

To Our Shareholders



Business Report for the 106th Business Term

(From January 1, 2020 through December 31, 2020)

JUKI CORPORATION

Securities code: 6440

First of all

We would like to express our heartfelt condolences to those who have lost friends or loved ones to the novel coronavirus disease 2019 (COVID-19). We also sincerely hope for the earliest possible recovery of those affected and would like to once again express our respect for the daily efforts of the medical professionals who are treating them.

On the Start of our New Management Structure

Amidst the severe business environment caused by the coronavirus pandemic, we at JUKI have been striving to recover our business performance by thoroughly reforming our cost structure and expanding our business domains since last year. We have also been building a new business structure to respond to the social demands of living with COVID-19.

In anticipation of the social changes and economic recovery in the Post-COVID-19 World, JUKI has reviewed its Medium-term Management Plan (2020-2022) and decided to strengthen its management structure by appointing chairperson and CEO (Chief Executive Officer), and president and COO (Chief Operating Officer). This new management structure will facilitate the rapid implementation of our new growth strategy, starting in this fiscal year (the second year of the Medium-term Management Plan).

The Chairperson and CEO chairs the Board of Directors and strengthens the supervisory function over business execution. He is also in charge of medium- to long-term management issues and directions on our strategies for management, human resources, the SDGs, and so on, in responding to the era of With/After COVID-19.

The President and COO chairs important internal meetings and is responsible for business execution. As the head of the management team, he also speedily implements the PDCA cycle to strengthen JUKI's business execution capabilities.

Becoming a company that customers select as a solution partner

Since its establishment in 1938, JUKI has maintained its focus on building a business based on “manufacturing (Monodzukuri)” and striving to create new value by creating and evaluating technology. The forces driving the creation of new value at JUKI are embodied by our corporate

slogan, “Mind & Technology,” and our philosophy, “Customer Creed.”

Today, JUKI is powerfully advancing growth strategies and business reforms based on our long-term vision “to be a global and innovative ‘manufacturing and value-creation’ company that survives the 21st century.”

With today's drastic changes in the business environment surrounding the manufacturing industry, our customers are about to drastically change the ways to operate their factories in order to respond to technical innovations such as AI, IoT, and 5G and the new-normal environment.

Based on an accurate perception of these social trends, JUKI is speeding up activity to propose total solutions that integrate “equipment” and “systems” in order to realize smart factories at our customers' manufacturing sites.

Then, as a company that can deliver “good impressions” and “peace of mind” to customers and carrying on its tradition of taking on innovative challenges without hesitation, JUKI remains a “company that customers select as a solution partner” in countries and regions around the world. JUKI also aims to be a company trusted and needed by society by practicing SDGs management.



Chair of the board,
Representative Director, and CEO
Akira Kiyohara

President,
Representative Director, and COO
Shinsuke Uchinashi

Business Performance Highlight

Overview of Business Performance

Net sales decreased by 29.0% from the previous year due to restrained demand for capital investment by customers due to the spread of COVID-19. However, it started to recover from the bottom in the second quarter and recovered in the second half.

Although ordinary profit decreased by 6.9 billion yen from the previous year due to a decrease in sales and a decrease in the operating rate of factories, improved sales and cost structure reforms have led to a recovery since the third quarter and finally recorded profits in the fourth quarter.

Net sales: 70.4 billion yen
(Down by 28.8 billion yen year-on-year)

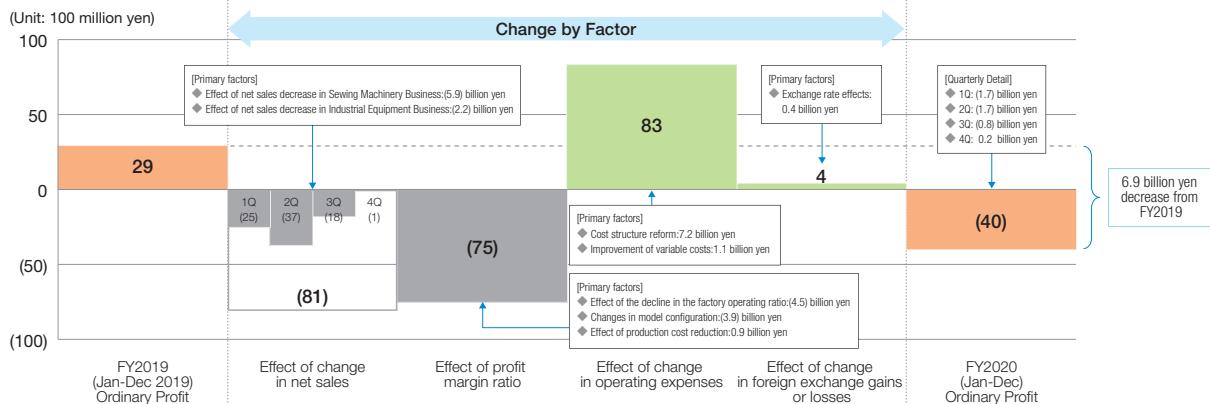
Ordinary profit: (4) billion yen
(Down by 6.9 billion yen year-on-year)

Profit: (4.7) billion yen
(Down by 6.5 billion yen year-on-year)

Annual dividend: ¥20 per share
(Ordinary dividend)



FY2020 Factors Leading to an Increase/Decrease in Ordinary Profit



Note: Figures in parentheses () are negative values.

Overview of operating results in 2020

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

In the business environment in the fiscal year ended December 31, 2020, economic activity was revitalized in some countries and regions, such as China, due to the increase of demand for semiconductors, which have been driven by 5G, etc., and automotive-related demand in the second half despite the continuing of restrained capital investment and declines in personal consumption due to the impact of the spread of the novel coronavirus disease (COVID-19).

The environment surrounding the Company was considerably affected by the spread of COVID-19 in the first half in particular, but recovery of demand for capital investment, mainly in China and other countries, was seen from the second half, and there began to be signs leading to business chances for the Company such as responding to customers' supply chain fragmentation (decentralization of production areas).

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 has been carrying 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.

At the same time, the Company worked to improve profitability by further deepening the structural reforms that were begun at the beginning of the fiscal year in order to respond to the difficult business environment during the COVID-19 pandemic, making significant production adjustments, which include 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 7.2 billion yen year-on-year.

As a result, net sales stood at 70,401 million yen (down by 29.0% year-on-year) for the fiscal year under review. Net sales began to recover after bottoming out in the second quarter, and net sales in the fourth quarter recovered to 95.5% year-on-year as it rose by 45.1% compared to the third quarter.

In terms of profits for the fiscal year under review, operating loss stood at 4,469 million yen (compared to operating profit of

President,
Representative Director, and COO
Shinsuke Uchinashi



3,838 million yen for the previous fiscal year), ordinary loss stood at 3,957 million yen (compared to ordinary profit of 2,941 million yen for the previous fiscal year), and loss attributable to owners of parent stood at 4,688 million yen (compared to profit attributable to owners of parent of 1,763 million yen for the previous fiscal year). However, due to improvements to sales and the cost structural reforms mentioned above, the Company began to recover from the third quarter and became profitable in the fourth quarter.

For distribution of profit, we maintain the basic policy of striving to improve the return of profit to our shareholders based on the stable payment of dividends in comprehensive consideration of factors such as the results of the current fiscal year and the internal reserve provided for capital expenditures and proactive development investment in order to build a stable business base for the future.

Taking into consideration the recovery of results and in accordance with the above policy, the Company plans to reduce dividends by 5.00 yen to 20.00 yen from 25.00 yen for ordinary dividends in the previous fiscal year from the viewpoint of maintaining stable dividends.

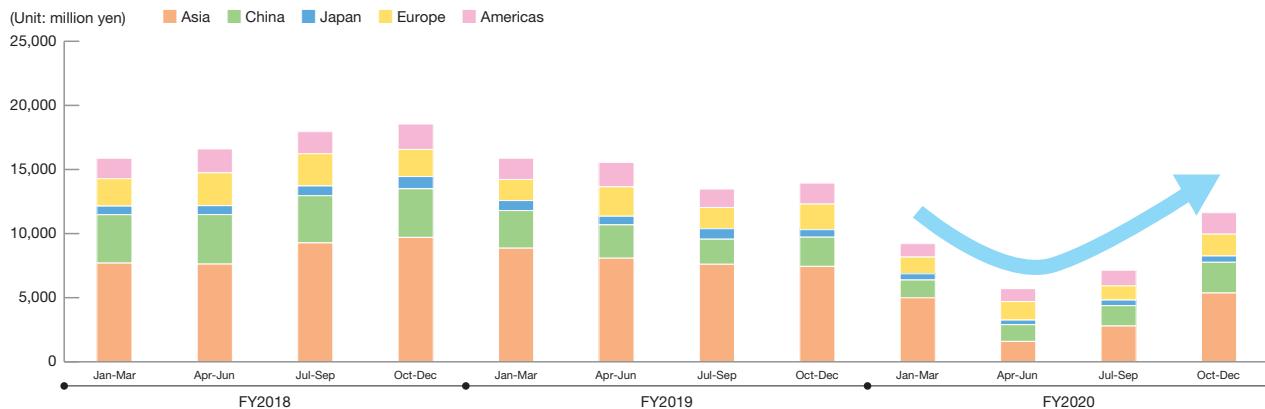
The business environment surrounding our company has changed significantly, and we have recently reviewed Phase II of our medium-term management plan, which has a planning period of 2020 to 2022. In the new medium-term management plan 2021-2022, we will strongly promote value-added structural reforms and cost structural reforms, and together, six reforms (6X = ① borderless X, ② business model X, ③ SDGs management X, ④ R & D model X, ⑤ work By strongly promoting the transformation of growth strategy and business reform through kata reform X, ⑥ financial structure X), we will strive for qualitative transformation while returning to the growth trajectory.

We would like to ask our shareholders for their further guidance and support.

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

- Net sales of industrial sewing machines decreased by 43% year-on-year, but sales in China, the U.S. and other markets recovered in the fourth quarter in respect of the net sales.
- Net sales of household sewing machines increased 50% year-on-year for the full-year (46% increase in the second half compared to the first half and 76% increase year-on-year).

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

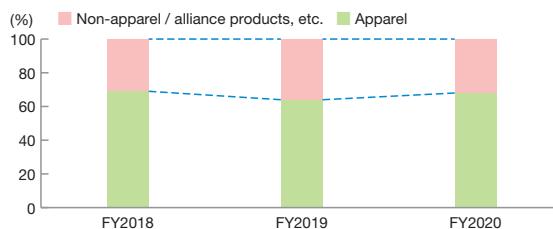


Net Sales of Industrial Sewing Machines: Year-on-Year Comparison (Unit: 100 million yen)

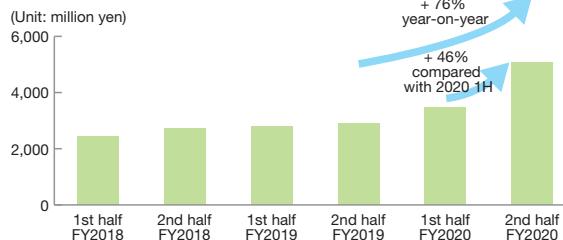
	Jan-Dec 2019	Jan-Dec 2020	Amount of change
China	98	67	(31)
Asia	320	147	(173)
China + Asia	418	214	(204)
Japan	29	18	(11)
Europe	76	56	(20)
Americas	66	50	(17)
Total	589	337	(252)

Note: Figures in parentheses () are negative values.

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



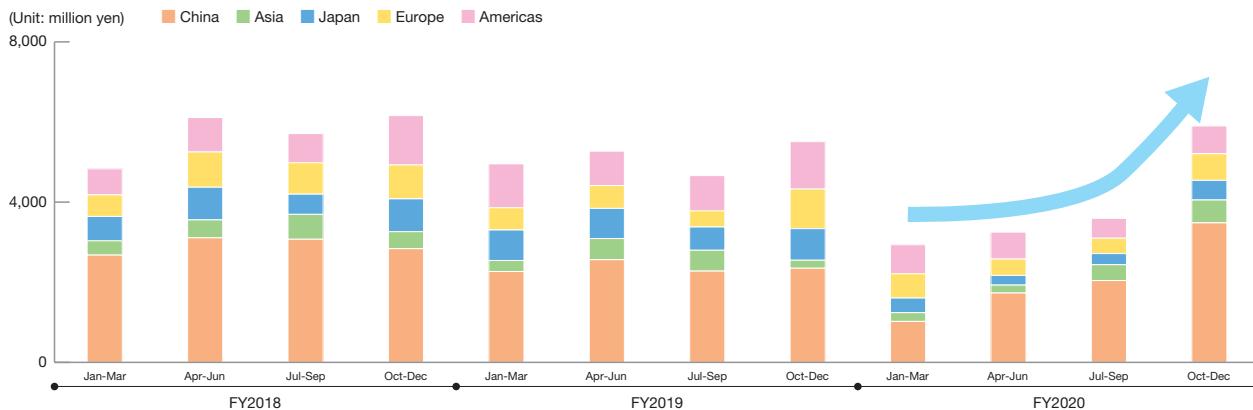
3. Changes in Net Sales of Household Sewing Machines



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

Net sales for electronic assembly system decreased by 23% year-on-year, but recovered rapidly due to the growth of 5G related industries mainly in China.

1. Changes in Net Sales of Electronic Assembly Systems by Region (including parts/services) (monthly aggregation base)

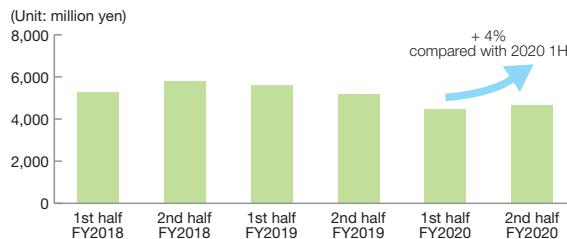


Net Sales of Electronic Assembly Systems: Year-on-Year Comparison (Unit: 100 million yen)

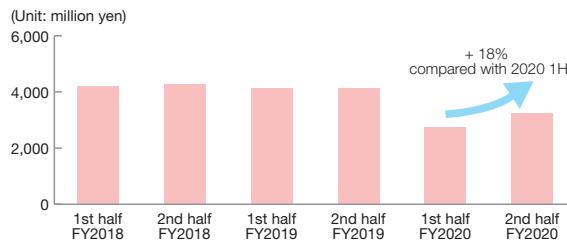
	Jan-Dec 2019	Jan-Dec 2020	Amount of change
China	95	83	(12)
Asia	15	14	(1)
China + Asia	110	97	(13)
Japan	29	14	(15)
Europe	25	21	(4)
Americas	40	26	(14)
Total	204	157	(47)

Note: Figures in parentheses () are negative values.

2. Group Business: Changes in Net Sales



3. Parts Business: Changes in Net Sales



Full-Year Forecast for FY2021 and Anticipated Business Climate

1. FY2021 Full-Year Results Forecasts

(Unit: 100 million yen)

	Full-year FY2021(Jan-Dec)	Full-year FY2020(Jan-Dec)	From the previous year
	Forecast	Actual	[] is the percentage change
Net Sales	1,000	704	+296 [+42.0%]
(Sewing Machinery & Systems)	(620)	(427)	(+193) [+45.2%]
(Industrial Equipment & Machinery Systems)	(377)	(274)	(+103) [+37.6%]
Operating Profit	31	(45)	+76
Ordinary Profit	28	(40)	+68
Profit	20	(47)	+67
Dividend per share	Full-year : ¥ 25	Full-year : ¥ 20	+5yen
Exchange rate 1US\$	¥102	¥107	(5 yen)

2. Anticipated Business Climate

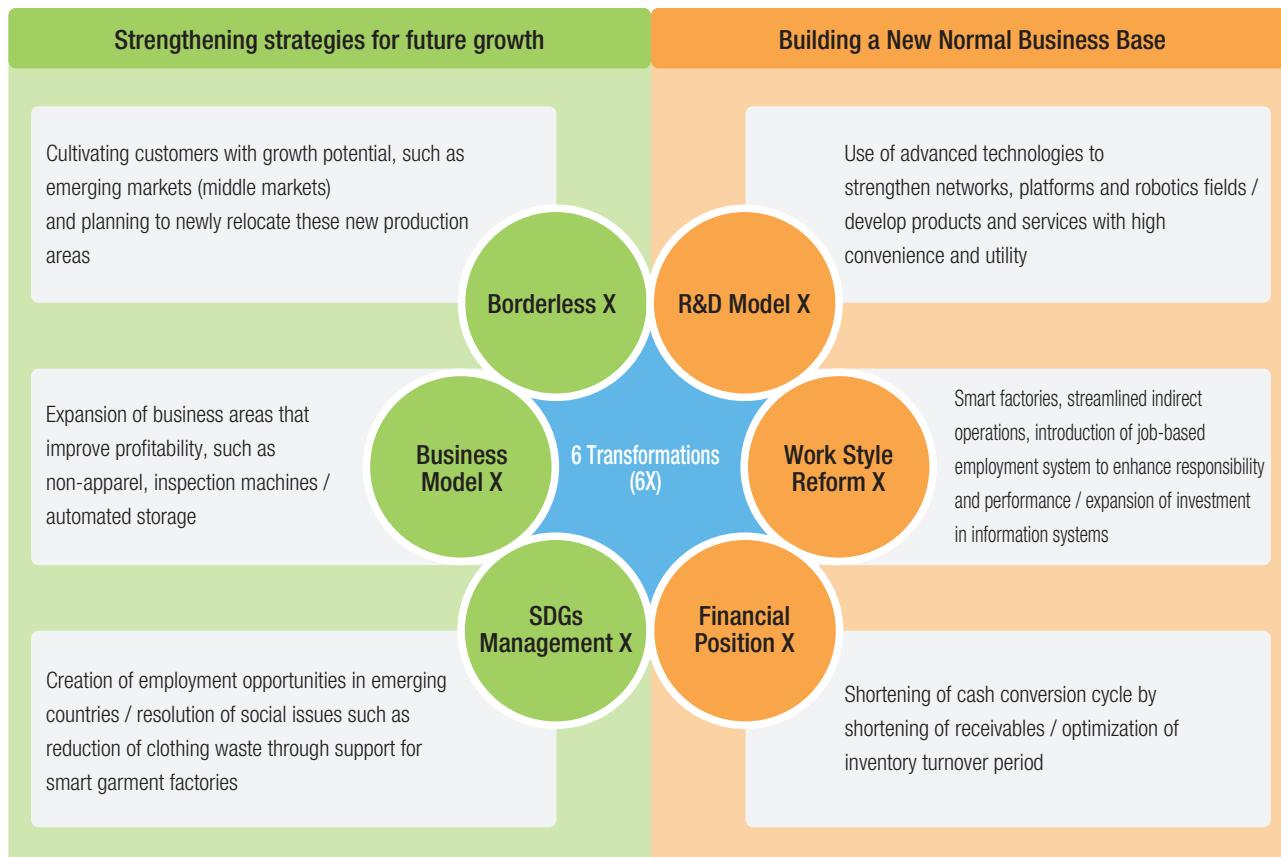
It is essential to build a new business model and business foundation that can cope with the new norms.

The Economy	<p>With COVID-19 and After COVID-19 New business needs emerge as markets and customers change</p> <p>US-China trade friction Market impact of the new U.S. administration's China policy</p> <p>Acceleration of technological innovation Expanding the introduction of products and services by means of using technologies related to AI, IoT, 5G, etc.</p> <p>Customer change</p> <ul style="list-style-type: none"> • Shift in demand from fabrics to knitwear (casual wear) • Significant growth in related industries due to increased 5G demand • Accelerated response to supply chain disruption (decentralization of production sites)
Competitive environment	<p>Industrial sewing machines : Intensifying middle-market competition with Chinese manufacturers</p> <p>Industrial equipment : Expansion of the scope of the moulder maker and entry from different industries</p>
Social needs	<ul style="list-style-type: none"> • Measures for resource conservation and waste reduction • Promotion of work style reform (digitalization, remote work) • Compliance / Strengthening of Corporate Governance

1. 6 Transformations

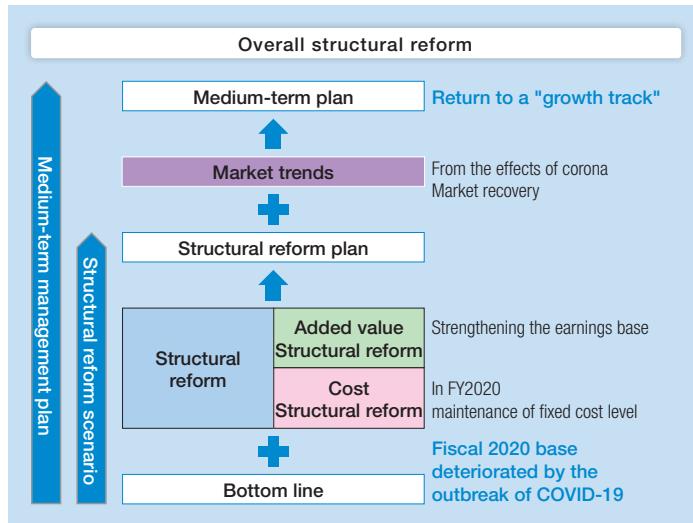
6 Transformations : 6X* = JUKI's Growth Engine (*X=Transformation)

Accelerate the pace of structural reform by focusing on these 6 reform initiatives.



2. Basic Concept

- The impact of COVID-19 has been on a recovery trend since the second half of 2021, and in 2022 it should recover to 2019 levels.
- Maintain fixed cost base through cost structure reform and strengthen profit base through value-added structure reform.
- Accelerate the transformation to a "profitable model" based on the 6 Transformations and return to a "growth track".



6 Transformations (6X)

Growth Strategy	① Borderless X
	Developing markets and customers with growth potential
	② Business Model X
	Expansion of business To boost profitability
	③ SDGs Management X
	Realization of "sustainable" management
Business Reform	④ R&D Model X
	Expansion of innovative business areas
	⑤ Style Reform X
	Production system centered on 5S management Establishment of management (indirect) operation system
	⑥ Financial Position X
	By strengthening our financial position strengthening equity capital and improving asset efficiency

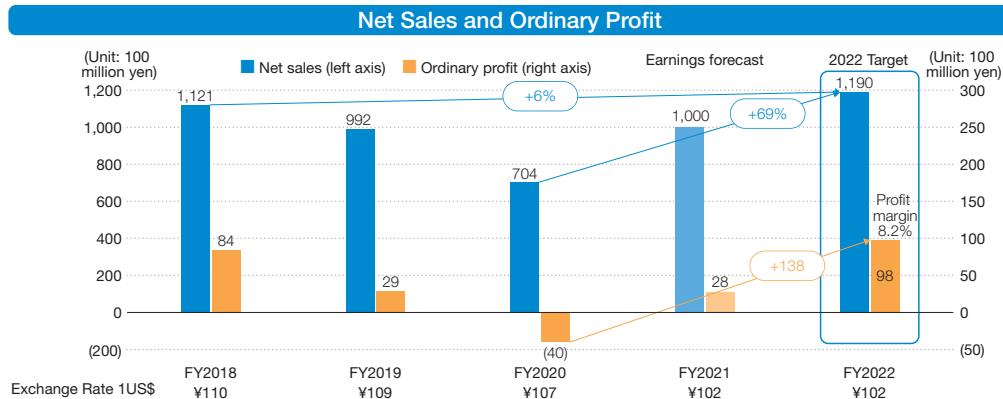
3. MTMP Vision

- What we aim for in 2022 as Phase II (goal)

Vision for 2022	A "mono-koto" creating company that enables customers and JUKI to improve corporate value through products and services ~ Becoming a Win-Win Partner for Smart Factories ~
Continuous growth	In addition to the expansion of existing businesses, secure continuous earnings by expanding business domains and creating new businesses
Profitability	Strengthen profitability by expanding high-value-added business fields (Sewing machinery: non-apparel/ non-sewing, Electronic assembly systems: non-mounter segments, Group business: engineering business, Customer business: service business)
Productivity	Building a Smart and Slim management foundation
Stability	Building a stable financial base

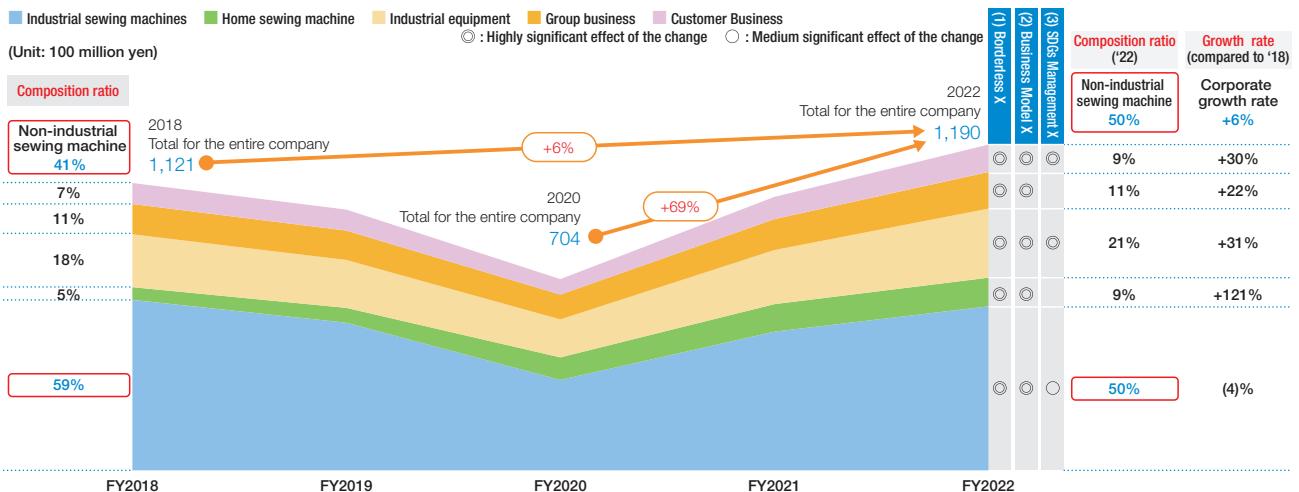
4. MTMP target for 2022

- Net sales Target for 2022 : 119 billion yen (+ 6% from 2018, + 70% from 2020)
- Ordinary profit Target for 2022 : 9.8 billion yen (up 13.8 billion yen from 2020)



5. Sales Portfolio

- In addition to strengthening existing businesses, expanding business domains and creating new businesses, the share of non-industrial sewing machine sales increased from 41% in 2018 to 50% in 2022.



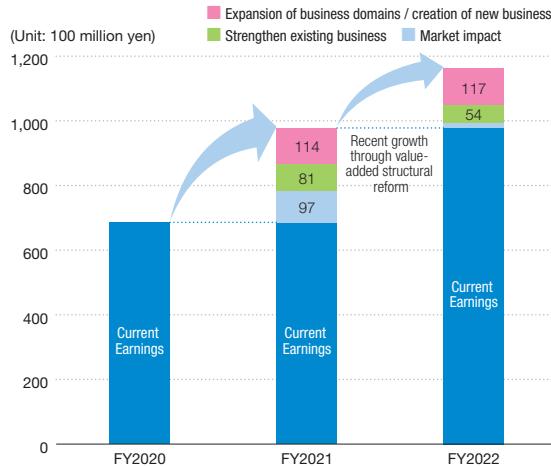
6. Value Added Structure Reform

Borderless X

Business Model X

In order to achieve our portfolio in 2022, we will promote expansion measures centered on "strengthening the customer base" and "expanding high-value-added business fields" in each field.

Exchange : Planned rate basis (\$ 1 = ¥ 97, 1 Euro = ¥ 110)



Strengthen existing business

13.5 billion yen more compared to 2020



Expansion of business domains / creation of new business

23.1 billion yen more compared to 2020

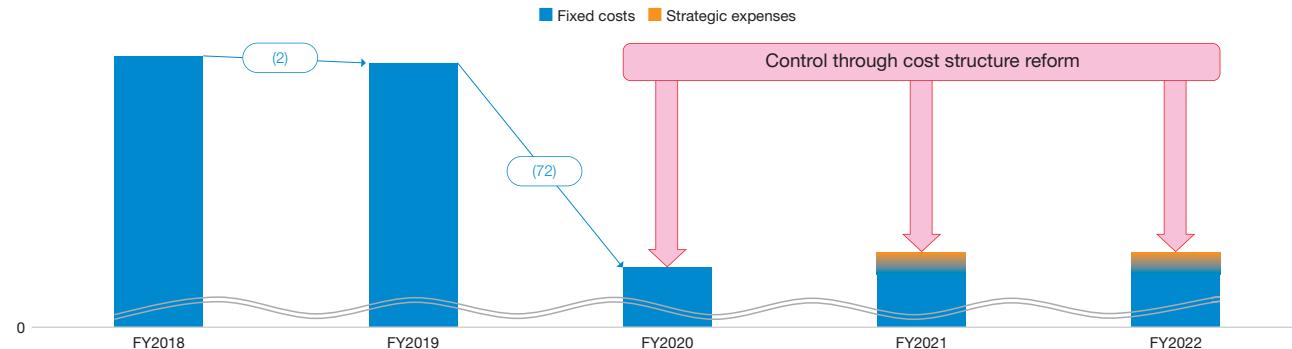
Comparison with 2020	Strengthen existing business	Business area expansion / Creation of new business
Industrial sewing machine	8.2 billion yen	6.4 billion yen
Home sewing machine	0.4 billion yen	2.4 billion yen
Industrial equipment	3.2 billion yen	8.9 billion yen
Group business	---billion yen	3.3 billion yen
Customer business	1.7 billion yen	2.1 billion yen

7. Cost Structure Reform

Work Style Reform X

Cost structure reforms to maintain fixed cost levels in 2020. (On the other hand, strategic expenses for new / expanded areas for future growth are included in the plan.)

Cost structure reform

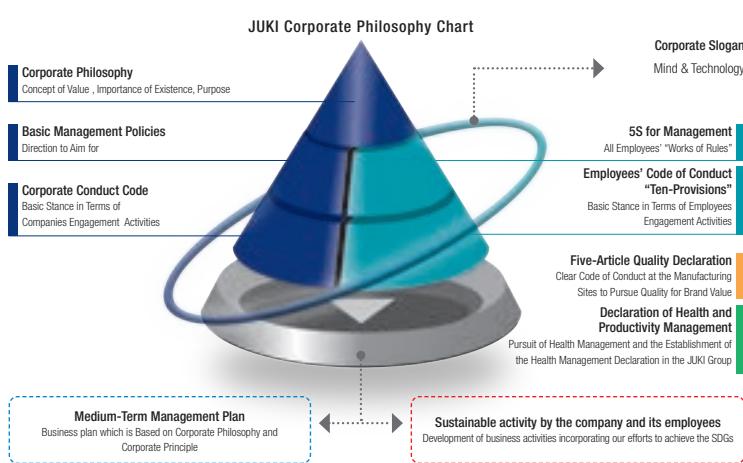


8. SDGs Initiatives

SDGs Management X

We will work through our business to solve social issues that are important for both our company and our stakeholders.

Realization of sustainable management



JUKI is supporting the sustainable development goals (SDGs).

Social issues to be tackled	Efforts to solve problems	Related SDGs
Creation of employment opportunities	Creation of new jobs and realization of population growth and improvement of working conditions through support for vocational education in emerging countries	1, 4, 8, 9, 10
Promotion of social participation by various human resources		
Reduction of waste of clothing	Realization of a "factory that produces high-quality products in a short time at low cost"	9, 12
Support for technological innovation through improvement of productivity in the electronics industry	Improvement of back-and-forth process infrastructure in implementation plants	9, 12
Ensuring occupational health and safety	Improvement of insufficient supply of non-woven fabric masks and protective clothing in the market	3
Reduction of environmental impact	Promoting and strengthening efforts to reduce environmental impact through business activities	7, 13, 14, 15

Creation of employment opportunities / promotion of social participation of various human resources



- **Supporting the creation of industries and economic development in emerging countries through the industrial sewing machine business**

(Case) Supported the establishment of the "Garment Training Center" in Cambodia and implemented the trainings for the first 9 years. The Company contributed in developing the garment industry into the country's largest export industry.

Ensuring occupational health and safety



- **Under circumstances where the COVID-19 infection continues to spread, JUKI's mission is to stay close to customers who continue to challenge manufacturing**

(Case) In the industrial sewing machine business, our Company supported the sewing site by "proposals to protect the safety and security of the workplace," "remote online support," and "business and production diversification proposals (creating masks and protective clothing)".

Reduction of environmental impact



- **Our Company continue to contribute to the environment through activities to reduce emissions of CO₂, waste materials, volatile organic compounds (VOCs), etc.**

(Case) JUKI VIETNAM CO., LTD. became its fourth plant to reduce CO₂ emissions. We promote environmentally conscious manufacturing by installing 2,200 solar panels.

9. Investment Plan

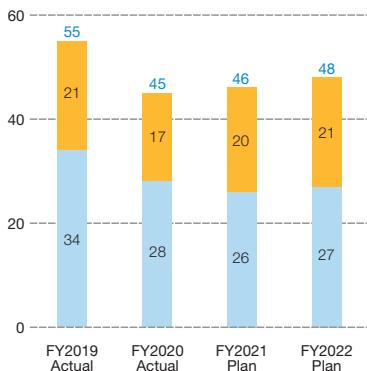
R&D Model X

Work Style Reform X

Building a new business model and management foundation for new norms and invest in priority areas.

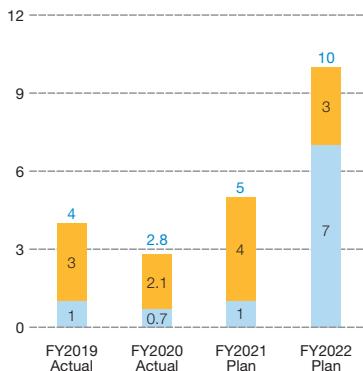
Research investment

Advanced Existing and others
(Unit: 100 million yen)



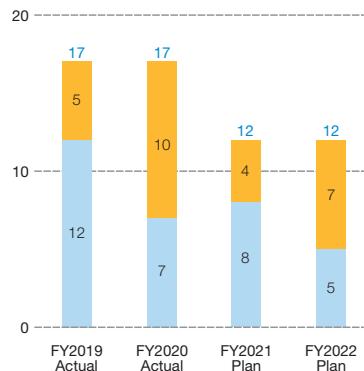
Infrastructure investment

New construction Existing Updates
(Unit: 100 million yen)



Capital investment in production

Smartization Capacity Building / Environmental Improvement / Other
(Unit: 100 million yen)



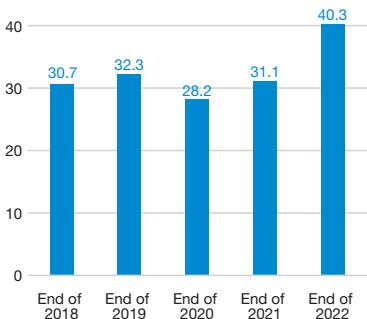
9. Financial Structure

Financial Position X

We will thoroughly improve our financial position by strengthening our earnings base and maintaining fixed costs.

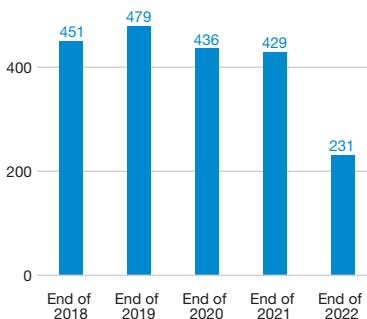
Equity ratio

(%)



Interest-bearing debt (excluding cash and deposits)

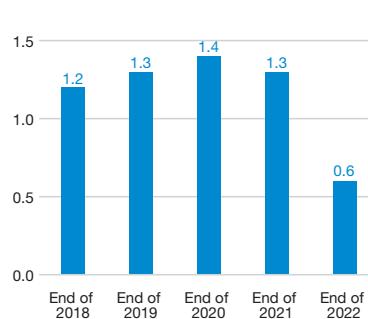
(Unit: 100 million yen)



Debt / equity ratio

((interest-bearing debt - cash and deposits) / net assets)

(Unit: magnification)



1. Vision and Basic Policies for Industrial Sewing Machines

Vision

Contribute to our customers' innovation by offering innovative technology and system proposals from JUKI Smart Solutions.

Basic policy

- Maintain No. 1 market share in apparel and non-apparel.
- Strengthening measures in the knitting field.

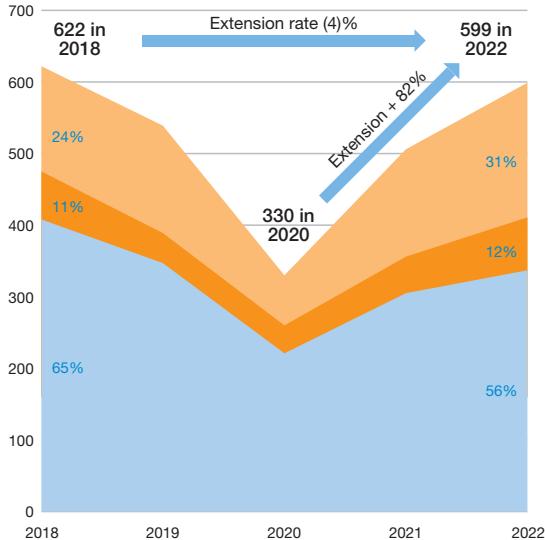
2. 2022 Target and Priority Initiatives

2022 Target

Exchange : Planned rate basis (\$ 1 = ¥ 97, 1 Euro = ¥ 110)

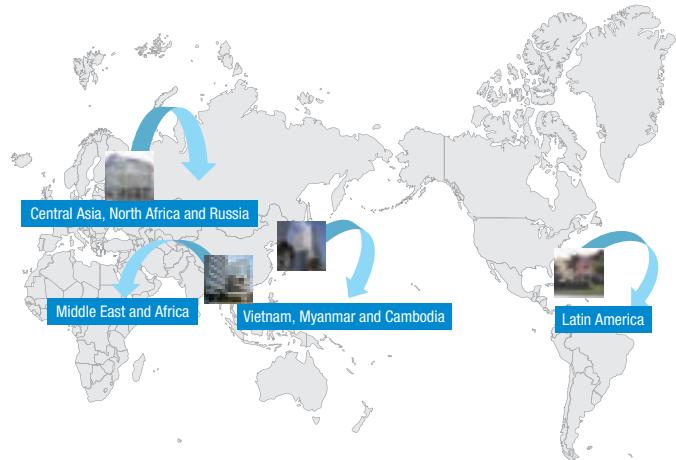
* Blue indicates the percentage of net sales

(Unit : 100 million yen) ■ Apparel ■ Knit ■ Non-Apparel



Priority Initiatives

Strengthening Efforts in Untapped Markets in Emerging Countries



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 policy

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

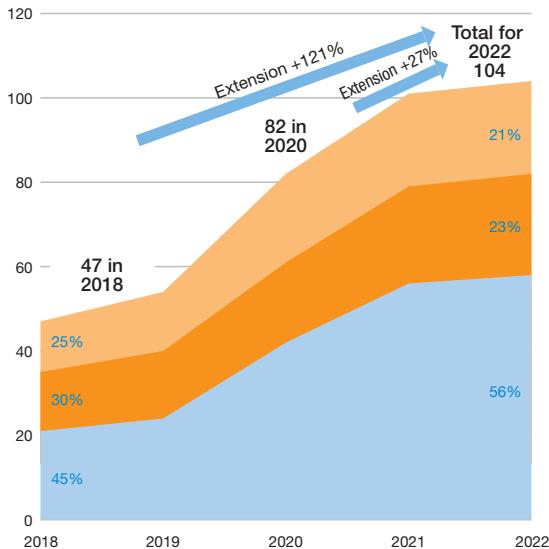
2. 2022 Target and Priority Initiatives

2022 Target

Exchange : Planned rate basis (\$ 1 = ¥ 97, 1 Euro = ¥ 110)

* Blue indicates the percentage of sales

(Unit : 100 million yen) For home Lock For work



Priority Initiatives

Expanding sales with HZL-UX8 through UI / UX design



Home sewing machine HZL-UX8

1. Vision and Basic Policies for Electronic Assembly Systems

Vision

Become an essential business partner for customers through expanding the business base in existing fields and by proposing and providing automation and labor-saving solutions. -Expand sales in the high-speed equipment market (China), automation and labor-saving (JM + robots, inspection and measurement, and strengthening ISM)-

Basic policy

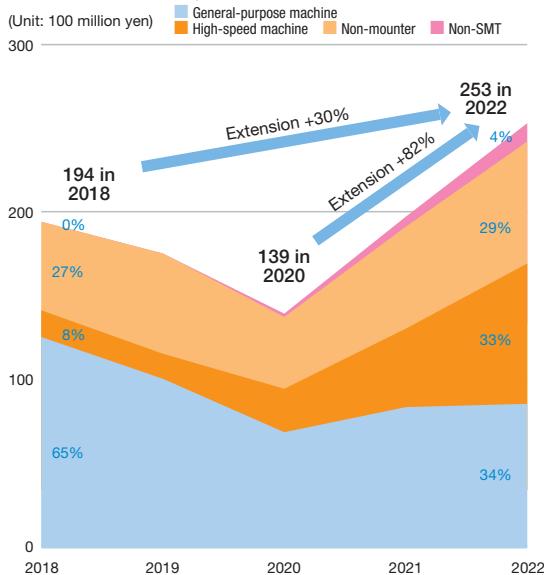
Expand business base by increasing solution sales and cultivating customers in the non-mounter segment and expanding line solution sales by strengthening high-speed equipment in the mounter segment.

2. 2022 Target and Priority Initiatives

2022 Target

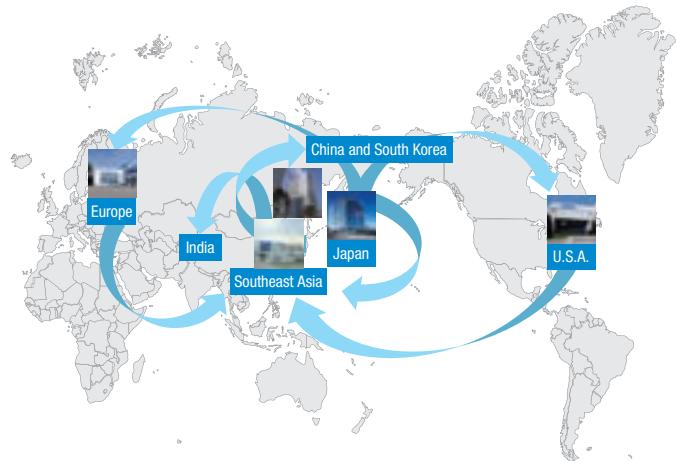
Exchange : Planned rate basis (\$ 1 = ¥ 97, 1 Euro = ¥ 110)

* Blue indicates the percentage of sales



Priority Initiatives

Strengthening Marketing Alliances in Key Markets



1. Vision and Basic Policies for Group Business

Vision

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

Basic policy

Expanding sales to become a third pillar by cultivating new customers and expanding the frontage of important customers.

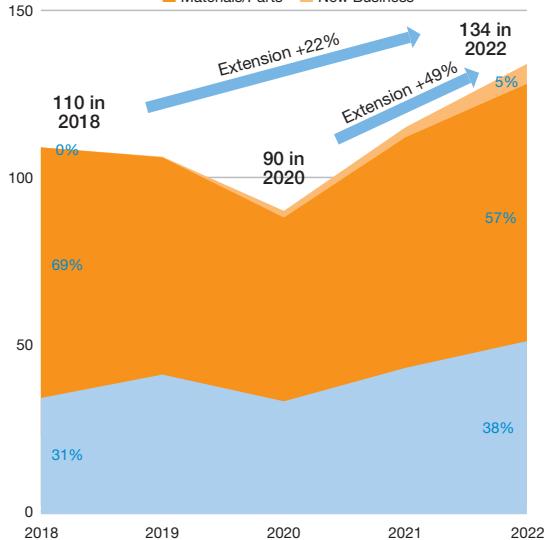
2. 2022 Target and Priority Initiatives

2022 Target

Exchange : Planned rate basis (\$ 1 = ¥ 97, 1 Euro= ¥ 110)

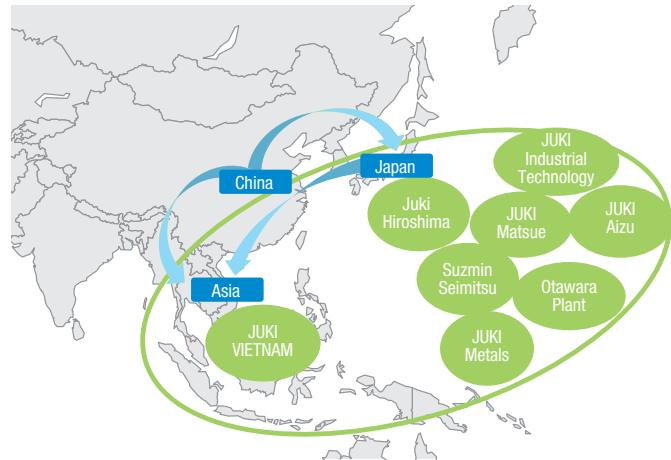
* Blue indicates the percentage of sales

(Unit: 100 million yen)
■ Development/Engineering
■ Materials/Parts
■ New Business



Priority Initiatives

Enhancing the Uptake of Production Area Relocation Projects in Asia and Japan



1. Vision and Basic Policies for Customer Business

Vision

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

Basic policy

Make the change from the selling of “things”(mono) to the selling of “services”(koto) 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. 2022 Target and Priority Initiatives

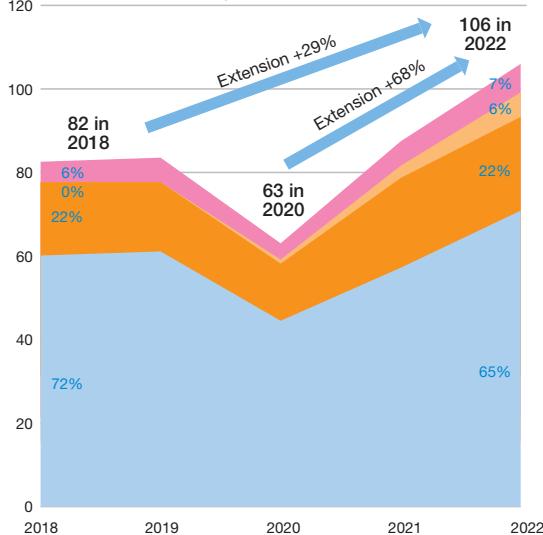
2022 Target

Exchange : Planned rate basis (\$ 1 = ¥ 97, 1 Euro = ¥ 110)

* Blue indicates the percentage of sales

(Unit: 100 million yen)

- Sewing parts
- Industrial parts
- Sewing service
- Industrial service



Priority Initiatives

Expanding the Sewing Service Business through Inspection Support Applications



Consolidated Financial Statements (Summary)

Consolidated Balance Sheet

(Unit: million yen)

Item	FY2019 as of December 31, 2019	FY2020 as of December 31, 2020	Change
Assets			
Current assets	80,210	75,990	(4,220)
Non-current assets	34,505	34,240	(265)
Total assets	114,715	110,230	(4,485)
Liabilities			
Current liabilities	54,769	49,952	(4,817)
Non-current liabilities	22,194	28,909	6,715
Total liabilities	76,963	78,861	1,898
Net assets			
Shareholders' equity	39,966	34,501	(5,465)
Accumulated other comprehensive profit	(2,929)	(3,468)	(539)
Non-controlling interests	714	335	(379)
Total net assets	37,752	31,368	(6,383)
Total liabilities and net assets	114,715	110,230	(4,485)

Corporate Information (as of December 31, 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	5,287 (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 12,548

JUKI CORPORATION

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

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

Consolidated Statement of Profit & Loss

(Unit: million yen)

Item	FY2019 January 1, 2019 to December 31, 2019	FY2020 January 1, 2020 to December 31, 2020	Change
Net sales	99,169	70,401	(28,768)
Cost of sales	70,300	55,090	(15,210)
Gross profit	28,869	15,310	(13,559)
Selling, general and administrative expenses	25,030	19,780	(5,250)
Operating profit (loss)	3,838	(4,469)	(8,307)
Non-operating profit	852	1,976	1,124
Non-operating expenses	1,749	1,464	(285)
Ordinary profit (loss)	2,941	(3,957)	(6,898)
Extraordinary profit	11	57	46
Extraordinary losses	22	567	545
Profit (loss) before income taxes	2,930	(4,466)	(7,396)
Income taxes	1,141	313	(828)
Profit (loss)	1,789	(4,780)	(6,569)
Profit (loss) attributable to non-controlling interests	25	(91)	(116)
Profit (loss) attributable to owners of parent	1,763	(4,688)	(6,451)

Note: Figures in parentheses () are negative values.

Major Shareholders

Shareholder name	Number of shares (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,838	6.27
Custody Bank of Japan, Ltd. (Trust Account)	1,066	3.63
Mizuho Bank, Ltd.	938	3.20
Nippon Life Insurance Company	732	2.49
Asahi Mutual Life Insurance Company	569	1.94

Note: The shareholding ratio is calculated by means of deducting treasury shares (578,890 shares) from the number of the issued shares.

Stock Distribution Status by Owner Type

