

To Our Shareholders



Business Report for the First Half of the 106th Business Term

(From January 1, 2020 through June 30, 2020)

JUKI CORPORATION

Securities code: 6440

Business Performance Highlights

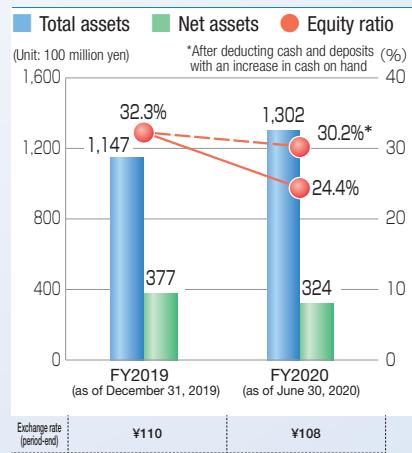
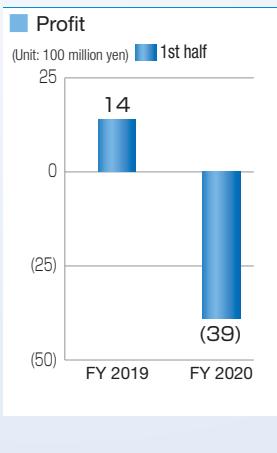
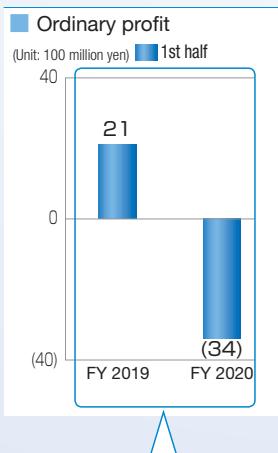
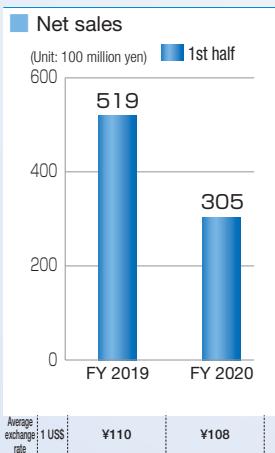
Overview of Business Performance

Net sales: 30.5 billion yen
(down by 21.4 billion yen year-on-year)

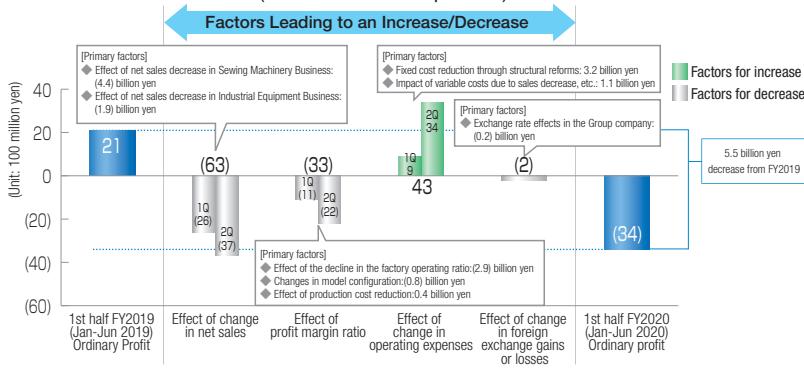
Ordinary profit: (3.4) billion yen
(down by 5.5 billion yen year-on-year)

Profit: (3.9) billion yen
(down by 5.3 billion yen year-on-year)

Net sales decreased 41.2% year-on-year as demand for capital investment continued to remain low, particularly due to low operating ratio of some companies, including our customers whose sewing factories in a number of countries and regions suspended operations. Operating profit and ordinary profit declined sharply respectively year-on-year, mainly due to the impact of lower sales, despite further deepening the structural reforms beyond the initial targets set out at the beginning of the fiscal year and making major production adjustments, including a simultaneous suspension of operations at the head office and Group factories in Japan and overseas, improving profits through temporary leave for administrative (indirect) functions and introduction of new forms of working.



Factors Leading to an Increase/Decrease in Ordinary Profit in the First Half of FY2020 (Year-on-Year Comparison)



Personnel Cost Reform (Decrease by 0.9 billion yen)

- Personnel treatment system
- Temporary leave at Head Office
- Introduction of new forms of working

Production Cost Reform (Decrease by 1.2 billion yen)

- Substantial production adjustments including simultaneous shut down of Group factories in Japan and overseas
- Cost reduction through a transition to smart factory

Sales Cost Reform (Decrease by 1.1 billion yen)

- Cost reduction of Group companies (review of treatment, temporary leave, etc.)

Cost Structure Reforms (Decrease by 3.2 billion yen)

Note: Figures in parentheses () are negative values.

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 106th business year of the Company (January 1 to June 30, 2020).

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 of the three-year Medium-Term Management Plan launched in 2020: “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,” 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 targeted in the Medium-Term Management Plan, stopping all operations at the head office and Group factories in Japan and overseas, temporarily suspending administrative (indirect) functions, introducing new forms of working, 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. 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.

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. At the same time, we will work even harder to enhance added value by further strengthening solution business operation, strengthening existing businesses, creating new businesses, and expanding business areas, to provide solutions for the business challenges faced by our customers in countries and regions striving for economic revival.

The consolidated earnings forecasts and dividend forecasts for the fiscal year ending December 31, 2020 remain yet to be determined, as it is difficult to predict at present when the spread of COVID-19 will be brought under control. They will be announced as soon as it becomes possible to calculate earnings forecasts.

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



Akira Kiyohara
Representative Director

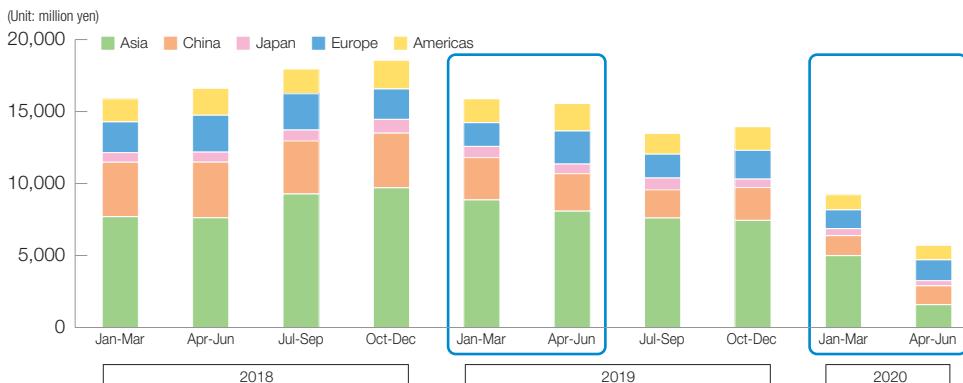
Performance of the 1st Half of FY2020 (January-June, 2020)

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

Net sales of industrial sewing machines decreased by 53% year-on-year due to a drop in sales in each market, particularly in Asia.

Sales of household sewing machines were up 25% year-on-year.

○ Changes in Net Sales of Industrial Sewing Machines by Region(monthly aggregation base)



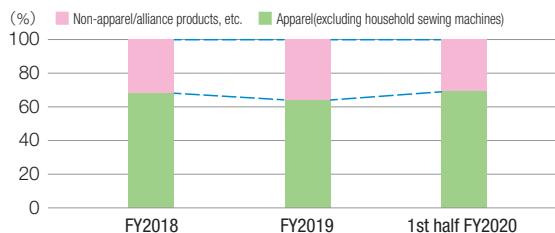
● Net Sales of Industrial Sewing Machines: Year-on-Year Comparison

(Unit: 100 million yen)

| | Jan-Jun 2019 | Jan-Jun 2020 | Amount of change | (% of change) |
|--------------|--------------|--------------|------------------|---------------|
| China | 55 | 27 | (28) | (51)% |
| Asia | 169 | 66 | (104) | (61)% |
| China+Asia | 225 | 93 | (132) | (59)% |
| Japan | 14 | 8 | (6) | (42)% |
| Europe | 39 | 28 | (12) | (30)% |
| Americas | 36 | 20 | (15) | (43)% |
| Total | 314 | 149 | (165) | (53)% |

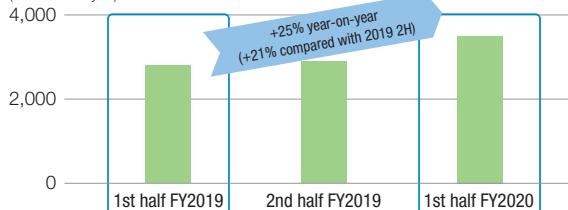
Note: Figures in parentheses () are negative values.

● Changes in Net Sales of Apparel/Non-Apparel Products(excluding Household Sewing Machines)



● Changes in Net Sales of Household Sewing Machines

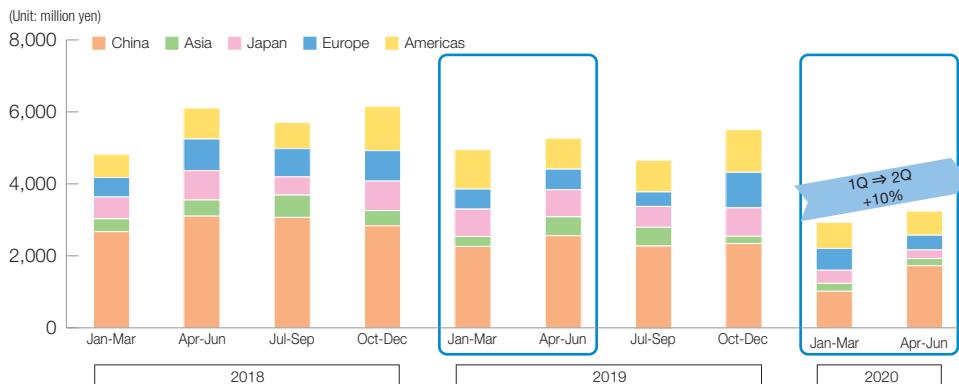
(Unit: million yen)



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

Net sales for electronic assembly system, including the Parts Business increased by 10% in 2Q but decreased by 40% year-on-year.

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



● Net Sales of Electronic Assembly Systems: Year-on-Year Comparison

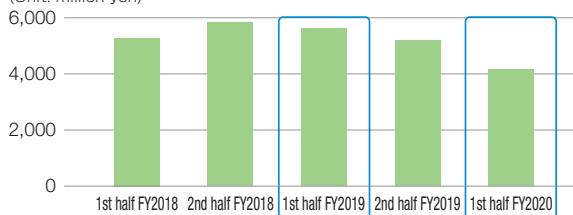
(Unit: 100 million yen)

| | Jan-Jun 2019 | Jan-Jun 2020 | Amount of change | (% of change) |
|--------------|--------------|--------------|------------------|---------------|
| China | 48 | 28 | (21) | (43)% |
| Asia | 8 | 4 | (4) | (48)% |
| China+Asia | 56 | 32 | (25) | (44)% |
| Japan | 15 | 6 | (9) | (60)% |
| Europe | 11 | 10 | (1) | (10)% |
| Americas | 20 | 14 | (6) | (28)% |
| Total | 102 | 62 | (40) | (40)% |

Note: Figures in parentheses () are negative values.

● Group Business: Changes in Net Sales

(Unit: million yen)



● Parts Business: Changes in Net Sales

(Unit: million yen)



Until remedies of COVID-19 and preventive vaccines become available and infections are completely overcome, it remains to be a major challenge to balance **"saving lives"** and **"recovering the economy."**

The Economy

Economic Recovery:

- The economy is recovering while coexisting with COVID-19.
While China, Europe, the U.S., Japan and Southeast Asia are heading for recovery, areas such as South Asia and Africa are expected to remain stagnant.
- Review of companies' supply chains and relocation of production sites are likely to continue to maintain stable supply.
- Expanding use of advanced technologies such as AI, 5G, and IoT for various products and services.

Social requirement

Adapting to the New Normal:

- Promotion of work style reform (digitalization of work, remote work), promotion of social distancing measures.

Initiatives for SDGs (Realization of Sustainable Society):

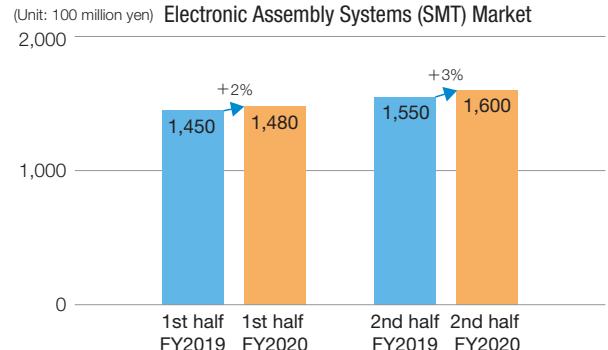
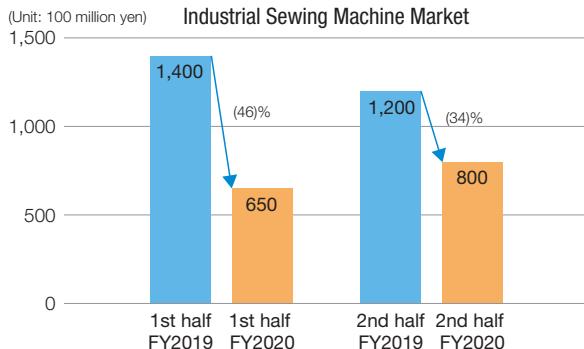
- Responding to efforts to save resources and reduce waste.
- Strengthening compliance and corporate governance.

In the future, the New Normal with and after COVID-19 will take hold, and new industries will be born. There will be new business opportunities in it!!

2nd Half FY2020 Market Forecast (Main businesses)

The market for industrial sewing machines shrank by 30-40% year-on-year due to slow recovery in apparel demand.

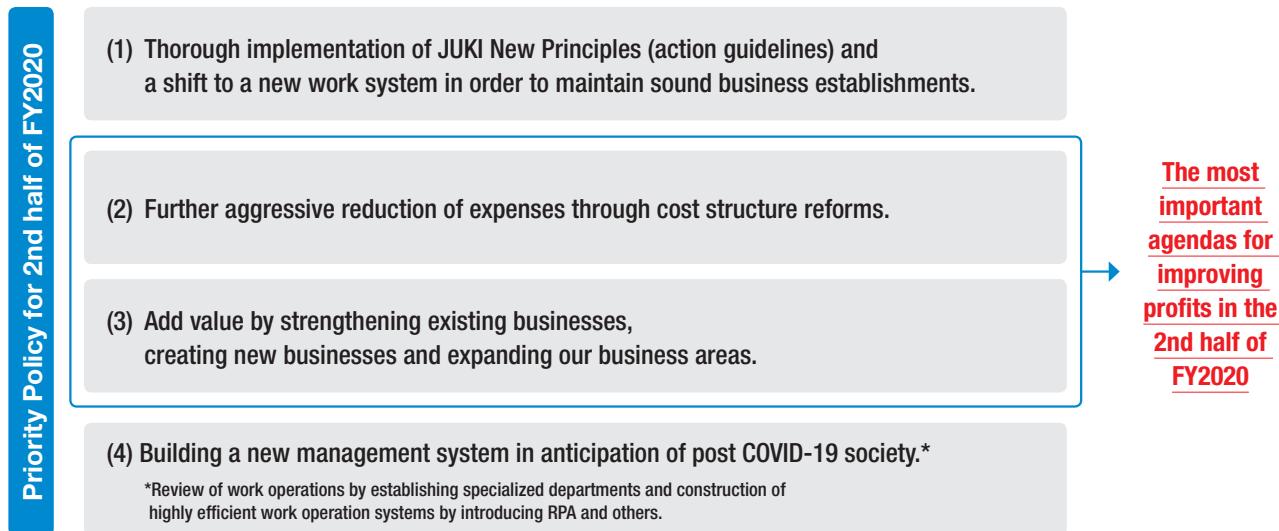
The market for electronic assembly systems expanded by approximately 3% year-on-year due to 5G-related demand in China and others.



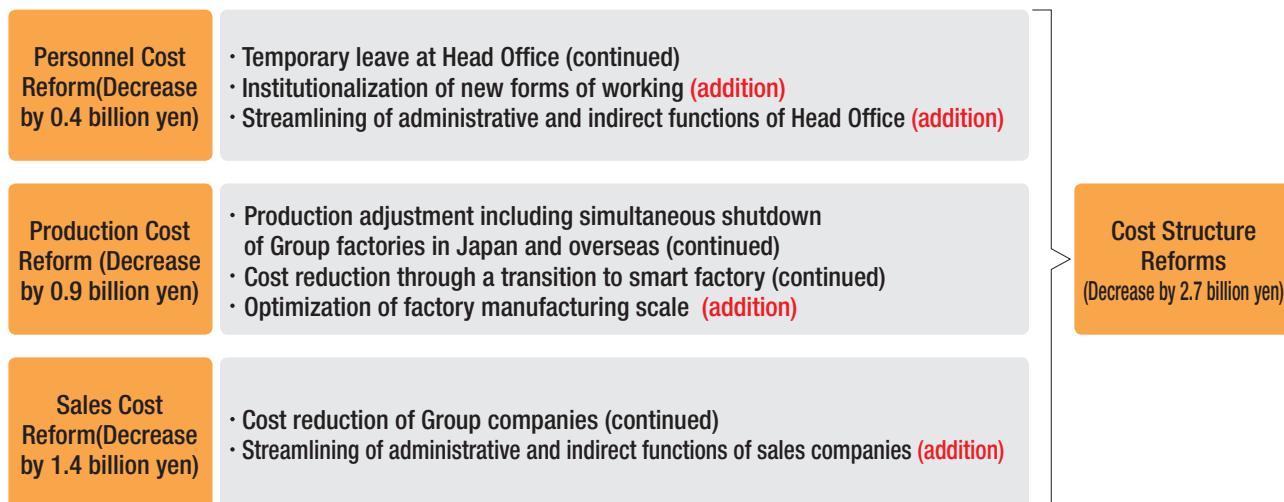
Note: Figures in parentheses () are negative values.

Key Initiatives for the 2nd Half of FY2020

Four priority policies that JUKI should pursue in the context of living with COVID-19

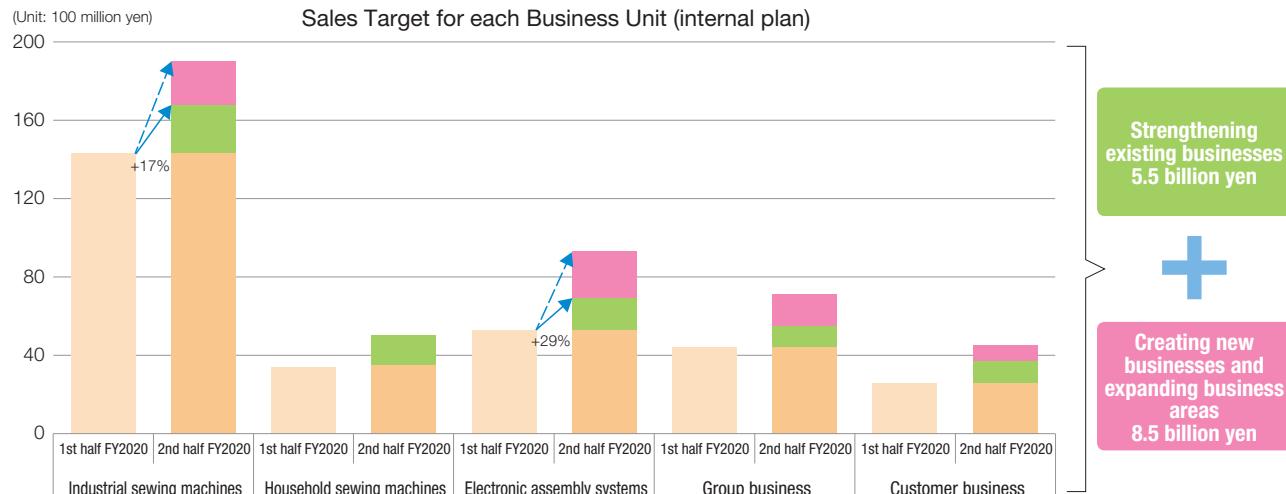


Expenses to be reduced by approximately 2.7 billion yen year-on-year through the implementation of additional measures for further reduction of the cost level in the 1st half of FY2020.



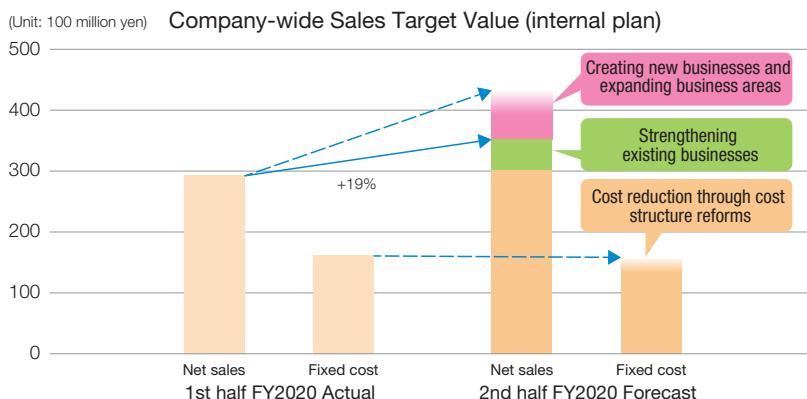
Key Initiatives for the 2nd Half of FY2020

Enhancing added value by creating new businesses and expanding our business areas, in addition to strengthening existing businesses.

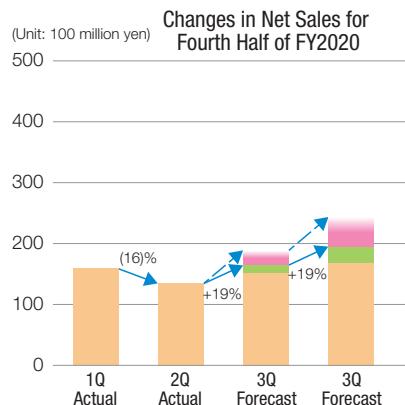


Notes: 1. Before the elimination of intercompany transactions.
2. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

- Aiming to recover business performance by "reducing costs through cost structure reforms" + "strengthening existing businesses" + "creating new businesses and expanding business areas."
- However, it is difficult to predict when the spread of COVID-19 will be brought under control, and "forecasts remain yet to be decided."



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



Notes: 1. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.
2. Figures in parentheses() are negative values.

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

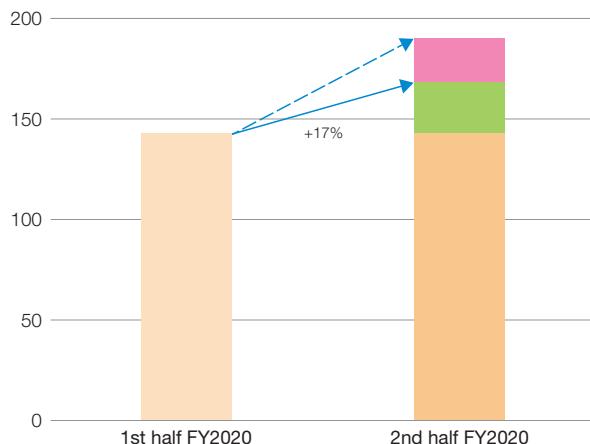
Basic Policies

- Develop new line solution business for COVID-19 measures.
- Build a customer base for the future by developing customers in the middle market and bringing them into the high-end market.

2. Targets for the 2nd Half of FY2020 and Expanding Our Scope of Business/Creating New Businesses

Target Value for the 2nd half of FY2020

(Unit: 100 million yen)



Creating New Business

Expand line solution business for face mask sewing



New product lineup including new products

- Notes: 1. Before the elimination of intercompany transactions.
 2. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

1. Vision and Basic Policies for Household Sewing Machines

Vision

Create new ways to enjoy handicraft-making, in collaboration with customer (home sewers) who have excellent handicraft capabilities.

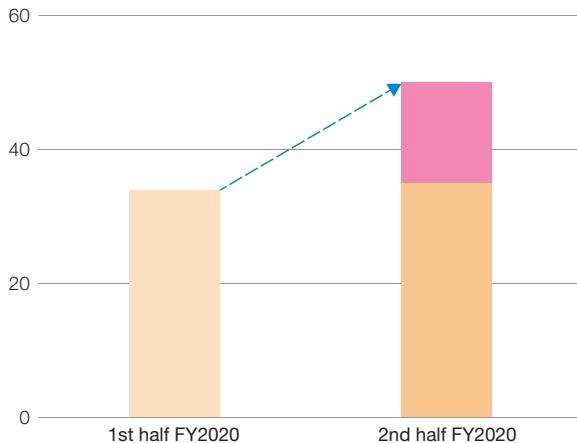
Basic Policies

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

2. Targets for the 2nd Half of FY2020 and Expanding Our Scope of Business/Creating New Businesses

Target Value for the 2nd half of FY2020

(Unit: 100 million yen)



- Notes: 1. Before the elimination of intercompany transactions.
2. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

Expanding Business Areas

Expand sales by deploying platinum models of sewing machines for professionals.



New model to be released this autumn

1. Vision and Basic Policies 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.

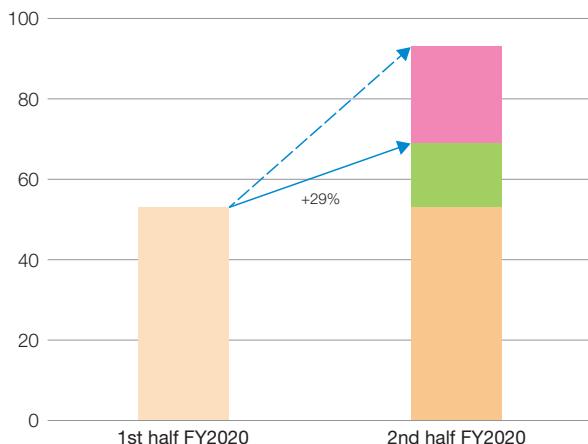
Basic Policies

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

2. Targets for the 2nd Half of FY2020 and Expanding Our Scope of Business/Creating New Businesses

Target Value for the 2nd half of FY2020

(Unit: 100 million yen)



Notes: 1. Before the elimination of intercompany transactions.
2. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

Expanding Business Areas

Expand business areas for MI+ robots, inspection/measurement and automated warehousing.



1. Vision and Basic Policies for Group Business

Vision

Grow into JUKI's third pillar business by leveraging JUKI Group's management resources (human resources, factory equipment, networks).

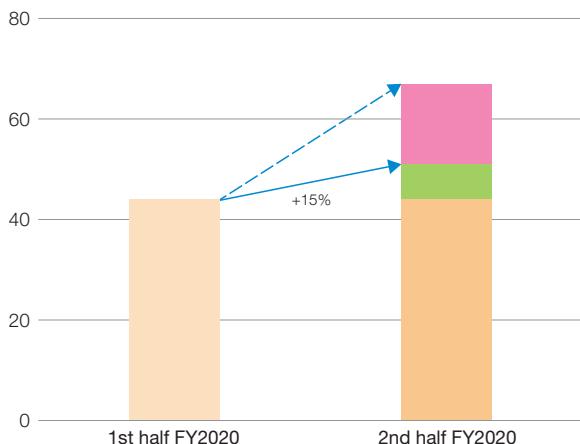
Basic Policies

- Expand our business areas by strengthening planning/development, design, contract assembly, and engineering services.
- Create new businesses in fields related to COVID-19 measures.

2. Targets for the 2nd Half of FY2020 and Expanding Our Scope of Business/Creating New Businesses

Target Value for the 2nd half of FY2020

(Unit: 100 million yen)



- Notes: 1. Before the elimination of intercompany transactions.
2. Values in the graph for both actual and plan are based on internal projected foreign exchange rates.

Expanding Business Areas

Automate manufacturing at customers' factories, expand line construction (engineering).



Process visualization/process robotization

1. Vision and Basic Policies for Customer Business

Vision

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

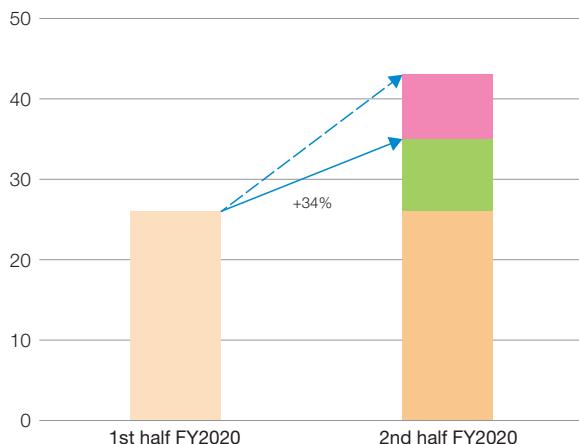
Basic Policies

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. Targets for the 2nd Half of FY2020 and Expanding Our Scope of Business/Creating New Businesses

Target Value for the 2nd half of FY2020

(Unit: 100 million yen)



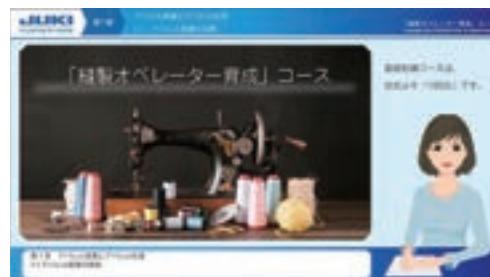
- Notes: 1. Before the elimination of intercompany transactions.
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Creating New Business

Expansion of remote support field.



Deployment of inspection support app



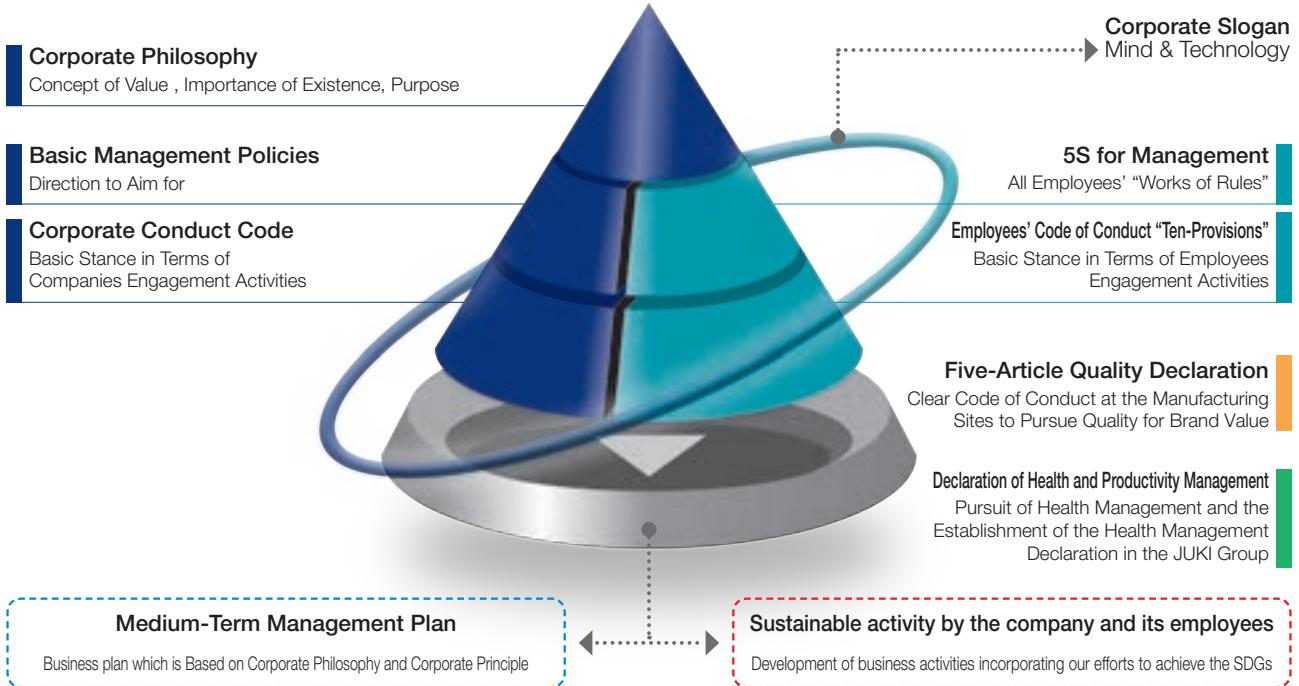
Provision of E-learning contents for operators

Initiatives for Achieving the SDGs

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

Targeting at the achievement of the SDGs in 2030, we will focus on businesscreation, and work to solve social issues.

JUKI Group Corporate Philosophy System Chart



Initiatives for Economic Development in Developing Countries

Through industrial sewing business, the Company is striving to create industries and contribute to economic development in developing countries. The Company participated in "Ethiopia-Japan Garment & Textile Industry Development Seminar" in Ethiopia on 19th of February and gave a presentation on the theme of "Importance of factory diagnosis to improve quality and productivity in the sewing industry" as support for the development of the sewing industry in Ethiopia.



Improving Environmental Performance

At our production bases in Japan and overseas, the Company continues to contribute to the environment through activities to reduce CO₂, waste, volatile organic compounds (VOCs) and others. JUKI XINXING INDUSTRY CO., LTD. has newly introduced a combustion-type VOC purification facility and is engaged in manufacturing that complies with the emission standard of VOCs for industrial companies in China.



Initiatives for Local and Social Contribution

To prevent COVID-19 infections, the Company produced face masks using JUKI industrial sewing machines and household sewing machines, and donated a total of 32,700 masks to Tama City (Tokyo) and local governments with our seven domestic factories.

Handmade face masks have three sizes: small, medium and large, and about 50 employees at the Ohtawara plant sew them.



Consolidated Financial Statements for the First Half (Summary)

Consolidated Balance Sheet

(Unit: million yen)

| Item | FY2019 as of December 31, 2019 | 1st half FY2020 as of June 30, 2020 | Change |
|--|--------------------------------------|--|---------|
| Assets | | | |
| Current assets | 80,210 | 95,955 | 15,745 |
| Non-current assets | 34,505 | 34,327 | (178) |
| Total assets | 114,715 | 130,282 | 15,567 |
| Liabilities | | | |
| Current liabilities | 54,769 | 66,119 | 11,350 |
| Non-current liabilities | 22,194 | 31,768 | 9,574 |
| Total liabilities | 76,963 | 97,888 | 20,925 |
| Net assets | | | |
| Shareholders' equity | 39,966 | 35,332 | (4,634) |
| Accumulated other comprehensive profit | (2,929) | (3,603) | (674) |
| Non-controlling interests | 714 | 665 | (49) |
| Total net assets | 37,752 | 32,394 | (5,358) |
| Total liabilities and net assets | 114,715 | 130,282 | 15,567 |

Consolidated Statement of Profit & Loss

(Unit: million yen)

| Item | 1st half FY2019 January 1, 2019 to June 30, 2019 | 1st half FY2020 January 1, 2020 to June 30, 2020 | Change |
|---|--|--|----------|
| Net sales | 51,885 | 30,496 | (21,389) |
| Cost of sales | 36,463 | 23,750 | (12,713) |
| Gross profit | 15,421 | 6,745 | (8,676) |
| Selling, general and administrative expenses | 12,826 | 10,214 | (2,612) |
| Operating profit (loss) | 2,595 | (3,468) | (6,063) |
| Non-operating profit | 462 | 873 | 411 |
| Non-operating expenses | 949 | 847 | (102) |
| Ordinary profit (loss) | 2,107 | (3,442) | (5,549) |
| Extraordinary profit | 6 | 30 | 24 |
| Extraordinary losses | 6 | 223 | 217 |
| Profit (loss) before income taxes | 2,106 | (3,635) | (5,741) |
| Income taxes | 641 | 307 | (334) |
| Profit (loss) | 1,465 | (3,942) | (5,407) |
| Profit (loss) attributable to non-controlling interests | 29 | (40) | (69) |
| Profit (loss) attributable to owners of parent | 1,436 | (3,902) | (5,338) |

Note: Figures in parentheses () are negative values.

Corporate Information (as of June 30, 2020)

■ 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 | 5,504 (on a consolidated basis) |
| Number of consolidated subsidiaries | 25 |

■ Stock Information

- Total number of authorized shares..... 80,000,000 shares
- Total number of issued shares 29,874,179 shares
- Total number of shareholders..... 12,568

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 (1,000 shares) | Shareholding ratio (%) |
|--|------------------------------------|---------------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account) | 1,704 | 5.70 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 1,637 | 5.48 |
| GOVERNMENT OF NORWAY | 1,127 | 3.77 |
| Mizuho Bank, Ltd. | 938 | 3.14 |
| Nippon Life Insurance Company | 732 | 2.45 |

■ Stock Distribution Status by Owner Type

