

To Our Shareholders



Business Report for the First Half of the 108th Business Term

(From January 1, 2022 through June 30, 2022)

JUKI CORPORATION

Securities code: 6440

Overview of Business Performance

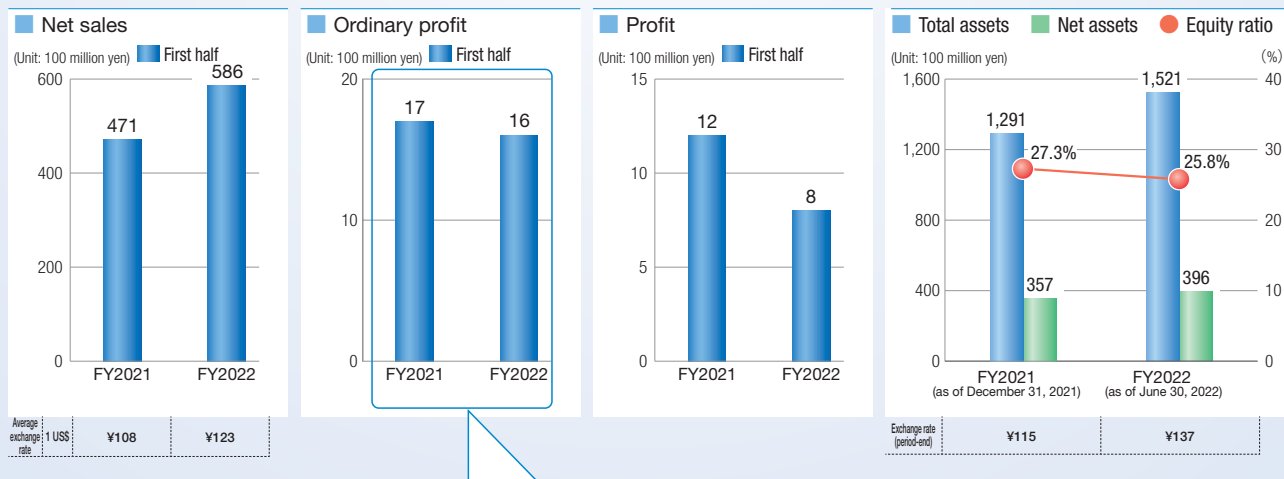
Net sales: 58.6 billion yen
(up by 11.5 billion yen year-on-year)

Ordinary profit: 1.6 billion yen
(down by 100 million yen year-on-year)

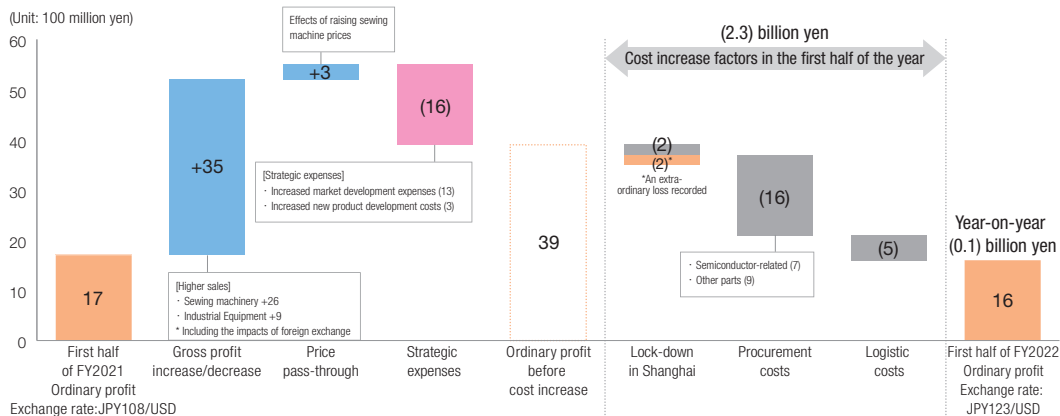
Profit: 800 million yen (down by 400 million yen year-on-year)

Net sales: a significant year-on-year increase of 24% thanks mainly to market recovery and an increased market share in growth areas.

Ordinary profit: a slight year-on-year decrease in profit due to significant cost increases from the lockdowns in China, rising parts prices and logistics costs, expansions in business domains, and rising strategic expenses in high value-added areas.



Factors Contributing to Increases/Decreases in Ordinary Profit in the First Half of FY2022



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

During the six months ended June 30, 2022, in the business environment surrounding the Company, the economy remained strong due to the easing of restrictions aimed at preventing the spread of the novel coronavirus disease (COVID-19) and the policies of various countries, as well as growth in industries in the new normal environment and new investment for the relocation of production bases. However, economic activity was constrained by lockdowns centered on Shanghai in China. In addition, the outlook remains uncertain mainly because the worldwide shortage of semiconductors and other parts, sharp increases in raw materials prices, logistics disruptions, and soaring freight rates are impacting product supply, procurement, and logistics costs.

Meanwhile, the acceleration of a technological revolution in the form of AI/ IoT/5G, etc., and business developments due to changes in the market and customers following the COVID-19 pandemic and the fragmentation of supply chains, have created the need to build a new business model/management base in response to the new-normal environment, and competition with competitors is also intensifying. In addition, in response to the “sustainable development goals (SDGs),” efforts toward the realization of a sustainable society from a long-term perspective are further accelerating throughout society.

In light of these changes in the business environment, as the final year of the medium-term plan running through 2020-2022 and looking three years ahead to 2025, we are clarifying investment and returns in each business, introducing ROIC management aimed at actively investing in priority fields from a medium- and long-term perspective, and are working to maximize profits by curbing fixed costs through cost structural reforms and strengthening high value-added fields including through business field expansion driven by value-added structural reforms and the acquisition of new customers. At the same time, by strongly promoting the transformation of the business strategy and system strategy through our “6 Reforms (6 X),” we are aiming for qualitative change while accelerating the growth trajectory.

*6 Reforms = (i) Developing markets and customers with potential for growth, (ii) Expanding business areas for increasing profitability, (iii) Realizing management “aimed at the sustainable development goals (SDGs),” (iv) Expanding innovative technical areas using cutting-edge technology, (v) Constructing a production organization and administrative (indirect) work organization centered on the management 5Ss (Simple, Slim, Speedy, Seamless and Smart) and (vi) Strengthening equity and improve asset efficiency through the enhancement of financial strength.

In the six months ended June 30, 2022, despite the impact of parts shortages, logistics disruptions, and lockdowns in China, efforts to develop supply chains, the development of company-wide sales activities such as capturing demand during market recoveries and expanding our share in growth fields led to net sales of 58,577 million yen (up by 24.4% year-on-year).

In terms of profits, the impact of increased sales and the depreciation of the yen was more than offset by forward-looking strategic investment costs aimed at capturing demand in growth fields and emerging markets as economic activity recovers and strengthening high value-added fields such as the use of alliances, as well as a fall in factory capacity utilization rates due to the impact of lockdowns in China and difficulty procuring parts, and sharp cost increases due to soaring parts prices and logistics costs. As a result, operating profit came to 1,558 million yen (down 18.3% year-on-year), ordinary profit was 1,581 million yen (down 7.8% year-on-year), and profit attributable to owners of parent stood at 846 million yen (down 30.7% year-on-year).

In the second half, we plan to enhance systems to flexibly handle production during times of emergency, accelerate logistics reforms such as a major reconstruction of supply chains and optimization of logistics bases, make further efforts to capture demand in growth fields and emerging markets, expand business areas, strengthen high value-added fields such as the use of alliances, and take other measures aimed at increasing sales. In addition, we will work to maximize profits through measures such as curbing increases in parts procurement costs, implementing pricing strategies that reflect increases in procurement and distribution costs, and strategically allocating fixed costs through cost structural reforms.

In view of the above, the consolidated business forecast for the full year ending December 31, 2022 remains unchanged from the previous forecast (announced on February 9).

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



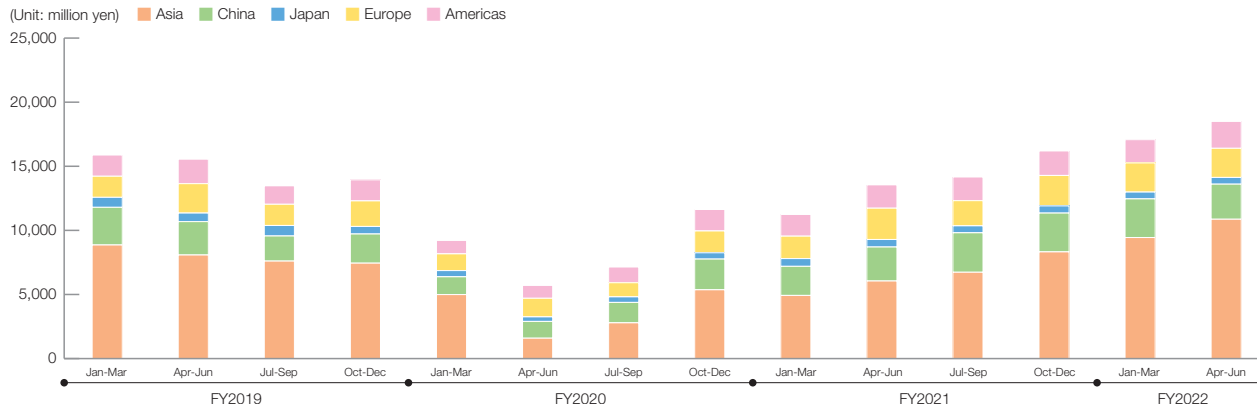
Representative Director,
President and COO

Shinsuke Uchinashi

Performance of the 1st Half of FY2022 (January-June, 2022)

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

1. Changes in Net Sales of Industrial Sewing Machines by Region (On a monthly aggregate basis)



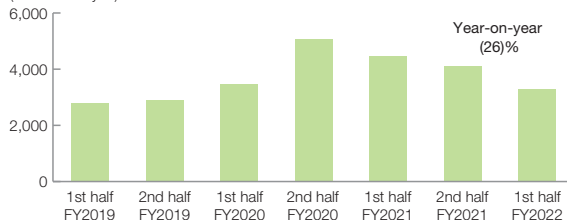
Net Sales of Industrial Sewing Machines: Year-on-Year Comparison

(Unit: 100 million yen)

	1st Half year FY2021 (Jan-Jun)	1st Half year FY2022 (Jan-Jun)	Amount of change	(% change)
China	49	58	+8	(+17%)
Asia	110	203	+93	(+85%)
China + Asia	159	261	+102	(+64%)
Japan	12	11	(1)	((12%)
Europe	42	45	+4	(+9%)
Americas	35	39	+4	(+12%)
Total	248	356	+108	(+44%)

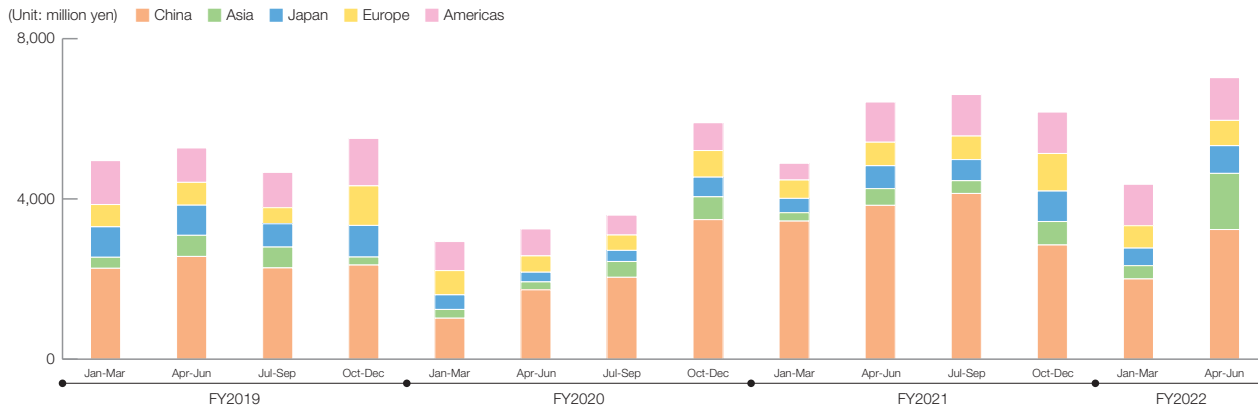
2. Changes in Net Sales of Household Sewing Machines

(Unit: million yen)



Industrial Equipment and Systems Business (Electronics Assembly & Systems, Group Business, Customer Business)

1. Changes in Net Sales of Electronics Assembly & Systems by Region (On a monthly aggregate basis)

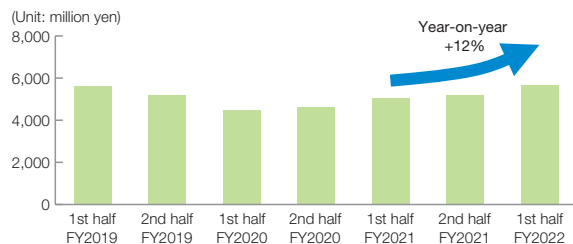


● Net Sales of Electronics Assembly & Systems: Year-on-Year Comparison

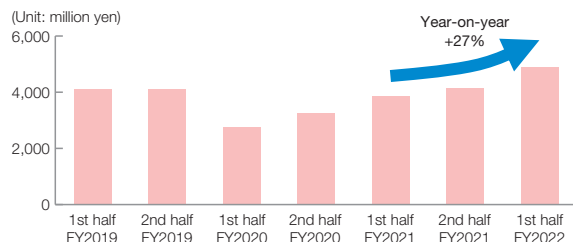
(Unit: 100 million yen)

	1st Half year FY2021 (Jan-Jun)	1st Half year FY2022 (Jan-Jun)	Amount of change	(% change)
China	73	52	(20)	((28)%)
Asia	6	17	+11	(+176)%
China + Asia	79	69	(9)	((12)%)
Japan	9	11	+2	(+21)%
Europe	10	12	+1	(+14)%
Americas	14	21	+7	(+48)%
Total	113	114	+1	(+1)%

2. Group Business: Changes in Net Sales



3. Parts Business: Changes in Net Sales



Business Environment and Priority Initiatives in the Second Half of FY2022

As the market remains steady, we will strengthen the response to demand in both sales and production.

	Business environment	Priority initiatives
Market	<ul style="list-style-type: none"> Gradual recovery of the markets for apparel / semiconductors / automobiles / medical equipment, and other products and services from the impacts of COVID-19 Increasing market adoption of products/services using advanced technologies such as AI/IoT/5G Expanding business domains through our competitors' growth and M&A activities 	<p>Sewing Machinery and Systems:</p> <ul style="list-style-type: none"> Strengthening a strategy to capture middle-market customers in emerging countries Strengthening a strategy to capture business with major apparel companies Expanding non-apparel/knitwear sectors through alliance arrangements <p>Industrial Equipment and Systems:</p> <ul style="list-style-type: none"> Strengthening sales and expanding the market for new surface-mounting products Expanding business in non-SMT areas Strengthening parts and service businesses
Procurement	<ul style="list-style-type: none"> Raw material prices continue to rise and parts remain in short supply. 	<ul style="list-style-type: none"> Ongoing design changes for parts heavily affected by procurement difficulties
Production	<ul style="list-style-type: none"> Lockdown risks in China persist. 	<ul style="list-style-type: none"> Reinforcing parallel production systems in Vietnam, Japan, and other countries
Logistics	<ul style="list-style-type: none"> Supply chain disruptions continue to drive up logistics costs. 	<ul style="list-style-type: none"> Reducing costs through a fundamental review of the supply chain and logistics reforms
Social demands	<ul style="list-style-type: none"> Responding to SDGs and carbon neutrality Promoting work-style reforms Enhancing corporate governance 	<ul style="list-style-type: none"> Ensuring ESG management Incorporating technologies to reduce environmental impacts

1. Second half/Full-year Business Forecasts of FY2022

In addition to mitigating the factors that have driven up costs in the first half of the year (by eliminating lockdowns, reducing procurement costs, and improving logistics costs, etc.), we aim to increase profits significantly by expanding sales in high value-added areas and passing on prices to the products.

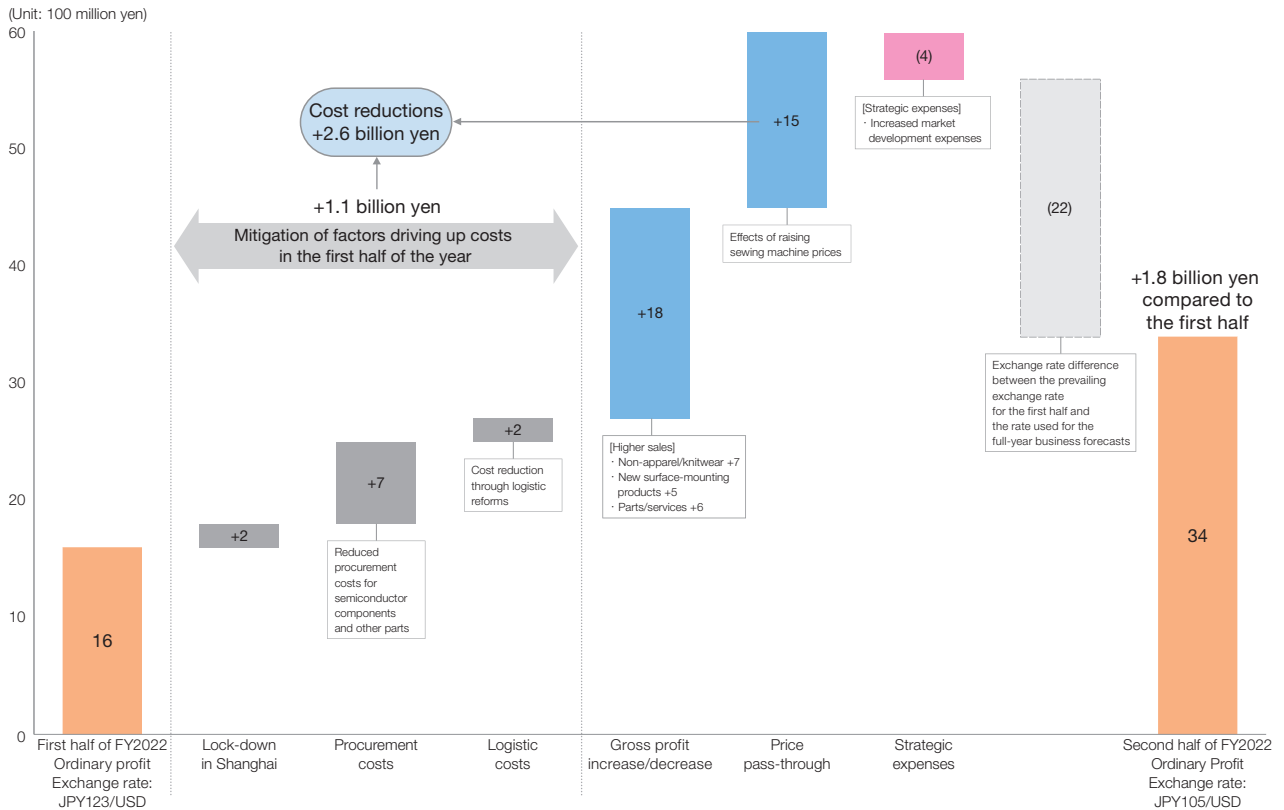
In view of the above, the business forecast for the full year remains unchanged from the previous forecast (announced on February 9).

(Unit:100 million yen)	First-half of FY2022 (Jan-Jun)	Second-half of FY2022 (Jul-Dec)	Full-year of FY2022 (Jan-Dec)	Full-year of FY2021
	Results	Forecast	Forecast	Results
Net sales	586	574* ¹	1,160	1,013
(Sewing Machinery and Systems)	(394)	(338)	(732)	(632)
(Industrial Equipment and Systems)	(191)	(233)	(424)	(378)
Operating profit	16	37	53	39
Ordinary profit	16	34	50	34
Profit	8	23	31	21
Dividend per share	—	—	Full year: 30 yen	Full year: 25 yen
Exchange rate (period-rate) 1 US\$	123 yen	105 yen* ¹	105 yen* ²	110 yen

*1 Exchange rate used for business forecast

*2 Prevailing exchange rate for the first half

2. Factors Expected to Contribute to Increases/Decreases in Ordinary Profit in the Second Half of FY2022



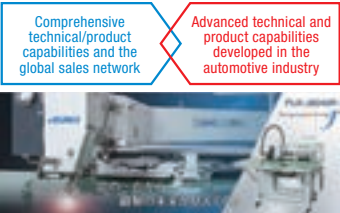
Border-less X

- Capturing middle market customers in emerging countries (for sewing machines)
Strengthening sales of JIN brand (sub-brand) packages
- Capturing business from global companies (for sewing machines / electronics assembly & systems)
Reinforcing cooperation between the head office and regional sales companies



Business model X

- Strengthening non-apparel sectors (for sewing machines)
JUKI TECHNOSOLUTIONS CORPORATION began operations on July 1, 2022.
(Joint venture with Mitsubishi Electric Corporation: JUKI 80%, Mitsubishi Electric 20%)
Becoming a leader in the non-apparel sectors
- Strengthening the knitwear sector (for sewing machines)
Reinforcing our alliance with Pegasus Sewing Machine MFG. Co., Ltd.
Expanding target markets to meet the growing demand for knitwear
- Expanding sales in non-mounter areas (for electronics assembly & systems)
Increasing sales of insertion machines, automatic warehouses, and inspection and measurement machines
Strengthening the revenue base by expanding high value-added areas



Jointly developed product



Automated warehouse



Inspection and measurement machine

Cost Structural Reforms for the Second Half of FY2022

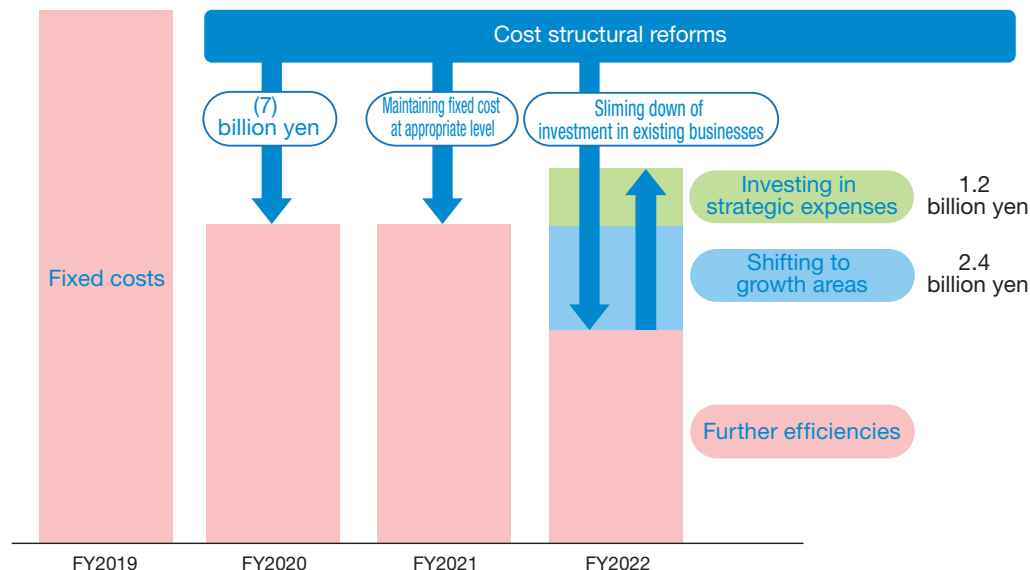
● Cost structural reform initiatives

FY2020: Reducing fixed costs by 7 billion yen year-on-year during the COVID-19 pandemic

FY2021: Maintaining fixed cost at appropriate level by improving operational efficiency amid economic recovery

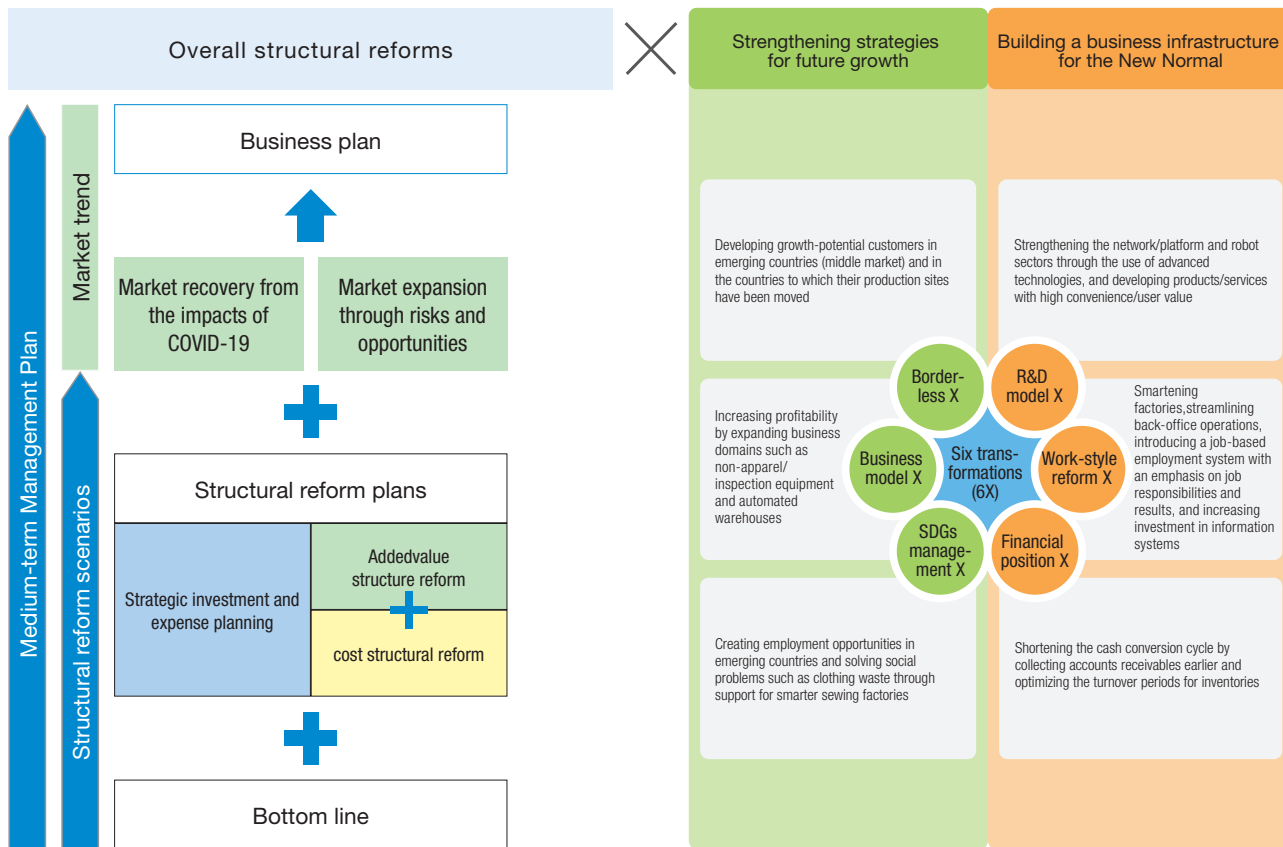
FY2022: Shifting fixed cost allocations from existing businesses to growth areas and investing in strategic expenses for growth (e.g. expenses for market development, advanced product development, and new product development)

Work-style reform X



1. Structural Reforms / Six Transformations

- Two structural reforms (added-value and cost) to maximize earnings.
- Stalwartly transforming JUKI's business and system strategies through the six transformations (6X) to accelerate JUKI's return to growth and achieve a qualitative transformation.



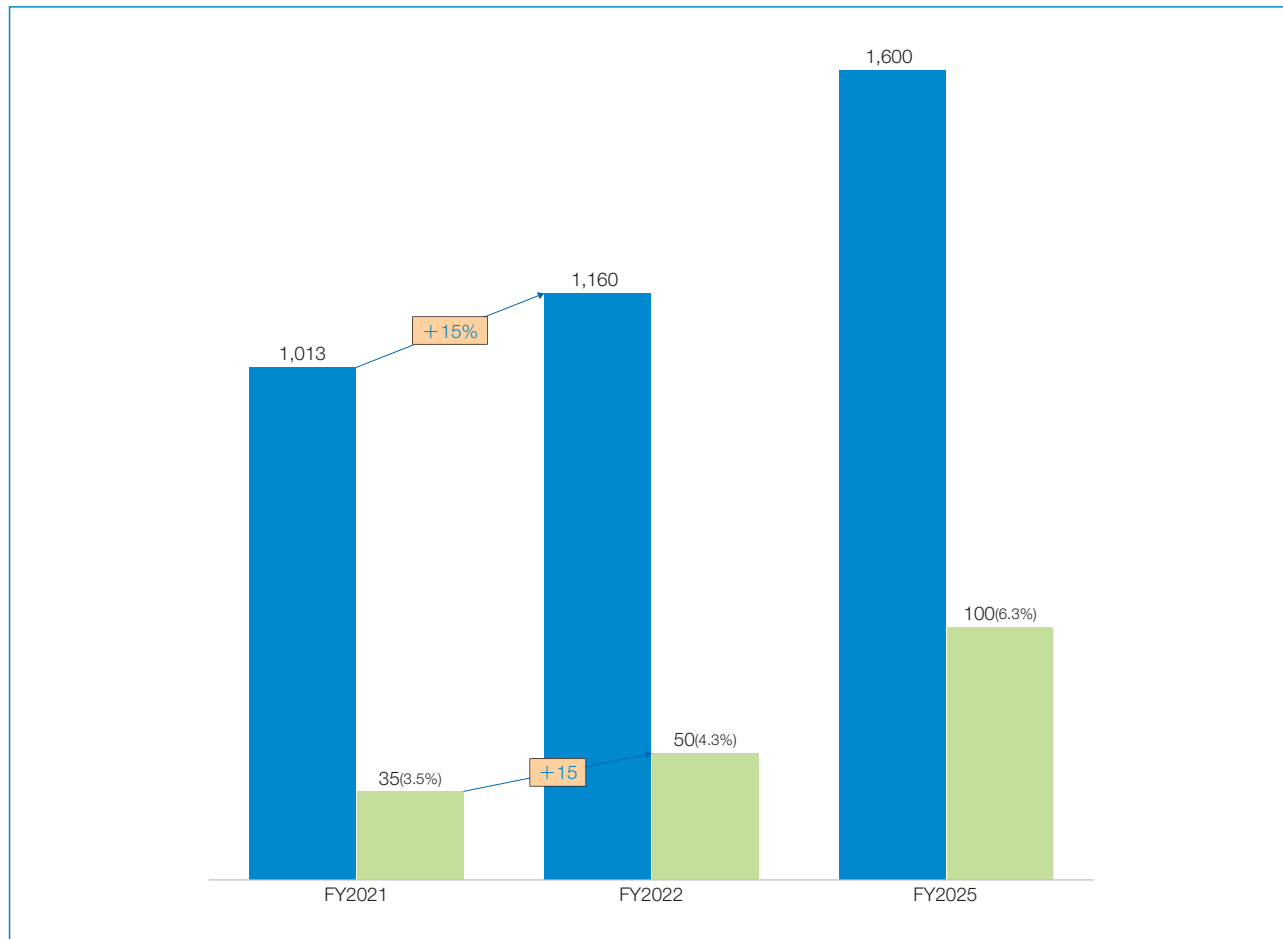
2. Target Levels

Target levels are set for where we should be in three years' time. * Internal target levels for FY2025

[Net sales/Ordinary profit]

*Calculations are based on the prevailing exchange rate for FY2021 and the 105-yen-to-the-US-dollar rate from FY2022 onwards.

(Unit: 100 million yen) ■ Net sales (left axis) ■ Ordinary profit (right axis)



[Target levels are set for where we should be in three years' time.]

	FY2021	FY2022	FY2025
Net sales	101.3 billion yen	116 billion yen	160 billion yen
Ordinary profit	3.5 billion yen	5 billion yen	10 billion yen
Equity ratio	27%	38%	50%
Net D/E ratio	1.5	0.9	0.3
Interest-bearing debt (On a cash and deposits deduction basis)	52.4 billion yen	36.3 billion yen	30 billion yen

3. Business Portfolio Transformations

■ **Net sales:** we will achieve sustainable business growth in all businesses, with a focus on expanding business domains in priority areas.

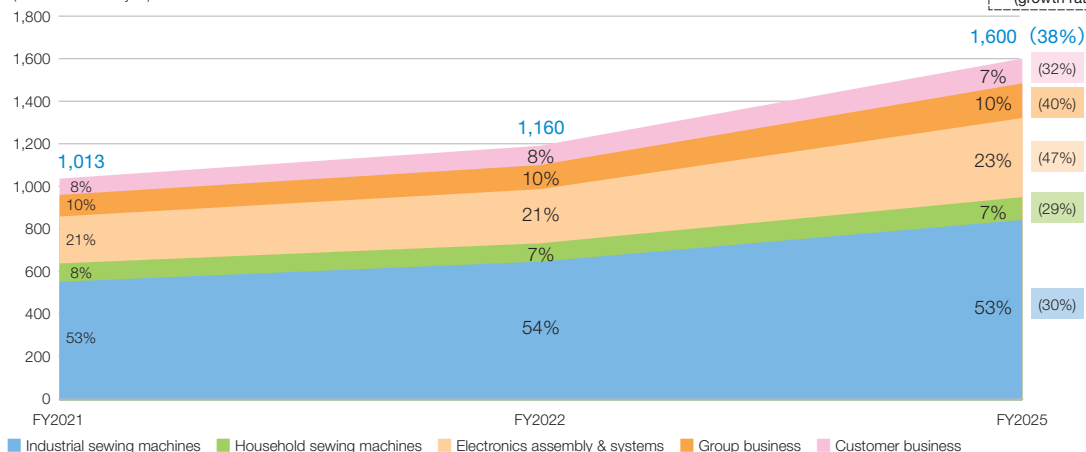
■ **Gross profit:** we will improve profitability by expanding high value-added areas such as Electronic Assemblies & Systems/ Customer Business.

Net sales portfolio

*Calculations are based on the prevailing exchange rate for FY2021 and the 105-yen-to-the-US-dollar rate from FY2022 onwards.

(Unit: 100 million yen)

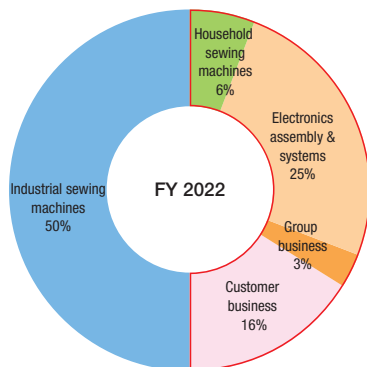
FY2022 to 2025
(growth rate)



Percentage of gross profit

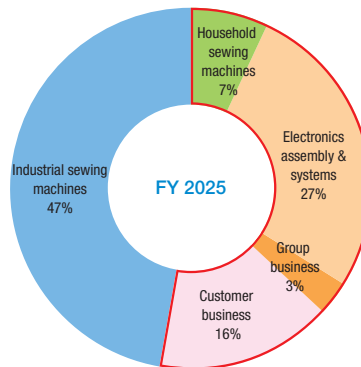
Other than Industrial sewing machines

50%



Other than Industrial sewing machines

53%

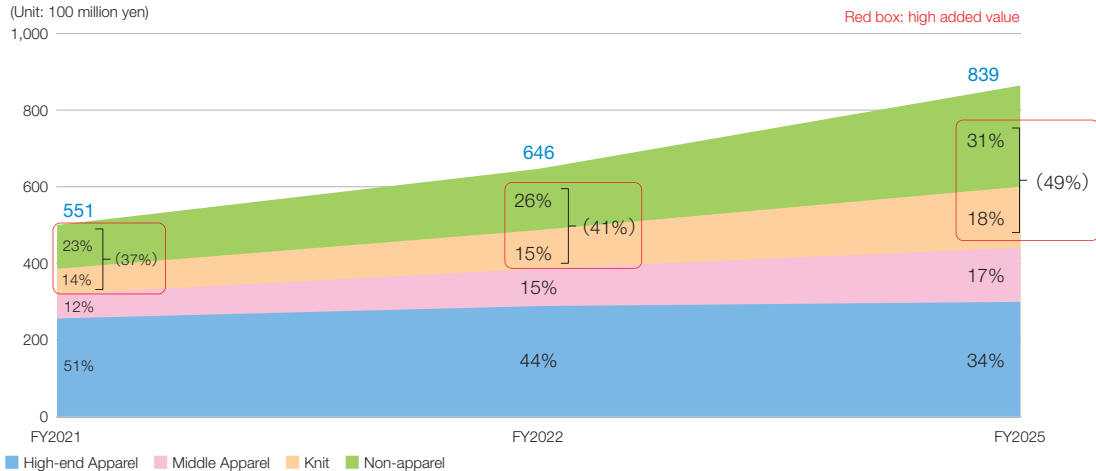


* Internal targets for FY2025

4. Business Portfolio Transformations - Sewing Machinery and Systems (Industrial Sewing Machines)

- Increasing a market share in the middle market to build a future customer base.
- Creating a profitable business model by offering value-added products and strengthening proposal-based sales.

Net sales portfolio

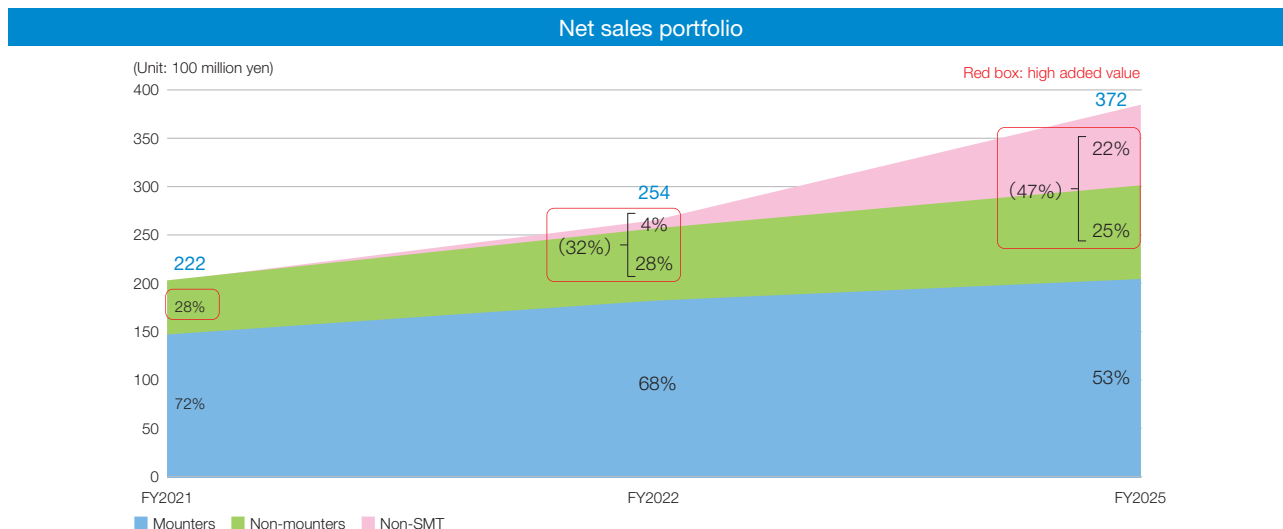


Priority initiatives

High-end Apparel	<ul style="list-style-type: none"> Deploying one-stop solutions for converting customer factories into smart factories Expanding the deployment of automatic machines based on our strengths
Middle Apparel	<ul style="list-style-type: none"> Increasing our market share through the JIN brand (products for the middle market in emerging countries)
Knit	<ul style="list-style-type: none"> Developing business in emerging countries mainly in Latin America and Africa through a business alliance with PEGASUS SEWING MACHINE MFG. CO., LTD.
Non-apparel	<ul style="list-style-type: none"> Strengthening sales to car seats / sports shoes / furniture customers <p>*JUKI TECHNO SOLUTIONS CORPORATION was established in July 2022 in a joint venture with Mitsubishi Electric Corporation and Meiryō Technica Corporation.</p>

5. Business Portfolio Transformations - Industrial Equipment and Systems (Electronics Assembly & Systems)

- Increasing the proportion of non-mounters such as automation equipment and inspection and measurement machines from 28% (2021) to 32% (2022).
- Expanding business domains other than surface mounting plants (non-SMT customers) through collaboration with the Group Business Company and aiming for their proportion of 22% by 2025.



Priority initiatives

Mounters	[High-speed machines] • Launching high-speed machines for wearable and 5G-related equipment onto the market
Non-Mounters	[Automated equipment] • Deploying automation solutions using insertion machines and other equipment [Automated warehouses] • Expanding JUKI's sales network by enhancing cooperation with ESSEGI AUTOMATION S.r.l.
Non-SMT	Strengthening the development of non-SMT customers through collaboration with the Group Business Company [Automated warehouses] • Expanding into different industries outside of the semiconductor sector [Inspection and measurement machines] • Expanding JUKI's business domains in visual inspection areas through collaboration with XTIA Ltd. (in-vehicle parts processing inspection) • Expanding JUKI's business domains into the semiconductor sector

6. Investment Plans

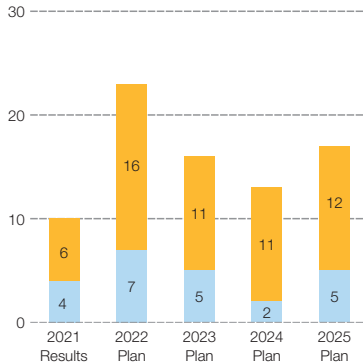
Pursuing plans to invest approx. 30 billion yen in FY2022 to 2025 towards growth.

Investment plans (FY2022 to 2025)

Capital Investment

6.9 billion yen

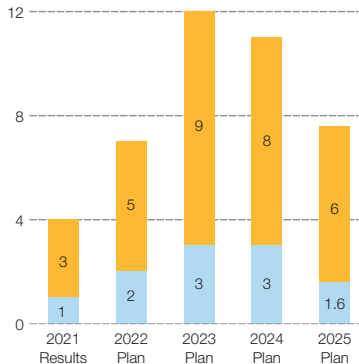
■ Capacity enhancement/smartification/ESG Investment
■ Quality enhancement/others
 (Unit: 100 million yen)



Information system Investment

3.8 billion yen

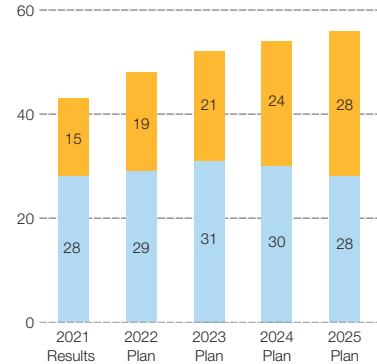
■ Renewal
■ Update Existing
 (Unit: 100 million yen)



Development Investment

21 billion yen

■ Advanced, SDGs Investment
■ Existing/others
 (Unit: 100 million yen)



Plans to increase the Group business sales through capital investment, etc.

Sales compared to FY2021	FY2022	FY2025
	+1.2 billion yen	+4.6 billion yen

Reducing Indirect costs ratio by revenues

FY2021	FY2022	FY2025
5%	4%	3%

Ratio of investment in advanced technologies out of total development investment

FY2021	FY2022	FY2025
31%	40%	50%

Ratio of SDGs-related investment out of total development investment

FY2021	FY2022	FY2025
10%	20%	40%

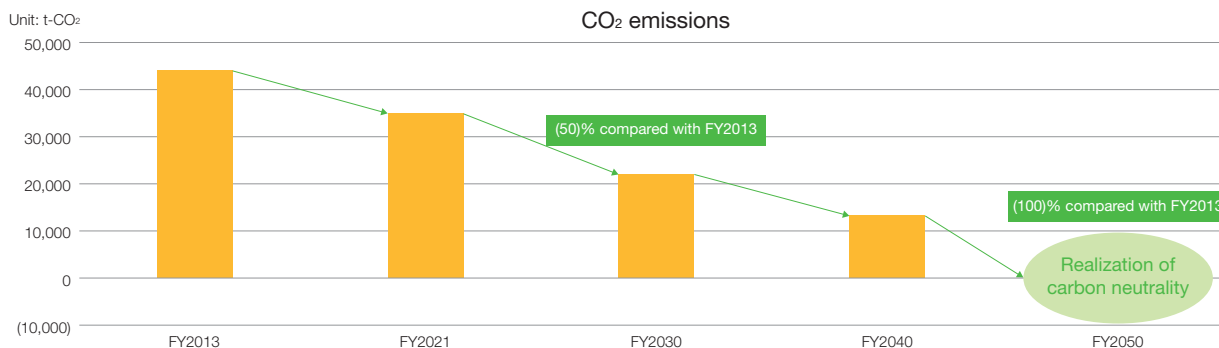
1. Environment

■ We will achieve carbon neutrality by 2050.

■ We support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



[CO₂ emission reduction targets] *1



*1 Reducing CO₂ emissions by 50% by 2030 and by 100% by 2050, compared with the 2013 level (for scope 1 and 2 emissions)

[Main initiatives designed to reduce CO₂ emissions]

Production equipment		<ul style="list-style-type: none"> • Switching to facilities with less environmental impact • Switching to smarter production systems
Building		<ul style="list-style-type: none"> • Visualizing energy impacts • Switching to energy-saving equipment
Power		<ul style="list-style-type: none"> • Replacement with renewable energy sources
Absorption/removal		<ul style="list-style-type: none"> • Using a carbon credit system (Support for Afforestation Projects, etc.)









Support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

2. Materiality

■ We will analyze risks and opportunities and extract materiality (key issues in the organization) from the perspective of both JUKI and its stakeholders.

■ We will create economic and social value by addressing social issues through our core business.

Section	Materiality	Main initiatives	Corresponding SDGs
Environment (E)	Reducing environmental impact	<ul style="list-style-type: none"> • A reduction in environmental impact through business activities • Environmental considerations throughout the product life cycle 	
Society (S)	Creating employment opportunities Promoting the social participation of various human resources	<ul style="list-style-type: none"> • New job creation in emerging countries • Realizing an increase in the working population through support for vocational education and an improvement in the treatment of workers 	
	Ensuring occupational safety and health	<ul style="list-style-type: none"> • Support for building safe/secure sewing factories 	
	Realizing a reduction of clothing waste at the production site Supporting technological innovation through increased productivity in the electronics industry	<ul style="list-style-type: none"> • Support for smarter and more innovative technologies in sewing and surface-mounting plants • Realizing plants that produce good-quality products in a short time at low cost • Providing a system to achieve production in adequate quantities • An improvement in the pre- and post-processing infrastructure in surface-mounting plants 	
	Improving the working environment	<ul style="list-style-type: none"> • Organizational activation through diversity promotion • Work-style reform, promotion of rewarding work, and training of human resources 	
Governance (G)	Strengthening governance	<ul style="list-style-type: none"> • Enhancement of the corporate governance system • Complete compliance and strengthening of risk management 	

Consolidated Financial Statements for the First Half (Summary)

Consolidated Balance Sheet

(Unit: million yen)

Item	FY2021 as of December 31, 2021	1st half FY2022 as of June 30, 2022	Change
Assets			
Current assets	94,806	116,439	21,633
Non-current assets	34,308	35,711	1,403
Total assets	129,114	152,151	23,037
Liabilities			
Current liabilities	67,120	86,207	19,087
Non-current liabilities	26,322	26,246	(76)
Total liabilities	93,442	112,454	19,012
Net assets			
Shareholders' equity	36,070	36,107	37
Accumulated other comprehensive profit	(824)	3,097	3,921
Non-controlling interests	426	491	65
Total net assets	35,672	39,696	4,024
Total liabilities and net assets	129,114	152,151	23,037

Consolidated Statement of Profit & Loss

(Unit: million yen)

Item	1st half FY2021 January 1, 2021 to June 30, 2021	1st half FY2022 January 1, 2022 to June 30, 2022	Change
Net sales	47,098	58,577	11,479
Cost of sales	34,237	42,992	8,755
Gross profit	12,860	15,584	2,724
Selling, general and administrative expenses	10,951	14,026	3,075
Operating profit	1,908	1,558	(350)
Non-operating profit	633	534	(99)
Non-operating expenses	826	511	(315)
Ordinary profit	1,716	1,581	(135)
Extraordinary profit	5	4	(1)
Extraordinary losses	12	249	237
Profit before income taxes	1,708	1,337	(371)
Income taxes	464	424	(40)
Profit	1,244	912	(332)
Profit attributable to non-controlling interests	22	65	43
Profit attributable to owners of parent	1,221	846	(375)

Note: Figures in parentheses () are negative values.

Corporate Information (as of June 30, 2022)

■ 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	5,255 (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 15,525

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 (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,752	12.77
Custody Bank of Japan, Ltd. (Trust Account)	1,020	3.47
Mizuho Bank, Ltd.	938	3.19
Nippon Life Insurance Company	732	2.49
SBI Securities Co., Ltd.	618	2.10

Note: The shareholding ratio is calculated by means of deducting treasury shares (502,944 shares) from the number of the issued shares.

■ Stock Distribution Status by Owner Type

