | (3,902) |

Consolidated statement of comprehensive income (cumulative)

(million yen)

| | Six months ended June 30, 2019 | Six months ended June 30, 2020 |
|--|-----------------------------------|-----------------------------------|
| Profit (loss) | 1,465 | (3,942) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (50) | (25) |
| Foreign currency translation adjustment | (716) | (645) |
| Remeasurements of defined benefit plans, net of tax | (12) | (11) |
| Total other comprehensive income | (779) | (682) |
| Comprehensive income | 686 | (4,625) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 665 | (4,576) |
| Comprehensive income attributable to non-controlling interests | 20 | (49) |

(3) Consolidated statement of cash flows

(million yen)

| | Six months ended June 30, 2019 | Six months ended June 30, 2020 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 2,106 | (3,635) |
| Depreciation | 1,404 | 1,579 |
| Increase (decrease) in allowance for doubtful accounts | (53) | 114 |
| Increase (decrease) in retirement benefit liability | (111) | 45 |
| Decrease (increase) in retirement benefit asset | 82 | (75) |
| Increase (decrease) in provision for bonuses | 3 | 10 |
| Interest and dividend income | (131) | (118) |
| Interest expenses | 399 | 395 |
| Foreign exchange losses (gains) | 11 | 26 |
| Loss (gain) on sales and retirement of property, plant and equipment and intangible assets | 0 | (3) |
| Decrease (increase) in trade receivables | 588 | 8,724 |
| Decrease (increase) in inventories | 128 | (384) |
| Increase (decrease) in trade payables | (3,333) | (2,686) |
| Increase (decrease) in notes discounted | 0 | (12) |
| Other, net | 540 | (1,241) |
| Subtotal | 1,634 | 2,737 |
| Interest and dividends received | 132 | 118 |
| Interest paid | (400) | (379) |
| Income taxes (paid) refund | (1,222) | (174) |
| Net cash provided by (used in) operating activities | 144 | 2,301 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (913) | (1,691) |
| Proceeds from sales of property, plant and equipment and intangible assets | 25 | 173 |
| Other, net | 21 | (245) |
| Net cash provided by (used in) investing activities | (866) | (1,763) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | 2,782 | 16,428 |
| Proceeds from long-term borrowings | 4,670 | 13,924 |
| Repayments of long-term borrowings | (4,512) | (4,434) |
| Purchase of treasury shares | (0) | (0) |
| Dividends paid | (875) | (729) |
| Repayments of sale and installment back payables | (1) | – |
| Other, net | (217) | (357) |
| Net cash provided by (used in) financing activities | 1,846 | 24,831 |
| Effect of exchange rate change on cash and cash equivalents | (191) | (154) |
| Net increase (decrease) in cash and cash equivalents | 931 | 25,215 |
| Cash and cash equivalents at beginning of period | 7,301 | 5,976 |
| Cash and cash equivalents at end of period | 8,233 | 31,192 |

**(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.

(Additional information)

(Accounting estimates following the spread of novel coronavirus disease (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, 2020, 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)

For the six months ended June 30, 2020, the "subsidy income" that had previously been included in the "other" category of "non-operating income" exceeded 20% of total non-operating income, and thus has been presented as a separate item.

To reflect this change in presentation, the quarterly consolidated statement of income for the six months ended June 30, 2019, has been reclassified.

As a result, in the quarterly consolidated statement of income for the six months ended June 30, 2019, the 263 million yen that had previously been presented as "other" in "non-operating income" has become "subsidy income" of 5 million yen and "other" of 258 million yen.

(Segment information, etc.)

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

Six months ended June 30, 2019 (January 1, 2019 to June 30, 2019) (million yen)

| | Reportable segment | | | Other Businesses (Note 1) | Total | Adjustments (Note 2) | Amount recorded in the quarterly consolidated statement of income (Note 3) |
|----------------------------------|---------------------------------------|---|--------|------------------------------|--------|-------------------------|---|
| | Sewing Machinery and Systems Business | Industrial Equipment and Systems Business | Total | | | | |
| Net sales | | | | | | | |
| To external customers | 34,109 | 17,654 | 51,764 | 121 | 51,885 | – | 51,885 |
| Inter-segment sales or transfers | 606 | 83 | 689 | 237 | 926 | (926) | – |
| Total | 34,716 | 17,737 | 52,454 | 358 | 52,812 | (926) | 51,885 |
| Segment profit | 1,811 | 1,177 | 2,989 | 40 | 3,029 | (922) | 2,107 |

(Notes) 1. The “Other Businesses” category refers to business segments not included in reportable segments under which businesses such as the building management business are classified.

2. Included in the 922 million yen deducted from segment profit as adjustment are a deduction of 2 million yen in inter-segment eliminations and a deduction of 925 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, 2020 (January 1, 2020 to June 30, 2020) (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 | 18,442 | 11,940 | 30,383 | 113 | 30,496 | – | 30,496 |
| Inter-segment sales or transfers | 409 | 31 | 440 | 199 | 640 | (640) | – |
| Total | 18,852 | 11,971 | 30,823 | 313 | 31,136 | (640) | 30,496 |
| Segment profit (loss) | (1,801) | (615) | (2,417) | 41 | (2,375) | (1,066) | (3,442) |

(Notes) 1. The “Other Businesses” category refers to business segments not included in reportable segments under which businesses such as the building management business are classified.

2. Included in the 1,066 million yen deducted from segment profit (loss) as adjustment are a deduction of 58 million yen in inter-segment eliminations and a deduction of 1,125 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 loss 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.