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Securities code: 6440  
March 3, 2017

**To All Shareholders:**

Akira Kiyohara  
Representative Director  
JUKI CORPORATION  
2-11-1, Tsurumaki, Tama-shi,  
Tokyo, Japan

## **CONVOCAION NOTICE OF THE 102ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 102nd Ordinary General Meeting of Shareholders (the “Meeting”) of JUKI CORPORATION (the “Company”) to be held as indicated below.

**If you are unable to attend the Meeting, you may exercise your voting rights in writing. Please review the attached “Reference Materials for the Ordinary General Meeting of Shareholders,” indicate “for” or “against” for each of the proposals in the enclosed Voting Right Exercise Form, and return the form to us no later than 6:00 p.m., Monday, March 27, 2017 (Japan Standard Time).**

Thank you very much for your cooperation.

- 1. Date and Time:** March 28, 2017 (Tuesday) at 10:00 a.m.
- 2. Place:** Multi-purpose hall, 3rd floor of the East Tower of the Company’s Head Office, 2-11-1, Tsurumaki, Tama-shi, Tokyo, Japan
- 3. Meeting Agenda:**
  - Report matters:**
    1. The Business Report and the Consolidated Financial Statements for the 102nd Fiscal Year (January 1, 2016 to December 31, 2016), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
    2. Non-consolidated Financial Statements for the 102nd Fiscal Year (January 1, 2016 to December 31, 2016)

**Resolution matters:**

- First proposal:** Appropriation of Surplus  
**Second proposal:** Election of 6 Directors  
**Third proposal:** Election of 1 Audit & Supervisory Board Member  
**Fourth proposal:** Election of 1 Substitute Audit & Supervisory Board Member

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- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
  - Any amendments to the Reference Materials for the Ordinary General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements, and Consolidated Financial Statements will be posted on the Company’s website (URL: <http://www.juki.co.jp>).

(Attached materials)

## Business Report

(January 1, 2016 to December 31, 2016)

### 1. Overview of the JUKI Group (the “Group”)

#### (1) Business Progress and Results

In the fiscal year 2016 (FY2016), the Company has taken steps to construct a solid business foundation and expand areas of business, strengthening solution selling and widening the scope of activities for proposing automation and labor-saving solutions to our customers. Nevertheless, consolidated net sales were 97,724 million yen (down by 13.4% from the same period of the previous fiscal year). This was mainly because prolonged global economic stagnation coupled with the effects of yen appreciation compared to the previous fiscal year, amid deepening uncertainty over the global economy, generated by the slowdown in the Chinese economy and other factors.

With respect to profits, despite cost reduction effects in the area of production, consolidated operating income was 4,651 million yen (down by 34.6% from the same period of the previous fiscal year), due mainly to a drop in sales. Consolidated ordinary income was 3,022 million yen (down by 47.2% from the same period of the previous fiscal year) and profit attributable to owners of parent was 1,883 million yen (down by 51.1% from the same period of the previous fiscal year), owing to revaluation losses on foreign-currency-denominated receivables as non-operating expenses amid a shift toward appreciation of the yen against the U.S. dollar compared with the previous fiscal year.

Business results by major segment are as follows:

##### 1) Sewing Machinery Business

In regard to geographic regions, sales increased in emerging economies of Bangladesh and Indonesia and in Europe and the U.S. but languished in China, etc. In terms of products, although sales of products for car seats and other non-apparel items were well, the yen was strong compared to the previous fiscal year. As a result, net sales of the Sewing Machinery Business as a whole were 75,866 million yen (down by 11.9% from the same period of the previous fiscal year), and ordinary income was 6,503 million yen (down by 21.6% from the same period of the previous fiscal year). Looking ahead, we will aim to improve sales and earnings by further strengthening solution selling.

##### 2) Electronic Assembly Systems Business (SMT systems, inspection equipment, printing equipment and others)

In regard to geographic regions, sales decreased in China, our largest market, and in the Americas. In terms of products, increased sales of the new mounters, which were rolled out under our line solution strategy, did not make up for decreased sales of existing mounters. As a result, net sales of the Electronic Assembly Systems Business as a whole were 15,237 million yen (down by 25.7% from the same period of the previous fiscal year). Ordinary loss was 1,792 million yen (ordinary loss was 1,680 million yen in the same period of the previous fiscal year), due mainly to decreased sales and fierce competition, resulting in lower rates of return, although structural reform of overall businesses brought about certain effects in reducing costs. Going forward, the Company will continue to improve earnings by expanding the customer base through bolstering sales of items such as new products based on the solution proposals and products based on alliances, by making changes to the production framework, and by strengthening the Company’s fundamentals.

#### (2) Capital Investments

Capital investment totaling 1,642 million yen was disbursed in FY 2016, including 629 million yen for machinery, equipment and vehicles and 424 million yen for tools, furniture and fixtures.

#### (3) Financing

Financing for FY 2016 was arranged using the Group’s own funds and borrowings from financial institutions.

#### (4) Issues to Address

Based on the long-term vision, “To thrive in the 21st century as a global, innovative *Monodzukuri* (manufacturing) enterprise,” the Company has formulated a Medium-Term Management Plan “Value Up 2022,” aiming at achieving JUKI Group’s continual growth. This Medium-Term Management Plan will serve as the basis for JUKI’s initiatives in becoming a “*Monodzukuri* enterprise also capable of elevating the corporate value of both JUKI and its clients through JUKI products and services” in 6 years. To meet these targets, the Company defined the vision, covering these three years of the Medium-Term Management Plan, as a period in which to become “an enterprise that consistently provides customer-preferred, high-quality products and services.”

Value Up 2022 contains the following 5 basic policies.

- 1) Developing globally competent and innovative personnel and deploying them to fulfill our visions
  - We are committed to the promotion of diversity and the reinforcement of personnel training at every level — from management to our youngest employees.
- 2) Constructing a smart business foundation
  - We will further reform supply chain management, reduce manufacturing costs and streamline administrative operations.
- 3) Strengthening our value-creation capabilities through solution sales
  - In order to promote “provision of specific solutions,” we will develop and deliver products and services that match customers’ needs for labor-saving and manpower-saving results.
- 4) Building capital through strengthening our financial structure
  - We will reduce inventories and interest-bearing debts, as well as enhance our profit-earning capability and capital.
- 5) Creating new business categories and reinforcing them, based on our vision of the future
  - We will bolster our initiatives aimed at creating new businesses.

Based on these basic policies, in starting this Medium-Term Management Plan, we have revised managerial framework in order to build a business structure that allows us to accommodate dramatic business climate changes and that achieves consistently high earnings. Under this revision of managerial framework, we will achieve business growth through flexible use of common management resources among each business (customers, products, facilities, personnel, etc.) by a significant reorganization; strengthen smart solutions proposal that achieves labor- and manpower- saving results for customers; and streamline management structure. We look forward to your continued support and guidance.

## (5) Changes in Assets and Income (Loss)

### 1) Group

(million yen, except for per share amounts)

Item	The 99th fiscal year ended December 31, 2013	The 100th fiscal year ended December 31, 2014	The 101st fiscal year ended December 31, 2015	The 102nd fiscal year ended December 31, 2016
Net sales	94,385	107,581	112,865	97,724
Ordinary income	3,878	7,710	5,728	3,022
Profit attributable to owners of parent	3,006	6,058	3,853	1,883
Basic earnings per share	¥116.35	¥219.17	¥129.14	¥63.94
Total assets	113,189	130,751	119,281	111,365
Net assets	11,806	25,010	28,477	27,582
Net assets per share	¥442.38	¥804.10	¥927.63	¥921.78

- (Notes) 1. Basic earnings per share is calculated using the average number of shares issued during the fiscal year (excluding treasury shares). Net assets per share is calculated using the number of shares issued as of the end of the fiscal year (excluding treasury shares).
2. On July 1, 2015, the Company carried out a one-for-five common share consolidation. Basic earnings per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the 99th fiscal year.

2) Company

(million yen, except for per share amounts)

Item	The 99th fiscal year ended December 31, 2013	The 100th fiscal year ended December 31, 2014	The 101st fiscal year ended December 31, 2015	The 102nd fiscal year ended December 31, 2016
Net sales	52,265	56,410	58,870	54,128
Ordinary income	3,297	7,962	5,222	2,531
Profit (loss)	2,940	7,031	3,563	(722)
Basic earnings (loss) per share	¥113.80	¥254.37	¥119.42	¥(24.53)
Total assets	91,866	109,211	97,075	90,381
Net assets	14,493	25,919	29,498	27,513
Net assets per share	¥560.84	¥868.59	¥988.63	¥939.14

- (Notes) 1. Basic earnings (loss) per share is calculated using the average number of shares issued during the fiscal year (excluding treasury shares). Net assets per share is calculated using the number of shares issued as of the end of the fiscal year (excluding treasury shares).
2. On July 1, 2015, the Company carried out a one-for-five common share consolidation. Basic earnings (loss) per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the 99th fiscal year.

## (6) Principal Subsidiaries

### 1) Principal Subsidiaries

Company name	Capital	The Company's percentage of voting rights		Main business
		Direct	Indirect	
JUKI AUTOMATION SYSTEMS CORPORATION	(million yen) 2,618	91.8%	—	Sales of SMT systems, inspection equipment, printing equipment and others
JUKI DENSHI KOGYO CORPORATION	300	100%	—	Manufacture and sales of SMT systems, inspection equipment, printing equipment and others
JUKI SALES (JAPAN) CORPORATION	86	100%	—	Sales of sewing machinery in Japan
JUKI SINGAPORE PTE. LTD.	U.S.\$8,079 thousand	100%	—	Sales of sewing machinery in Asian regions
JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	RMB196,148 thousand	27.5%	72.5%	Manufacture and sales of industrial sewing machines
JUKI (CHINA) CO., LTD.	RMB358,365 thousand	100%	—	Administration of subsidiaries in China and sales of sewing machinery
JUKI AMERICA, INC.	U.S.\$26,346 thousand	100%	—	Sales of sewing machinery in the Americas
JUKI (NINGBO) PRECISION CO., LTD.	RMB42,876 thousand	—	100%	Manufacture and sales of sewing machinery parts
JUKI CENTRAL EUROPE SP. Z.O.O.	PLN50 thousand	100%	—	Sales of sewing machinery in European regions
TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	RMB5,001 thousand	100%	—	Sales of SMT systems, inspection equipment, printing equipment and others in China
JUKI XINXING INDUSTRY CO., LTD.	RMB160,000 thousand	—	89.9%	Manufacture and sales of industrial sewing machines
JUKI (VIETNAM) CO., LTD.	U.S.\$5,000 thousand	100%	—	Manufacture and sales of industrial sewing machines, precision casting parts and others

### 2) Status of Specified Wholly Owned Subsidiaries

No items to report.

## (7) Principal Business

Segment	Summary of business
Sewing Machinery Business	Manufacture and sales of industrial sewing machines and household sewing machines
Electronic Assembly Systems Business	Manufacture and sales of SMT systems, inspection equipment, printing equipment and others

**(8) Principal Offices and Plants**

Company name	Office or plant	Location
JUKI CORPORATION	Head Office	Tokyo
	Ohtawara Plant	Tochigi
JUKI AUTOMATION SYSTEMS CORPORATION	Head Office	Tokyo
JUKI DENSHI KOGYO CORPORATION	Head Office and Plant	Akita
JUKI SALES (JAPAN) CORPORATION	Head Office	Tokyo
JUKI SINGAPORE PTE. LTD.	Head Office	Singapore
JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	Head Office and Plant	Shanghai, China
JUKI (CHINA) CO., LTD.	Head Office	Shanghai, China
JUKI AMERICA, INC.	Head Office	Florida, U.S.A.
JUKI (NINGBO) PRECISION CO., LTD.	Head Office and Plant	Zhejiang, China
JUKI CENTRAL EUROPE SP. ZO.O.	Head Office	Warsaw, Poland

**(9) Employees**

## 1) Group

(As of December 31, 2016)

Segment	Number of employees	Change from previous fiscal year-end
Sewing Machinery Business	3,890	(94)
Electronic Assembly Systems Business	744	(100)
Other business	1,137	(47)
Corporate headquarters (common)	250	17
Total	6,021	(224)

(Note) The above figures include contract employees and part-timers and exclude dispatched employees.

## 2) Company

(As of December 31, 2016)

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
846	39	44.7 years old	20.2 years

(Note) The above figures include contract employees and part-timers and exclude dispatched employees.

**(10) Major Creditors and Balance of Borrowings**

(As of December 31, 2016)

Creditor	Balance of borrowings (million yen)
Mizuho Bank, Ltd.	20,852
Sumitomo Mitsui Trust Bank, Limited	7,964
Mizuho Trust & Banking Co., Ltd.	5,312
The Hiroshima Bank, Ltd.	4,769
Development Bank of Japan Inc.	3,983
The Joyo Bank, Ltd.	2,728

## 2. Status of Shares (As of December 31, 2016)

- (1) **Total Number of Authorized Shares** 80,000,000 shares
- (2) **Total Number of Issued Shares** 29,874,179 shares  
(including 577,229 treasury shares)
- (3) **Number of Shareholders** 13,395 persons
- (4) **Major Shareholders (Top 10)**

Shareholder name	Number of shares thousand shares	Shareholding ratio %
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,373	4.68
Japan Trustee Services Bank, Ltd. (Trust Account)	1,080	3.68
Mizuho Bank, Ltd.	938	3.20
Nippon Life Insurance Company	732	2.49
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	645	2.20
Asahi Mutual Life Insurance Company	569	1.94
The Dai-ichi Life Insurance Company, Limited	511	1.74
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	507	1.73
STATE STREET BANK AND TRUST COMPANY 505325	499	1.70
Meiji Yasuda Life Insurance Company	460	1.57

(Note) The shareholding ratio is calculated by means of deducting treasury shares (577,229 shares) from the number of the issued shares.

### 3. Company Officers

#### (1) Directors and Audit & Supervisory Board Members

(As of December 31, 2016)

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Representative Director and President	Akira Kiyohara		President of JUKI AUTOMATION SYSTEMS CORPORATION
Director and Managing officer	Naotake Miyashita	“In charge of Business Operation Center (Sewing Machinery Business Unit)” and Company President of Knitwear Machinery Company, Sewing Machinery Business Unit	Director of JUKI (CHINA) CO., LTD. and Chairman of the Board of JUKI SINGAPORE PTE. LTD.
Director and Managing officer	Minoru Wada	“In charge of Development Center” and “In charge of Quality Assurance Dept.”	
Director	Toshihiko Ozaki		
Director	Kazumi Nagasaki		
Director	Yutaka Hori		Attorney Executive and Vice President, National University Corporation Chiba University Commissioner of Public Interest Corporation Commission (PICC) of the Cabinet Office Director, FIDEA Holdings Co. Ltd.
Audit & Supervisory Board Member (Full-time)	Yoshihiro Otake		Audit & Supervisory Board Member of JUKI AUTOMATION SYSTEMS CORPORATION
Audit & Supervisory Board Member	Masato Tanaka		Attorney
Audit & Supervisory Board Member	Yasuaki Isobe		

- (Notes)
1. Directors, Mr. Minoru Wada and Mr. Yutaka Hori, and Audit & Supervisory Board Member, Mr. Yasuaki Isobe were newly elected and assumed their respective positions at the 101st Ordinary General Meeting of Shareholders held on March 29, 2016.
  2. Directors, Mr. Toshihiko Ozaki, Mr. Kazumi Nagasaki and Mr. Yutaka Hori, are Outside Directors as defined in Item 15 of Article 2 of the Companies Act.
  3. Directors, Mr. Toshihiko Ozaki, Mr. Kazumi Nagasaki and Mr. Yutaka Hori, are such independent directors as specified by the Tokyo Stock Exchange.
  4. Audit & Supervisory Board Members, Mr. Masato Tanaka and Mr. Yasuaki Isobe, are Outside Audit & Supervisory Board Members as defined in Item 16 of Article 2 of the Companies Act.
  5. Audit & Supervisory Board Member, Mr. Yasuaki Isobe is an independent auditor specified in the rules of the Tokyo Stock Exchange, registered on January 11, 2017.
  6. Audit & Supervisory Board Members, Mr. Yoshihiro Otake and Mr. Yasuaki Isobe, have many years of accounting experience and have sufficient financial and accounting knowledge.



**(2) Total Amount of Remuneration to Directors and Audit & Supervisory Board Members for FY 2016, etc.**

Title	Number of payees	Amount of remuneration (million yen)
Director	8	127
Audit & Supervisory Board Member	4	21
Total	12	148

(Note) The above number of payees and amount of remuneration include two Directors and one Audit & Supervisory Board Member who retired during FY 2016.

**(3) Outside Officers**

1) Significant concurrent positions

Significant concurrent positions held by outside officers are as described on the previous page. There are no specific relationships between the Company and the organizations where concurrent positions are held.

2) Main activities

Title	Name	Main activities
Director	Toshihiko Ozaki	Participated in all 13 Board of Directors' meetings held in FY 2016, and provided expert opinions, mainly as an experienced corporate manager, as necessary.
	Kazumi Nagasaki	Participated in all 13 Board of Directors' meetings held in FY 2016, and provided expert opinions, mainly as an experienced corporate manager, as necessary.
	Yutaka Hori	Participated in all 10 Board of Directors' meetings held since he assumed the position of Outside Director, and provided expert opinions, mainly as an experienced attorney, as necessary.
Audit & Supervisory Board Member	Masato Tanaka	Participated in all 13 Board of Directors' meetings and in all 13 Audit & Supervisory Board meetings held in FY 2016; provided expert opinions, mainly as an experienced attorney, as necessary.
	Yasuaki Isobe	Participated in all 10 Board of Directors' meetings and in all 10 Audit & Supervisory Board meetings held since he assumed the position of Outside Audit & Supervisory Board Member; provided expert opinions, mainly as an experienced corporate manager, as necessary.

3) Summary of contract for limitation of liability

The Company has concluded contracts for limitation of liability with Outside Directors, Mr. Toshihiko Ozaki, Mr. Kazumi Nagasaki and Mr. Yutaka Hori, and Outside Audit & Supervisory Board Members, Mr. Masato Tanaka and Mr. Yasuaki Isobe, to limit their liability as stipulated in Paragraph 1 of Article 423 of the Companies Act up to the total sum stipulated in Paragraph 1 of Article 425 of the Companies Act.

4) Total amount of remuneration to outside officers for FY 2016, etc.

	Number of payees	Amount of remuneration (million yen)
Total amount of remuneration	6	29

(Note) The above number of payees and amount of remuneration include one Audit & Supervisory Board Member who retired during FY 2016.

(For reference) Corporate Officers

The Company has introduced the corporate officer system. In addition to the Corporate Officer positions concurrently assumed by all of the Directors (excluding Directors, Mr. Toshihiko Ozaki, Mr. Kazumi Nagasaki and Mr. Yutaka Hori), the following persons have been appointed as full-time Corporate Officers:

(As of December 31, 2016)

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Managing Officer	Shinsuke Uchinashi	“In charge of Global Cooperate Center (Finance & Accounting Dept.),” “In charge of Business Development Center” and “In charge of Production Center”	
Managing Officer	Hirofumi Gotoh	“In charge of Global Cooperate Center (Corporate Planning Dept., Human Resources Dept., Business Renovation and Electronic Assembly Systems BPR),” “In charge of Secretariat,” “In charge of Internal Auditing Dept.” and “In charge of Internal Control and Compliance”	
Managing Officer	Katsumi Nihei	Executive Unit Officer of Sewing Machinery Business Unit, and Company President of Non-apparel Company, Sewing Machinery Business Unit	
Corporate Officer	Kimio Honma	Company President of Household Sewing Machinery Company, Sewing Machinery Business Unit and Manager of Sales Group of Household Sewing Machinery Company	
Corporate Officer	Toshimasa Miura	General Manager of Human Resources Dept. and General Manager of Internal Auditing Dept.	
Corporate Officer	Toshinobu Shinozuka	“In charge of Production Center (deputy) (in charge of Monodzukuri Technology Dept.)”	
Corporate Officer (“In charge of Group Companies”)	Satohiro Hama		Director and Managing Officer of JUKI AUTOMATION SYSTEMS CORPORATION
Corporate Officer (“In charge of Group Companies”)	Robert J. Black Jr.	“In charge of Europe & Americas Area Sales, Electronic Assembly Systems Business Segment”	President and CEO of JUKI AUTOMATION SYSTEMS INC.
Corporate Officer	Hiroki Konishi		Chairman and General Manager of Head Office and General Manager of Sales of JUKI (CHINA) CO., LTD.
Corporate Officer (“In charge of Group Companies”)	Kikuo Takahashi	Company President of Group Business Company and Head of Akita Branch of Group Business Control Dept.	President of JUKI DENSHI KOGYO CORPORATION
Corporate Officer	Takeshige Hamasoto	Deputy Executive Unit Officer of Sewing Machinery Business Unit	President of JUKI AMERICA, INC.
Corporate Officer	Minoru Nitta		Managing Director of JUKI SINGAPORE PTE. LTD
Corporate Officer	Kiyoshi Matsumoto	“In charge of Production Center (deputy) (in charge of Production	

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
		Planning Dept. and in charge of Manufacturing Technology Dept.)”	
Corporate Officer	Jirou Ishibashi	Deputy Executive Unit Officer of Sewing Machinery Business Unit (In charge of Business & Product Planning Dept., Smart Sewing Systems Dept. and Associated Equipment Dept.), General Manager of Smart Sewing Systems Dept. and Manager of Woven Machinery Line Solution Group and General Manager of Associated Equipment Dept.	
Corporate Officer	Masahiko Suzuki	General Manager of Finance & Accounting Department	

#### 4. Accounting Auditor

##### (1) Accounting Auditor’s Name

Deloitte Touche Tohmatsu LLC

##### (2) Accounting Auditor’s Compensation, etc.

- |  |                |
|--|----------------|
| 1) Compensation to Accounting Auditor as provided in Paragraph 1 of Article 2 of the Certified Public Accountants Act of Japan | 61 million yen |
| 2) Total amount of cash and other property benefits payable by the Company and its subsidiaries to Accounting Auditor          | 66 million yen |

- (Notes) 1. The audit contract between the Company and Accounting Auditor does not clearly distinguish between compensation, etc. paid for the audit conducted in accordance with the Companies Act and compensation, etc. paid for the audit conducted in accordance with Financial Instruments and Exchange Act. It is practically impossible to make such a distinction. Accordingly, the amount specified in 1) above is the aggregate amount of compensation, etc. for these two types of audits.
2. Among the principal subsidiaries, JUKI SINGAPORE PTE. LTD., JUKI (SHANGHAI) INDUSTRIAL CO., LTD., JUKI (CHINA) CO., LTD., JUKI (NINGBO) PRECISION CO., LTD., JUKI CENTRAL EUROPE SP. ZO.O., TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD., JUKI XINXING INDUSTRY CO., LTD., and JUKI (VIETNAM) CO., LTD. are audited by certified public accountants or audit corporations other than the Company’s Accounting Auditor.

##### (3) Reasons for the Audit & Supervisory Board’s Agreement Regarding the Accounting Auditor’s Compensation, etc.

The Audit & Supervisory Board has checked and reviewed the audit plan, the status of the execution of duties of the Accounting Auditor and the grounds for calculation of compensation estimates. As a result of this review, the Audit & Supervisory Board consents to the compensation for the Accounting Auditor in accordance with Paragraph 1 of Article 399 of the Companies Act.

##### (4) Non-audit Operation

No items to report.

##### (5) Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

If any of the reasons provided in the Paragraph 1 of Article 340 of the Companies Act applies to the Accounting Auditor, the Audit & Supervisory Board shall terminate the appointment of the Accounting Auditor with the full consensus of the Audit & Supervisory Board Members. In such cases, an Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report on the termination

and the reason for it at the first General Meeting of the Shareholders of the Company to be convened following the termination.

Moreover, the Audit & Supervisory Board shall determine the content of proposals for submission to the General Meeting of Shareholders of the Company relating to the termination or nonrenewal of Accounting Auditors if it judges that it is difficult for the Accounting Auditor to carry out its duties appropriately.

## **5. Systems to ensure that business is conducted properly**

The Company adopted a resolution on the “Basic policy to construct internal control system” at the Board of Directors’ meeting held on May 17, 2006. The details of the resolution have been revised by later resolutions based on reviews as needed.

### **(1) System to ensure that Directors execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company**

- 1) The Company shall establish the “JUKI Corporation Code of Conduct,” which shall provide the principles of the JUKI corporate philosophy as a legal entity, in order to make clear its positive attitude towards legal compliance.
- 2) The Company shall establish the “JUKI Group Code of Conduct,” a set of specific guidelines for the execution of duties, in order to make officers and employees proactively acknowledge the importance of compliance with laws and regulations.
- 3) The system for compliance and compliance management of the whole business group consisting of the Company and its subsidiaries (hereinafter “group companies”) shall be provided in the “Compliance Rules.”
- 4) The Company shall take a resolute attitude toward any antisocial individuals and organizations that adversely influence social order and sound corporate activities.

### **(2) System to store and control information related to Directors’ execution of duties**

- 1) The Company shall establish the “Rules for Retaining Important Documents,” and shall retain and control information related to the execution of duties by Directors in accordance with the said Rules.

### **(3) Rules and other systems for managing risk of loss of the Company and group companies**

- 1) The Company shall establish the “Risk Management Rules” to manage risks of the Company and all group companies.
- 2) The Company shall establish the “Risk Management Council” to examine significant risks the Company faces and prepare preventive measures against such risks, and shall manage each division’s and each department’s preventive measures activities against risks.
- 3) The “Crisis-Management Task Force” shall take prompt actions against any realized risks.

### **(4) System to ensure that Directors, etc. of the Company and group companies execute their duties efficiently**

- 1) In order to enable Directors to facilitate the prompt execution of their duties, the Company shall adopt a Corporate Officer system under which the Corporate Officers may be given some of the authority required for executing Directors’ duties.
- 2) Employees may be given some of the authority required for executing Directors’ duties in accordance with the “Authorization Rules,” for the purpose of efficient decision making.
- 3) Important decision-making matters shall be discussed at the “Management Strategy Council” and shall be decided by the President after such discussion.
- 4) Rules for executing Directors’ duties shall be provided in the “Organization Rules,” and Directors shall make efforts to efficiently execute their duties in accordance with the said Rules.

### **(5) System to ensure that employees of the Company, and Directors, etc. and employees of group companies execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation of the Company**

- 1) The Company shall establish the “JUKI Corporation Code of Conduct,” which shall provide the principles of the JUKI corporate philosophy as a legal entity, in order to make clear its positive attitude towards legal compliance.
  - 2) The Company shall establish the “JUKI Group Code of Conduct,” a set of specific guidelines for the execution of duties, in order to make employees proactively acknowledge the importance of compliance with laws and regulations.
  - 3) The department in charge of handling legal affairs shall conduct activities to spread compliance education and compliance management for enhanced legal compliance.
  - 4) The position of Corporate Officer in charge of Internal Control & Compliance shall be established, and this Officer shall be responsible for legal compliance and shall bear the duties of supervision of relevant organizations and their activities.
  - 5) The system for compliance and compliance management of the Company and all group companies shall be provided in the “Compliance Rules.”
  - 6) The Company shall establish a “Compliance Helpline” available for direct access by employees, for the purpose of making such Helpline available to respond to questions related to compliance raised by employees.
- (6) System to report to the Company of matters related to the execution of duties of Directors, etc. of group companies**
- 1) The group companies shall report the management policies and management plans to the Company at the “Group Management Conference,” and check and adjust them.
  - 2) The group companies shall report to the Company regularly and as required, in accordance with the “Group companies management rules.”
  - 3) The Directors, etc. of the group companies shall promptly report to the Corporate Officer in charge of Internal Control & Compliance of the Company on any event likely to cause significant damage to their group companies, any sign of fraudulence in the Directors’ execution of duties, any serious event in violation of laws and regulations or the Articles of Incorporation, and other events equivalent thereto.
- (7) Other systems to ensure the propriety of the business operations of the business group consisting of the Company and group companies**
- 1) The Company shall determine the management control system according to functional organization in its “Organization Rules” and “Group companies management rules.”
  - 2) Decision making on the allocation of management resources in group companies shall be provided in the “Authorization Rules.”
  - 3) The Company’s Internal Auditing Department shall conduct internal audits, as needed, on group companies.
- (8) Employees to be assigned at the request of Audit & Supervisory Board Members for their assistance**
- 1) The “Audit & Supervisory Board Members Section” directly reporting to the Audit & Supervisory Board Members shall be established as an organization to assist the Audit & Supervisory Board Members.
- (9) Independence from Directors of such employees as specified in the preceding item (8) and matters related to ensuring the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees**

- 1) The Audit & Supervisory Board Members may express opinions on the personnel transfer and performance evaluation of the employees belonging to the “Audit & Supervisory Board Members Section.”
- 2) Employees belonging to the “Audit & Supervisory Board Members Section” shall follow the directions and instructions of the Audit & Supervisory Board Members and collect information necessary for the Audit & Supervisory Board Members’ audit promptly.

**(10) System for Directors, etc. and employees of the Company and group companies to report to Audit & Supervisory Board Members of the Company**

- 1) Full-time Audit & Supervisory Board Members shall attend the Board of Directors’ meetings, Management Strategy Council, Group Management Conference, Risk Management Council, and other important meetings, and collect necessary information by themselves.
- 2) Directors, etc. and employees of the Company and group companies shall promptly report to the Audit & Supervisory Board Members on any event likely to cause significant damage to the Company or group companies, any sign of fraudulence in the Directors’ execution of duties, any serious event in violation of laws and regulations or the Articles of Incorporation, and other events equivalent thereto.
- 3) Audit & Supervisory Board Members shall request the relevant departments of the Company and Directors, etc. and employees of group companies to directly report to them on any information the Audit & Supervisory Board Members deem to be necessary.

**(11) System to ensure that the reporting person of the preceding item (10) does not receive unfavorable treatment for making such report**

- 1) The Company shall state in the “Compliance Rules” that a person who has made a report to an Audit & Supervisory Board Member shall not receive unfavorable treatment for making such a report, and it shall give the widest possible publicity of this rule to Directors, etc. and employees of the Company and group companies.

**(12) Procedures for prepayment or reimbursement of costs arising from the execution of duties of the Audit & Supervisory Board Members and policy related to the handling of costs and liabilities arising from the execution of other duties**

- 1) The Company shall ensure the availability of funds to meet costs, etc. arising from the execution of duties of Audit & Supervisory Board Members by including a planned budget for Audit & Supervisory Board Members in annual budgeting.
- 2) The Company shall respond appropriately in the event of the expectation of the occurrence of costs judged by the Audit & Supervisory Board Member as necessary to ensure the effectiveness of audits, regardless of whether it was included in the budgeting of the previous sub-item.

**(13) Other systems to ensure that the Audit & Supervisory Board Members conduct audits effectively**

- 1) In addition to expressing their opinions at the Board of Directors’ meetings, the Audit & Supervisory Board Members shall exchange opinions with Representative Directors as needed in order to enhance the effectiveness of the Audit & Supervisory Board Members’ audits.
- 2) Audit & Supervisory Board Members shall conduct the Audit & Supervisory Board Members’ audit in cooperation with the Internal Auditing Department, as needed.
- 3) Audit & Supervisory Board Members shall conduct the Audit & Supervisory Board Members’ audit in cooperation with corporate attorneys and certified public accountants, as needed.

**(14) System to ensure the reliability of financial reporting**

- 1) The Company shall develop and manage systems for effective internal control over financial reporting, in order to ensure reliable financial reporting.

## **6. Overview of operation status of system to ensure that business is conducted properly**

An overview of the operation status of the system to ensure that business is conducted properly in FY2016 is as follows.

### **(1) System for compliance with laws and regulations**

- The “JUKI Group Code of Conduct” has been enacted, the contents of which is made simple and universal so that local employees overseas can easily understand. The Japanese version and Chinese and English translations have been distributed to ensure that each Group employee has a thorough understanding of compliance.
- Based on the “Compliance Rules,” the Company and its Group companies rigorously apply a system to ensure compliance.
- The Company has made a “Declaration with Regard to Antisocial Forces,” which is reflected in the clauses of contracts.

### **(2) Risk management system**

- In accordance with the “Risk Management Rules,” the Company held the Risk Management Council once every quarter in principle, as well as identified and evaluated risks, including those at Group companies.
- The Crisis-Management Task Force takes prompt actions against any realized risk.

### **(3) System for Directors to execute their duties**

- Under the “Corporate Officer Rules,” “Authorization Rules,” and “Organization Rules,” the Company strives to ensure that duties are executed promptly and efficiently by Directors.
- The Management Strategy Council is held twice a month in principle, and decisions on important matters are made promptly.

### **(4) System for management of Group companies**

- The Company has determined the management control system according to functional organization in its “Organization Rules” and “Group Companies Management Rules.” The Group Management Conference was held once every half-year to report on management policies and management plans, and to check and adjust their implementation.

### **(5) Internal audits**

- Internal audits of Group companies were conducted in accordance with an internal audit plan.
- Self-assessments centered on key matters and individual topics were carried out targeting Group companies and sites, and guidance for improvement was given based on the outcomes of these self-assessments.

### **(6) System relating to activities of the Audit & Supervisory Board Members**

- The “Audit & Supervisory Board Members Section” has been established as an organization to assist the Audit & Supervisory Board Members, and collects necessary information.
- The Audit & Supervisory Board Members exchange opinions with Representative Directors once every three months.
- The Audit & Supervisory Board Members regularly exchange information with certified public accountants regarding accounting audits, to ensure the effectiveness of the audits.



## Consolidated Financial Statements

(January 1, 2016 - December 31, 2016)

### Consolidated Balance Sheet

(As of December 31, 2016)

(million yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>80,066</b>	<b>Current liabilities</b>	<b>61,254</b>
Cash and deposits	8,048	Notes and accounts payable - trade	9,972
Notes and accounts receivable - trade	30,741	Short-term loans payable	43,144
Merchandise and finished goods	28,412	Lease obligations	109
Work in process	3,257	Accounts payable - other	1,400
Raw materials and supplies	5,945	Accrued expenses	3,297
Deferred tax assets	1,680	Income taxes payable	409
Other	2,378	Provision for bonuses	15
Allowance for doubtful accounts	(399)	Notes payable - facilities	61
<b>Non-current assets</b>	<b>31,298</b>	Forward exchange contracts	1,811
<b>Property, plant and equipment</b>	<b>23,512</b>	Other	1,031
Buildings and structures, net	12,890	<b>Non-current liabilities</b>	<b>22,528</b>
Machinery, equipment and vehicles, net	2,755	Long-term loans payable	16,647
Tools, furniture and fixtures, net	967	Lease obligations	256
Land	6,523	Provision for directors' retirement benefits	69
Leased assets, net	325	Net defined benefit liability	5,163
Construction in progress	49	Other	390
<b>Intangible assets</b>	<b>1,711</b>	<b>Total liabilities</b>	<b>83,782</b>
<b>Investments and other assets</b>	<b>6,074</b>	<b>(Net assets)</b>	
Investment securities	3,018	<b>Shareholders' equity</b>	<b>28,412</b>
Long-term loans receivable	424	Capital stock	18,044
Long-term prepaid expenses	306	Capital surplus	2,035
Deferred tax assets	1,021	Retained earnings	8,937
Net defined benefit asset	874	Treasury shares	(605)
Other	2,379	<b>Accumulated other comprehensive income</b>	<b>(1,406)</b>
Allowance for doubtful accounts	(1,951)	Valuation difference on available-for-sale securities	839
		Foreign currency translation adjustment	(2,274)
		Remeasurements of defined benefit plans	28
		<b>Non-controlling interests</b>	<b>576</b>
		<b>Total net assets</b>	<b>27,582</b>
<b>Total assets</b>	<b>111,365</b>	<b>Total liabilities and net assets</b>	<b>111,365</b>

(Note) Figures less than one million yen are rounded down to the nearest million.

**Consolidated Statement of Income**  
(January 1, 2016 - December 31, 2016)

(million yen)

Description	Amount	
<b>Net sales</b>		<b>97,724</b>
<b>Cost of sales</b>		<b>68,134</b>
<b>Gross profit</b>		<b>29,590</b>
<b>Selling, general and administrative expenses</b>		<b>24,938</b>
<b>Operating income</b>		<b>4,651</b>
<b>Non-operating income</b>		
Interest income	64	
Dividend income	131	
Commission fee	261	
Other	397	854
<b>Non-operating expenses</b>		
Interest expenses	1,153	
Foreign exchange losses	1,185	
Other	144	2,483
<b>Ordinary income</b>		<b>3,022</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	441	441
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	125	
Loss on valuation of investment securities	6	
Impairment loss	105	
Loss on valuation of shares of subsidiaries and associates	55	
Special retirement expenses	80	373
<b>Profit before income taxes</b>		<b>3,090</b>
Income taxes - current	1,333	
Income taxes for prior periods	84	
Income taxes - deferred	34	1,453
<b>Profit</b>		<b>1,637</b>
Loss attributable to non-controlling interests		246
<b>Profit attributable to owners of parent</b>		<b>1,883</b>

(Note) Figures less than one million yen are rounded down to the nearest million.

## Consolidated Statement of Changes in Equity

(January 1, 2016 - December 31, 2016)

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,044	2,094	7,800	(66)	27,873
Changes of items during period					
Dividends of surplus			(745)		(745)
Profit attributable to owners of parent			1,883		1,883
Purchase of treasury shares				(539)	(539)
Capital increase of consolidated subsidiaries		(59)			(59)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(59)	1,137	(539)	538
Balance at end of current period	18,044	2,035	8,937	(605)	28,412

(million yen)

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	817	(1,148)	136	(194)	799	28,477
Changes of items during period						
Dividends of surplus						(745)
Profit attributable to owners of parent						1,883
Purchase of treasury shares						(539)
Capital increase of consolidated subsidiaries						(59)
Net changes of items other than shareholders' equity	21	(1,126)	(107)	(1,212)	(222)	(1,434)
Total changes of items during period	21	(1,126)	(107)	(1,212)	(222)	(895)
Balance at end of current period	839	(2,274)	28	(1,406)	576	27,582

(Note) Figures less than one million yen are rounded down to the nearest million.

## Notes to Consolidated Financial Statements

### 1. Notes on the Basis for the Preparation of Consolidated Financial Statements, etc.

#### (1) Scope of consolidation

1) Number of consolidated subsidiaries: 30

Names of principal consolidated subsidiaries:

JUKI AUTOMATION SYSTEMS CORPORATION, JUKI DENSHI KOGYO CORPORATION, JUKI SINGAPORE PTE. LTD., JUKI (SHANGHAI) INDUSTRIAL CO., LTD., JUKI (CHINA) CO., LTD., and 25 other subsidiaries.

2) Names of major non-consolidated subsidiaries:

Seven non-consolidated subsidiaries, including SHOWA JUKI CO., LTD., are excluded from the scope of consolidation because their exclusion does not preclude reasonable judgment on the Group's financial situation and management results as a whole.

#### (2) Application of equity-method

The seven non-consolidated subsidiaries and NISSEN Co., Ltd. and four other associates are excluded from application of equity-method because their exclusion does not preclude reasonable judgment on the Group's financial situation and management results as a whole.

#### (3) Accounting periods of consolidated subsidiaries

The year-end balance sheet dates for all consolidated subsidiaries, other than JUKI INDIA PVT. LTD. whose balance sheet date is March 31, are the same as the consolidated balance sheet date. The financial statements of JUKI INDIA PVT. LTD. prepared on the basis of a provisional closing of accounts as of the consolidated balance sheet date are used in preparing the consolidated financial statements.

#### (4) Accounting policies

1) Standards and methods for valuation of important assets

##### A. Securities

Available-for-sale securities with market quotations

Stated based on the market price, etc. on the consolidated balance sheet date

(Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities without market quotations

Stated at cost using the moving-average method

##### B. Derivatives

Stated mainly at market

##### C. Inventories

Stated at the lower of cost

Merchandise and finished goods and work in process

Mainly by the average method or first-in first-out method

Raw materials and supplies

Mainly by the average method or last cost method

2) Depreciation & amortization method for important depreciable assets

A. Property, plant and equipment (excluding leased assets)

The declining-balance method is applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied for buildings acquired on and after April 1, 1998 (excluding any building fixtures) and building fixtures and structures acquired on and after April 1, 2016. Overseas consolidated subsidiaries are mainly subject to the straight-line method.

The main economic useful lives are as follows:

Buildings and structures 5 - 50 years

Machinery, equipment and vehicles 3 - 20 years

Tools, furniture and fixtures 3 - 20 years

- B. Intangible assets (excluding leased assets) and long-term prepaid expenses  
The Company and its domestic consolidated subsidiaries use the straight-line method. However, software bundled with computer hardware is amortized every fiscal year by no less than an equal amount calculated based on effective years (2 - 5 years), and computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years). Overseas consolidated subsidiaries are subject to the straight-line method.
  - C. Leased assets  
Leased assets pertaining to finance leases without ownership transfer of the leased assets to the lessee  
The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.
- 3) Standards for recognition of important reserves
- A. Allowance for doubtful accounts  
For loss caused by uncollectible debt to the Company and its domestic consolidated subsidiaries, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on the recoverability of individual cases for specified receivables such as debt with a possibility of default. For overseas consolidated subsidiaries, the estimated write-off amount is provided.
  - B. Provision for bonuses  
A provision for bonuses is provided based on the estimated future payment of bonuses to employees.
  - C. Provision for directors' retirement benefits  
The system of directors' retirement benefits was abolished with a cut-off date of June 28, 2007. The estimated amount payable as of the cut-off date is provided. The eight consolidated subsidiaries provide the provision in an amount that would be required by the internal rule if all the eligible Directors retired at the balance sheet date.
- 4) Method of accounting for retirement benefits
- A. Method of attributing expected retirement benefits to periods  
In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the expected retirement benefits to the period up to the end of the current fiscal year.
  - B. Method of recognizing actuarial gains and losses and past service cost  
Actuarial gains and losses are amortized on a straight-line basis over a period equal to or less than the average remaining service period for employees at the time of each fiscal year in which such gains and losses are realized (10 years). The amortization of net gains and losses starts from the fiscal year immediately following the year in which such gains and losses are realized. Past service cost is expensed wholly in the fiscal year in which it is realized.
  - C. Application of simplified accounting method by small-size enterprises  
In calculating the liability for retirement benefits (net defined benefit liability) and retirement benefit expenses, certain consolidated subsidiaries apply a simplified accounting method in which retirement benefit obligations are determined based on the amount of retirement benefits required to pay if all eligible employees retired voluntarily at the balance sheet date.
- 5) Standards for translation of important assets or liabilities in foreign currencies into yen  
Monetary assets and liabilities in foreign currencies are translated into yen based on the spot exchange-rate in the foreign exchange market on the consolidated balance sheet date, and the foreign exchange gains and losses from the translations are recognized in the income statement. Assets and liabilities of overseas consolidated subsidiaries are translated into yen based on the spot exchange-rate in the foreign exchange market on the consolidated balance sheet date, while revenue and expenses are translated into yen based on the average exchange rate for the fiscal term. The differences resulting from these translations are included in "Foreign currency translation adjustment" and "Non-controlling interests" under net assets.

6) Accounting for important hedging activities

A. Method

Deferred hedge accounting is applied.

Designation is applied to forward exchange contracts that qualify for designation, and designated exceptional accounting is applied to interest-rate swaps that qualify for exceptional accounting.

B. Means for hedging and hedged item

<u>Means for hedging</u>	<u>Hedged item</u>
Interest-rate swap	Long-term loans payable
Forward exchange contract	Foreign currency receivables (including forecast transactions)

C. Hedging policy

Based on internal rules, hedging is limited to transactions (including forecast transactions) in the scope of practical purposes under the management of the Company's department in charge of finance, and is undertaken to avoid future risks from fluctuations in interest rates and foreign exchange rates.

D. Method for assessing the effectiveness of hedges

At the start of hedging, the Company assesses the effectiveness of offset in interest rate or foreign exchange rate fluctuation. Then, during the period of hedging, the Company uses the predetermined assessment method to assess whether the high effectiveness of offset is maintained at every fiscal year-end. For forward exchange contracts, assessment of the effectiveness of hedges is omitted as important terms regarding hedged items and means for hedging are the same, and changes in the cash flow from foreign exchange rate fluctuations are expected to be completely offset. Assessment of the effectiveness of interest-rate swaps subject to designated exceptional accounting is also omitted.

7) Accounting for consumption taxes

The tax-exclusion method is applied for consumption tax and local consumption tax.

**2. Notes on Changes of Accounting Policies**

**(1) Application of Accounting Standard for Business Combinations, etc.**

Effective from the current fiscal year, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter the "Accounting Standard for Business Combinations"), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013; hereinafter the "Accounting Standard for Consolidated Financial Statements"), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Accounting Standard for Business Divestitures"), etc. As a result, the method of recording has been changed; the amount of difference caused by changes in the Company's ownership interests in the subsidiaries under ongoing control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which they are incurred. Furthermore, the accounting method has been changed; for business combinations carried out on or after January 1, 2016, in the event that the revision of the acquisition cost allocation according to the finalization of the provisional accounting treatment was carried out in the fiscal year following the fiscal year in which the business combination occurred, the impact on the balance at beginning of the fiscal year in which said review took place will be presented separately and the balance at beginning of the fiscal year reflecting said impact will also be presented. In addition, the presentation method has been changed; "Net income" has been changed to "Profit attributable to owners of parent", "Income before minority interests" has been changed to "Profit", and "Minority interests" has been changed to "Non-controlling interests."

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applied the said standards prospectively from January 1, 2016.

As a result, capital surplus as of December 31, 2016 decreased by 59 million yen.

**(2) Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016**

Following the revision to the Corporation Tax Act, the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from

the current fiscal year, and changed the depreciation method for building fixtures and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact from this change on operating income, ordinary income and profit before income taxes for the current fiscal year, is immaterial.

### 3. Notes to Consolidated Balance Sheet

#### (1) Assets offered as collateral and collateralized loans

(Assets offered as collateral)

Buildings and structures	3,078 million yen
Machinery, equipment and vehicles	575 million yen
Land	2,399 million yen
Intangible assets	179 million yen
Investment securities	2,011 million yen
<hr/>	
Total	8,244 million yen
of which assets offered as foundation mortgage	4,853 million yen

(Collateralized loans)

Short-term loans payable	26,962 million yen
Long-term loans payable	13,238 million yen
<hr/>	
Total	40,200 million yen
of which loans collateralized as foundation mortgage	38,856 million yen

#### (2) Accumulated depreciation of property, plant and equipment 41,764 million yen

The accumulated amount of impairment loss is included in the amount of accumulated depreciation.

#### (3) Notes discounted 50 million yen

#### (4) Financial covenants

Among loans, an amount of 1,945 million yen is subject to financial covenants, primarily the following covenant.

Ordinary income (loss) presented in the consolidated statement of income for the accounting period of each fiscal year shall not be allowed to become a loss for two consecutive fiscal years.



#### 4. Notes to Consolidated Statement of Changes in Equity

**(1) Type and total number of issued shares as of this fiscal year-end**

Common shares 29,874,179 shares

**(2) Dividends**

1) Dividends paid

Resolution	Type of stock	Source of dividend	Total dividends (In millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 29, 2016	Common shares	Retained earnings	745	25.00	December 31, 2015	March 30, 2016

2) Dividends whose record date is during this fiscal year but whose effective date is after the end of this fiscal year

The following dividend for common shares will be proposed for approval at the Ordinary General Meeting of Shareholders to be held on March 28, 2017.

Proposal for Resolution	Type of stock	Source of dividend	Total dividends (In millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2017	Common shares	Retained earnings	585	20.00	December 31, 2016	March 29, 2017

## 5. Notes on Financial Instruments

### (1) Status of financial instruments

The Group procures necessary funds mainly by borrowing from financial institutions based on the capital investment plan. A temporary surplus fund is invested in financial assets that are highly secure.

For customer credit risk concerning trade receivables (notes and accounts receivable - trade), write-off risk is kept lower by the division in charge according to the credit control rules. Investment securities are mainly stocks and the market value of listed stocks is checked quarterly.

Borrowed money is used for working funds (mainly short-term) and capital investment funds (long-term). Interest-swap contracts are used against the interest fluctuation risk of some long-term loans payable, in order to fix the amount of interest expenses. Derivative transactions (related to foreign exchange and interest rate) are conducted only in the scope of practical purposes according to the internal control rules.

### (2) Fair value of financial instruments

The amounts posted on the consolidated balance sheet, fair values, and differences thereof as of December 31, 2016 (consolidated balance sheet date for this fiscal year) are as follows:

Financial instruments whose fair value is deemed to be difficult to identify are not included.

(million yen)			
	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	8,048	8,048	—
(2) Notes and accounts receivable - trade (*2)	30,342	30,342	—
(3) Investment securities Other securities	2,598	2,598	—
(4) Notes and accounts payable - trade	[9,972]	[9,972]	—
(5) Short-term loans payable (*3)	[33,041]	[33,041]	—
(6) Long-term loans payable (*3)	[26,750]	[26,840]	89
(7) Derivative transactions			
of which hedge accounting is not applied	[1,811]	[1,811]	—

(\*1) Amounts for which the net total is payable are shown in [ ].

(\*2) Notes and accounts receivable - trade are the net of the allowance for doubtful accounts.

(\*3) Current portion of long-term loans payable, an item included in short-term loans payable in the consolidated balance sheet, is included in long-term loans payable here.

#### Note 1: Method for calculating the fair value of financial instruments

##### (1) Cash and deposits, and (2) Notes and accounts receivable - trade:

Since the settlement periods for the foregoing are short, the fair values thereof are almost equal to the carrying amount. Therefore, the corresponding carrying amount is used as the fair value.

##### (3) Investment securities:

The going share price on the exchange is used as the fair value.

##### (4) Notes and accounts payable - trade and (5) Short-term loans payable:

Since the settlement periods for the foregoing are short, the fair values thereof are almost equal to the carrying amount. Therefore, the corresponding carrying amount is used as the fair value.

##### (6) Long-term loans payable:

The fair value of long-term loans payable is calculated by discounting the sum of principal and interest by an interest rate assumed in cases where similar borrowing is to be newly conducted. The fair value of long-term loans payable with variable interest rates to which special treatment of interest rate swaps is applied (see (7) below) is calculated by discounting the sum of principal and interest, which is treated in combination with the said interest rate swap, at a reasonably estimated rate applied to a similar new borrowing.

(7) Derivative transactions:

The fair value of derivative transactions is calculated based on the prices submitted by financial institutions.

The fair value of interest rate swaps to which special treatment is applied is included in the fair value of the hedged long-term loans payable, because these transactions are treated in combination with the said long-term loans payable (see (6) above).

Note 2: Non-listed stocks (419 million yen included in the consolidated balance sheet) are not included in “(3) Investment securities, Other securities” as the identification of the fair values is deemed to be extremely difficult because of the absence of market values and the inability to estimate future cash flows.

**6. Notes on Per Share Information**

**(1) Net assets per share      921.78 yen**

**(2) Basic earnings per share 63.94 yen**

## Non-consolidated Financial Statements

(January 1, 2016 - December 31, 2016)

### Non-consolidated Balance Sheet

(As of December 31, 2016)

(million yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>42,656</b>	<b>Current liabilities</b>	<b>45,421</b>
Cash and deposits	91	Notes payable - trade	1,870
Notes receivable - trade	269	Accounts payable - trade	4,918
Accounts receivable - trade	24,025	Short-term loans payable	26,100
Merchandise and finished goods	2,472	Short-term loans payable to subsidiaries and associates	1,286
Work in process	1,088	Lease obligations	55
Raw materials and supplies	52	Accounts payable - other	7,832
Accrued income	468	Accrued expenses	1,147
Short-term loans receivable	6,866	Income taxes payable	132
Accounts receivable - other	5,296	Deposits received	158
Deferred tax assets	629	Notes payable - facilities	30
Other	1,396	Forward exchange contracts	1,811
<b>Non-current assets</b>	<b>47,724</b>	Other	77
<b>Property, plant and equipment</b>	<b>14,044</b>	<b>Non-current liabilities</b>	<b>17,446</b>
Buildings, net	8,798	Long-term loans payable	14,334
Structures, net	130	Lease obligations	164
Machinery and equipment, net	280	Long-term accounts payable - other	37
Vehicles, net	4	Provision for retirement benefits	2,889
Tools, furniture and fixtures, net	225	Provision for directors' retirement benefits	3
Land	4,422	Other	15
Leased assets, net	181	<b>Total liabilities</b>	<b>62,867</b>
Construction in progress	0	<b>(Net assets)</b>	
<b>Intangible assets</b>	<b>895</b>	<b>Shareholders' equity</b>	<b>26,665</b>
Patent right	365	Capital stock	18,044
Software	481	Capital surplus	2,094
Leased assets	34	Legal capital surplus	2,094
Other	14	Retained earnings	7,131
<b>Investments and other assets</b>	<b>32,784</b>	Legal retained earnings	241
Investment securities	2,607	Other retained earnings	6,890
Shares of subsidiaries and associates	17,924	Retained earnings brought forward	6,890
Investments in capital of subsidiaries and associates	6,322	Treasury shares	(605)
Investments in capital	284	<b>Valuation and translation adjustments</b>	<b>848</b>
Long-term loans receivable from subsidiaries and associates	4,797	Valuation difference on available-for-sale securities	848
Long-term loans receivable from employees	7		
Long-term accounts receivable from subsidiaries and associates	2,336	<b>Total net assets</b>	<b>27,513</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	202	<b>Total liabilities and net assets</b>	<b>90,381</b>
Long-term prepaid expenses	100		
Prepaid pension cost	8		
Deferred tax assets	658		
Other	45		
Allowance for doubtful accounts	(2,511)		
<b>Total assets</b>	<b>90,381</b>		

(Note) Figures less than one million yen are rounded down to the nearest million.

**Non-consolidated Statement of Income**  
(January 1, 2016 - December 31, 2016)

(million yen)

Description	Amount	
<b>Net sales</b>		<b>54,128</b>
<b>Cost of sales</b>		<b>44,239</b>
<b>Gross profit</b>		<b>9,888</b>
<b>Selling, general and administrative expenses</b>		<b>8,039</b>
<b>Operating income</b>		<b>1,849</b>
<b>Non-operating income</b>		
Interest and dividend income	921	
Commission fee	1,012	
Other	411	2,345
<b>Non-operating expenses</b>		
Interest expenses	616	
Foreign exchange losses	1,034	
Other	13	1,663
<b>Ordinary income</b>		<b>2,531</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	7	7
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	5	
Loss on valuation of shares of subsidiaries and associates	2,491	
Loss on sales of shares of subsidiaries and associates	284	
Other	118	2,900
<b>Loss before income taxes</b>		<b>360</b>
Income taxes - current	379	
Income taxes - deferred	(17)	361
<b>Loss</b>		<b>722</b>

(Note) Figures less than one million yen are rounded down to the nearest million.

## Non-consolidated Statement of Changes in Equity

(January 1, 2016 - December 31, 2016)

(million yen)

	Shareholders' equity					
	Capital stock	Capital surplus		Retained earnings		
		Legal capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of current period	18,044	2,094	2,094	167	8,433	8,600
Changes of items during period						
Provision of legal retained earnings				74	(74)	–
Dividends of surplus					(745)	(745)
Loss					(722)	(722)
Purchase of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	–	–	–	74	(1,542)	(1,468)
Balance at end of current period	18,044	2,094	2,094	241	6,890	7,131

(million yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(66)	28,672	825	825	29,498
Changes of items during period					
Provision of legal retained earnings		–			–
Dividends of surplus		(745)			(745)
Loss		(722)			(722)
Purchase of treasury shares	(539)	(539)			(539)
Net changes of items other than shareholders' equity			22	22	22
Total changes of items during period	(539)	(2,007)	22	22	(1,984)
Balance at end of current period	(605)	26,665	848	848	27,513

(Note) Figures less than one million yen are rounded down to the nearest million.

## Notes to Non-consolidated Financial Statements

### 1. Notes on Significant Accounting Policies

#### (1) Standards and methods for valuation of assets

##### 1) Securities

Shares of subsidiaries and associates

Stated at cost using the moving-average method

Available-for-sale securities with market quotations

Stated based on the market price, etc. on the balance sheet date

(Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities without market quotations

Stated at cost using the moving-average method

##### 2) Derivatives

Stated mainly at market

##### 3) Inventories

Stated at the lower of cost

Merchandise and finished goods and work in process      Using the average method

Raw materials and supplies      Using the last cost method

#### (2) Depreciation & amortization method for non-current assets

##### 1) Property, plant and equipment (excluding leased assets)

The declining-balance method is applied. However, the straight-line method is applied for buildings acquired on and after April 1, 1998 (excluding any building fixtures) and building fixtures and structures acquired on and after April 1, 2016.

The main economic useful lives are as follows:

Buildings      6 - 50 years

Structures      5 - 50 years

Machinery and equipment and vehicles      3 - 20 years

Tools, furniture and fixtures      3 - 20 years

##### 2) Intangible assets (excluding leased assets) and long-term prepaid expenses

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).

##### 3) Leased assets

Leased assets pertaining to finance leases without ownership transfer of the leased assets to the lessee  
The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.

#### (3) Standards for recognition of reserves

##### 1) Allowance for doubtful accounts

For loss caused by uncollectible debt, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

##### 2) Provision for retirement benefits

A provision for retirement benefits is provided based on the estimated retirement benefit obligation and plan assets as of this fiscal year-end.

###### A. Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the expected retirement benefits to the period up to the end of the current fiscal year.

B. Method of recognizing actuarial gains and losses and past service cost  
 Actuarial gains and losses are amortized on a straight-line basis over a period equal to or less than the average remaining service period for employees at the time such gains and losses are realized (10 years). The amortization of net gains and losses starts from the fiscal year immediately following the year in which such gains and losses are realized.  
 Past service cost is expensed wholly in the fiscal year in which it is realized.

3) Provision for directors' retirement benefits  
 The system of directors' retirement benefits was abolished with a cut-off date of June 28, 2007. The estimated amount payable as of the cut-off date is provided.

**(4) Other significant basic matters for the preparation of financial statements**

1) Standards for translation of assets and liabilities in foreign currencies into yen  
 Monetary assets and liabilities in foreign currencies are translated into yen based on the spot exchange-rate in the foreign exchange market on the balance sheet date, and the foreign exchange gains and losses from the translations are recognized in the income statement.

2) Accounting for hedging activities

A. Method  
 Deferred hedge accounting is applied.  
 Designation is applied to forward exchange contracts that qualify for designation, and designated exceptional accounting is applied to interest-rate swaps that qualify for exceptional accounting.

B. Means for hedging and hedged item

Means for hedging	Hedged item
Interest-rate swap	Long-term loans payable
Forward exchange contract	Foreign currency receivables (including forecast transactions)

C. Hedging policy  
 Based on internal rules, hedging is limited to transactions (including forecast transactions) in the scope of practical purposes under the management of the department in charge of finance, and is undertaken to avoid future risks from fluctuations in interest rates and foreign exchange rates.

D. Method for assessing the effectiveness of hedges  
 At the start of hedging, the Company assesses the effectiveness of offset in interest rate or foreign exchange rate fluctuation. Then, during the period of hedging, the Company uses the predetermined assessment method to assess whether the high effectiveness of offset is maintained at every fiscal year-end. For forward exchange contracts, assessment of the effectiveness of hedges is omitted as important terms regarding hedged items and means for hedging are the same, and changes in the cash flow from foreign exchange rate fluctuations are expected to be completely offset. Assessment of the effectiveness of interest-rate swaps subject to designated exceptional accounting is also omitted.

3) Method of accounting for retirement benefits  
 The accounting methods for unrecognized actuarial gains and losses relating to retirement benefits are different from the accounting methods in the consolidated financial statements.

4) Accounting for consumption taxes  
 The tax-exclusion method is applied for consumption tax and local consumption tax.

**2. Notes on Changes of Accounting Policies**

**(1) Application of Accounting Standard for Business Combinations, etc.**

Effective from the current fiscal year, the Company has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013; hereinafter the "Accounting Standard for Business Combinations"), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013; hereinafter the "Accounting Standard for Business Divestitures"), etc. As a result, the method of recording has been changed; acquisition-related costs are recorded as expenses for the fiscal year in which they are incurred. Furthermore, the accounting method has been changed; for business combinations carried out on or after January 1, 2016, in the event that the revision of the acquisition cost allocation according to the finalization of the provisional accounting treatment was carried out in the fiscal year following the fiscal year in which the business combination occurred, the



impact on the balance at beginning of the fiscal year in which said review took place will be presented separately and the balance at beginning of the fiscal year reflecting said impact will also be presented. Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applied the said standards prospectively from January 1, 2016.

There is no impact of these changes on the Non-consolidated financial statements.

**(2) Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016**

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for building fixtures and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact from this change on operating income, ordinary income and loss before income taxes for the current fiscal year, is immaterial.

**3. Change of presentation method**

“Loss on valuation of investments in capital of subsidiaries and associates,” an item which was presented separately in “Extraordinary losses” in the previous fiscal year, became largely immaterial, and is included in “Other” from the current fiscal year. “Other” within “Extraordinary losses” includes a “Loss on valuation of investments in capital of subsidiaries and associates” of 67 million yen.

#### 4. Notes to Non-consolidated Balance Sheet

##### (1) Assets offered as collateral and collateralized loans

(Assets offered as collateral)

Buildings	469 million yen
Structures	15 million yen
Machinery and equipment	22 million yen
Land	637 million yen
Investment securities	2,011 million yen
<b>Total</b>	<b>3,155 million yen</b>
of which assets offered as foundation mortgage	1,144 million yen

(Collateralized loans)

Short-term loans payable	22,795 million yen
Long-term loans payable	11,943 million yen
<b>Total</b>	<b>34,739 million yen</b>
of which loans collateralized as foundation mortgage	34,739 million yen

##### (2) Accumulated depreciation of property, plant and equipment 16,027 million yen

##### (3) Guarantee liability

(million yen)

Guarantee	Guaranteed amount	Details
JUKI SINGAPORE PTE. LTD.	7,039	Guarantee on borrowing
JUKI (CHINA) CO., LTD.	2,681	Guarantee on borrowing
JUKI (VIETNAM) CO., LTD.	1,138	Guarantee on borrowing
JUKI CENTRAL EUROPE SP. ZO.O.	855	Guarantee on borrowing
<b>Total</b>	<b>11,714</b>	

##### (4) Monetary receivables from and payables to subsidiaries and associates (excluding accounting items presented separately)

Short-term monetary receivables	36,376 million yen
Short-term monetary payables	11,598 million yen

##### (5) Financial covenants

Among loans, an amount of 1,925 million yen is subject to the following financial covenants.  
Ordinary income (loss) presented in the consolidated statement of income for the accounting period of each fiscal year shall not be allowed to become a loss for two consecutive fiscal years.

#### 5. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates	
Net sales	52,310 million yen
Purchase	26,876 million yen
Other operating transactions	3,259 million yen
Transactions other than operating transactions	2,314 million yen

#### 6. Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares as of this fiscal year-end	
Common shares	577,229 shares

## 7. Notes on Tax Effect Accounting

Major causes for accrual of deferred tax assets and deferred tax liabilities

(million yen)

- Current:	
Deferred tax assets:	
Loss on valuation of inventories	80
Income taxes payable	27
Loss brought forward	584
Other	17
Total	<u>709</u>
Valuation allowance	<u>(80)</u>
Total deferred tax assets	<u>629</u>
- Noncurrent:	
Deferred tax assets:	
Provision for retirement benefits	882
Provision for directors' retirement benefits	1
Allowance for doubtful accounts	769
Impairment loss	80
Loss on valuation of shares of subsidiaries and associates	2,489
Loss on valuation of investments in capital of subsidiaries and associates	248
Other	691
Total	<u>5,162</u>
Valuation allowance	<u>(4,265)</u>
Total deferred tax assets	<u>897</u>
Offset to deferred tax liabilities	<u>(238)</u>
Net deferred tax assets	<u>658</u>
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	<u>238</u>
Total deferred tax liabilities	<u>238</u>
Offset to deferred tax assets	<u>(238)</u>
Net deferred tax liabilities	<u>-</u>

## 8. Notes on Transactions with Related Parties

### Subsidiaries and associates

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions	
						Account item	Fiscal year-end balance (million yen)
Subsidiaries	JUKI SINGAPORE PTE. LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	29,587	Accounts receivable - trade	16,381
				Debt guarantee	7,039	—	—
	TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	— (*)	Accounts receivable - other	1,861
						Long-term accounts receivable from subsidiaries and associates	94
	JUKI (CHINA) CO., LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Provision of loan	1,919	Long-term loans receivable from subsidiaries and associates	4,380
				Recovery of funds	3,957	—	—
				Receipt of interest	123	—	—
				Debt guarantee	2,681	—	—
	JUKI AUTOMATION SYSTEMS CORPORATION	Direct ownership 91.8%	Sales and maintenance of the Company's products	Purchase of products	— (*)	Accounts payable - other	7,541
				Provision of loan	1,650	Short-term loans receivable	6,200
				Recovery of funds	2,850	—	—
				Receipt of interest	22	—	—
				Underwriting of capital increase	1,536	—	—
	JUKI CENTRAL EUROPE SP. ZO.O.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	5,727	Accounts receivable - trade	2,482
JUKI AUTOMATION SYSTEMS INC.	Indirect ownership 100%	Sales and maintenance of the Company's products	Sales of products	— (*)	Accounts receivable - other	230	
					Long-term accounts receivable from subsidiaries and associates	355	
JUKI AUTOMATION SYSTEMS AG.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	— (*)	Accounts receivable - other	1,662	
					Long-term accounts receivable from subsidiaries and associates	562	
JUKI DENSHI KOGYO CORPORATION	Direct ownership 100%	Manufacture of the Company's products	Receipt of collateral	(Note 3)	—	—	

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions		
						Account item	Fiscal year-end balance (million yen)	
Subsidiaries	JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	Direct ownership 27.5% Indirect ownership 72.5%	Manufacture of the Company's products	Purchase of products	9,727	Accounts payable - trade	1,351	
				Technical advisory fee income, etc.	552	Accrued income	118	
				Recovery of funds	1,233	-	-	
	JUKI AMERICA, INC.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	6,641	Accounts receivable - trade	1,207	
	JUKI (VIETNAM) CO., LTD.	Direct ownership 100%	Manufacture of the Company's products	Debt guarantee	1,138	-	-	
	JUKI SMT ASIA CO., LTD.	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	-	(*)	Accounts receivable - trade	76
							Accounts receivable-other	220
							Long-term accounts receivable from subsidiaries and associates	1,133
	JUKI SALES (JAPAN) CORPORATION	Direct ownership 100%	Sales and maintenance of the Company's products	Sales of products	3,852	Accounts receivable - trade	1,654	
	JUKI INDIA PVT. LTD.	Indirect ownership 100%	Sales and maintenance of the Company's products	Sales of products	806	Accounts receivable - trade	1,236	
Long-term accounts receivable from subsidiaries and associates						190		

Terms for transactions and policies to decide them:

- (Notes)
1. Terms for sales and purchases are decided in consideration of factors such as market prices.
  2. Loan rates are decided in consideration of market interest rates and the financial status of borrowers.
  3. Real estate owned by JUKI DENSHI KOGYO CORPORATION has been received as collateral against the Company's borrowings from financial institutions (revolving mortgage at a maximum 2,000 million yen). No fees connected with collateral pledging have been paid.
  4. The underwriting of capital increase was a capital increase by shareholder allotment underwritten by JUKI AUTOMATION SYSTEMS CORPORATION.
  5. Technical advisory fee income etc. are decided in consideration of factors such as market prices.
  6. Debt guarantee for JUKI SINGAPORE PTE. LTD., JUKI (CHINA) CO., LTD., and JUKI (VIETNAM) CO., LTD. is provided with regard to borrowing from banks. A fixed debt guarantee charge has been received.
  7. 1,959 million yen in allowance for doubtful accounts has been recorded regarding claims to long-term accounts receivable from subsidiaries and associates with a possibility of default above. In relation to this allowance, a total of 561 million yen of provision of allowance for doubtful accounts has been recorded in the current fiscal year.
  8. For interest received on long-term accounts receivable from subsidiaries etc., market interest rates and the financial status of counterparties are taken into consideration. No interest has been received from JUKI INDIA PVT. LTD.
  9. Transaction amounts do not include consumption taxes. The fiscal year-end balance includes consumption taxes.

(\*)Because the Company has been carrying out sales transactions as the agent of JUKI AUTOMATION SYSTEMS CORPORATION in the Electronic Assembly Systems Business since August 1, 2013, the amounts in the non-consolidated statement of income are presented with the balance of the said sales transactions offset against the balance of purchase transactions. The balance of sales to TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD. is 5,938 million yen, the balance of sales to JUKI AUTOMATION SYSTEMS INC. is 718 million yen, the balance of sales to JUKI AUTOMATION SYSTEMS AG. is 1,205 million yen, the balance of sales to JUKI SMT ASIA CO., LTD. is 279 million yen, and the balance of purchases from JUKI AUTOMATION SYSTEMS CORPORATION is 11,144 million yen.

#### **9. Notes on Per Share Information**

<b>(1) Net assets per share</b>	939.14 yen
<b>(2) Basic loss per share</b>	24.53 yen

(English Translation)

Certified copy of Accounting Auditor's audit report on the Consolidated Financial Statements

**Independent Auditor's Report**

February 8, 2017

To the Board of Directors  
JUKI CORPORATION

Deloitte Touche Tohmatsu LLC

Yoshiyuki Higuchi, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner  
Kentaro Sugimoto, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner

Pursuant to Paragraph 4 of Article 444 of the Companies Act, we have audited the consolidated financial statements, that is, the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements of JUKI CORPORATION (the "Company") for the fiscal term from January 1, 2016 to December 31, 2016.

**The responsibility of management concerning the consolidated financial statements**

The responsibility of management is to prepare consolidated financial statements in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

**The responsibility of independent auditors**

Our responsibility is to express an opinion independently on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of consolidated financial statements and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

**Audit opinion**

In our opinion, the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the Group consisting of the Company and its consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

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*Notice to Readers:*

The original consolidated financial statements, which consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements, are written in Japanese.



(English Translation)

Certified copy of Accounting Auditor's audit report on the Non-consolidated Financial Statements

**Independent Auditor's Report**

February 8, 2017

To the Board of Directors  
JUKI CORPORATION

Deloitte Touche Tohmatsu LLC

Yoshiyuki Higuchi, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner  
Kentaro Sugimoto, CPA  
Designated Unlimited Liability Partner,  
Engagement Partner

Pursuant to Paragraph 2-Item 1 of Article 436 of the Companies Act, we have audited the non-consolidated financial statements, that is, the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements, and the supplementary schedules of JUKI CORPORATION (the "Company") for the 102nd fiscal term from January 1, 2016 to December 31, 2016.

**The responsibility of management concerning the non-consolidated financial statements, etc.**

The responsibility of management is to prepare non-consolidated financial statements and the supplementary schedules in accordance with business accounting standards generally accepted in Japan and present appropriate accounting information. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements, and the supplementary schedules, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

**The responsibility of independent auditors**

Our responsibility is to express an opinion independently on the non-consolidated financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and the supplementary schedules are free of material misstatement.

In audits, procedures are conducted in order to obtain audit evidence supporting the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. Audit procedures are chosen and applied in accordance with our judgment, based on the risk assessment of material misstatement in the non-consolidated financial statements, and the supplementary schedules, due to fraud or error. The purpose of an audit is not to express an opinion on the effectiveness of internal controls. However, we examine internal controls related to the preparation of non-consolidated financial statements, and the supplementary schedules, and the appropriate presentation in the course of conducting risk assessment, in order to plan audit procedures appropriate to the circumstances. An audit includes assessing the accounting policies used, its application method and estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

**Audit opinion**

In our opinion, the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements and the supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Interests in the Company

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

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*Notice to Readers:*

The original non-consolidated financial statements, which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the notes to non-consolidated financial statements, and the supplementary schedules thereof, are written in Japanese.

(English Translation)

Certified copy of the Audit & Supervisory Board's audit report

### **Audit Report**

The Audit & Supervisory Board, following review and deliberations on the reports made by each Audit & Supervisory Board Member concerning the execution of duties by Directors for the 102nd fiscal term from January 1, 2016 to December 31, 2016, prepared this Audit Report and hereby submit it as follows:

#### 1. Summary of Auditing Methods by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board established auditing policies and the division of duties, received reports regarding the status of audits and the results thereof from each Audit & Supervisory Board Member, received reports regarding the status of the execution of duties from Directors and the Accounting Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, and in compliance with auditing policies and the division of duties, each Audit & Supervisory Board Member made efforts to collect information and establish auditing circumstances through communication with Directors, internal audit staff and other employees, and perform the audit in accordance with the following procedures.
  1. Each Audit & Supervisory Board Member attended the Board of Directors' meetings and other important meetings to receive reports regarding execution of duties from Directors and employees, and requested explanations as necessary. Each Audit & Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at the head office and principal offices. And each Audit & Supervisory Board Member communicated and shared information with the directors, auditors, etc. of the subsidiaries and received from the subsidiaries their business reports as necessary.
  2. Each Audit & Supervisory Board Member verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Directors' duties, as stated in the business report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of the whole business group consisting of a stock company and its subsidiaries set forth in Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act. It also regularly received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions. With regard to the internal control over financial reporting, Audit & Supervisory Board Members received reports from Directors and Deloitte Touche Tohmatsu LLC on the status of discussion between them and the evaluation of such internal control and the status of audit, and requested explanations as necessary.
  3. Audit & Supervisory Board Members monitored and verified that the Accounting Auditor maintains independence and conduct the audits appropriately. Each Audit & Supervisory Board Member also received reports on the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to consolidated financial statements) for the fiscal term ended December 31, 2016.

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

1. The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
2. Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws and regulations, nor of the Articles of Incorporation of the Company.
3. The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control and the execution of duties by Directors. With regard to the internal control over financial reporting, the Audit & Supervisory Board received reports from Directors and Deloitte Touche Tohmatsu LLC that there were no material defects as of the date this audit report was prepared.

### (2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

February 9, 2017

Audit & Supervisory Board, JUKI CORPORATION

Audit & Supervisory Board Member (Full-time)	Yoshihiro Otake
Audit & Supervisory Board Member	Masato Tanaka
Audit & Supervisory Board Member	Yasuaki Isobe

(Note) Audit & Supervisory Board Members Masato Tanaka and Yasuaki Isobe are Outside Audit & Supervisory Board Members who are required to be appointed in accordance with Item 16 of Article 2 and Paragraph 3 of Article 335 of the Companies Act.

## Reference Materials for the Ordinary General Meeting of Shareholders

### Proposals and Reference Information

#### First proposal: Appropriation of Surplus

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 future business development.

Based on this policy, we would like to offer the following as a year-end dividend for the 102nd fiscal year:

#### Year-end dividend

**(1) Type of dividend assets**

Cash

**(2) Distribution of dividend assets to shareholders and the total amount of dividends**

Payment of 20.00 yen per share of common shares (Total amount of dividends: 585,939,000 yen)

**(3) Effective date of distribution of surplus**

March 29, 2017

## Second proposal: Election of 6 Directors

The term of office of all (6) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of 6 Directors (including 2 Outside Directors) is proposed.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
1	Akira Kiyohara (November 26, 1951)	April 1974      Joined Fuji Bank Limited (currently Mizuho Bank, Ltd.) April 2002      Executive Officer and General Manager of Corporate Planning Dept. of Mizuho Bank, Ltd. March 2003      Managing Executive Officer, ditto March 2007      President of Mizuho Capital Co., Ltd. May 2009      Joined the Company, Advisor June 2009      Senior Managing Director, CAO, and CCO July 2009      Senior Managing Director, CFO, CAO, and CCO June 2010      President August 2013      President, and President of JUKI AUTOMATION SYSTEMS CORPORATION (Present)	28,000 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
2	Naotake Miyashita (October 22,1960)	<p>April 1982      Joined the Company</p> <p>April 2004      President of JUKI (HONG KONG) LTD. and Director of JUKI (SHANGHAI) SALES CO., LTD.</p> <p>October 2004    General Manager of JUKI (SHANGHAI) SALES CO., LTD.</p> <p>October 2007    Director and General Manager of JUKI (CHINA) CO., LTD., and Director and General Manager of JUKI (SHANGHAI) SALES CO., LTD.</p> <p>July 2009        Executive Operating Officer, and Director and General Manager of JUKI (CHINA) CO., LTD.</p> <p>May 2012        Executive Operating Officer and Deputy Executive Unit Officer of Sewing Machinery Business Unit</p> <p>March 2013      Managing Officer and Executive Unit Officer of Sewing Machinery Business Unit</p> <p>March 2014      Director and Managing Officer “In charge of Business Operation Center (Sewing Machinery Business Unit and Household Sewing Machinery Business Unit),” Executive Unit Officer of Sewing Machinery Business Unit, and “In charge of Quality Assurance Dept.”</p> <p>May 2015        Director and Managing Officer “In charge of Business Operation Center (Sewing Machinery Business Unit and Household Sewing Machinery Business Unit),” Executive Unit Officer of Sewing Machinery Business Unit, General Manager of Smart Sewing Systems Dept. and Director and General Manager of Sales of JUKI (CHINA) CO., LTD.</p> <p>February 2017   Director and Managing Officer “In charge of Business Operation Center (Sewing Machinery and Systems Business Unit),” Company President of Knitwear Machinery Company, Sewing Machinery and Systems Business Unit, Director of JUKI (CHINA) CO., LTD. and “In charge of Business Operation Center (Customer Business Company)” (Present)</p>	13,300 shares

No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Minoru Wada (February 9, 1953)	<p>July 1982      Joined the Company</p> <p>January 2001    General Manager of Development Technology Dept., Industrial Sewing Machine Production Headquarters, Ohtawara Plant</p> <p>August 2002    General Manager of Quality Assurance Dept., Industrial Sewing Machine Div.</p> <p>April 2003      General Manager of Development II Dept., Electronic Assembly and Test Systems Div.</p> <p>July 2006       Corporate Officer and President of JUKI DENSHI KOGYO CORPORATION</p> <p>August 2012    Senior Executive Operating Officer “In charge of Production Center (deputy)”</p> <p>October 2013    Managing Officer “In charge of Development Center (deputy)”</p> <p>October 2014    Managing Officer “In charge of Development Center (Sewing Machinery Development Dept.),” and “In charge of Quality Assurance Dept.”</p> <p>March 2016     Director and Managing Officer “In charge of Development Center,” and “In charge of Quality Assurance Dept.” (Present)</p>	14,800 shares
4	Shinsuke Uchinashi (March 26, 1957)	<p>April 1979      Joined Fuji Bank Limited (currently Mizuho Bank, Ltd.)</p> <p>August 2004    General Manager of Kamata Branch, Mizuho Bank, Ltd.</p> <p>April 2010      Executive Officer and General Manager of Credit Supervision Division IV, ditto</p> <p>May 2011       Joined the Company, Senior Executive Operating Officer</p> <p>March 2013     Managing Officer “In charge of Administration Center (Corporate Administration Dept. and Finance &amp; Accounting Dept.)”</p> <p>March 2014     Managing Officer “In charge of Administration Center (Finance &amp; Accounting Dept.)” and “In charge of Production Center”</p> <p>November 2015    Managing Officer “In charge of Administration Center (Finance &amp; Accounting Dept.),” “In charge of Business Development Center” and “In charge of Production Center”</p> <p>January 2017    Managing Officer “In charge of Global Cooperate Center (Finance &amp; Accounting Dept.),” “In charge of Business Operation Center (Group Business Company)” and “In charge of Production Center” (Present)</p>	10,200 shares



No.	Name (Date of birth)	Career summary, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
5	Kazumi Nagasaki (May 28, 1951)	<p>April 1976      Joined Bridgestone Tire Co., Ltd. (currently Bridgestone Corporation)</p> <p>November 1998      General Manager of Production System Development Dept., ditto</p> <p>March 2003      Plant Manager of Kumamoto Plant, ditto</p> <p>January 2005      Plant Manager of Yokohama Plant, ditto</p> <p>July 2005      Manager of Chemical and Industrial Products Production Div., ditto</p> <p>July 2008      President of Bridgestone EMK Co., Ltd.</p> <p>January 2014      Director Senior Advisor, ditto</p> <p>February 2014      Senior Advisor, ditto</p> <p>March 2014      Director of the Company (Present)</p>	0 shares
6	Yutaka Hori (October 5, 1949)	<p>April 1979      Registered as an attorney (Dai-ichi Tokyo Bar Association)</p> <p>December 1989      Representative attorney of Hori &amp; Associates Law Office (currently Hori &amp; Partners) (Present)</p> <p>June 1999      Lecturer of Graduate School of International Corporate Strategy, Hitotsubashi University</p> <p>April 2004      Executive and Vice President, National University Corporation Chiba University (Present)</p> <p>April 2010      Commissioner of Public Interest Corporation Commission (PICC) of the Cabinet Office (Present)</p> <p>March 2016      Director of the Company (Present)</p> <p>June 2016      Director of FIDEA Holdings Co. Ltd. (Present)</p>	0 shares

- (Notes)
- None of the above candidates for Directors have any special interest in the Company.
  - Mr. Kazumi Nagasaki and Mr. Yutaka Hori are candidates for Outside Directors.
  - Mr. Kazumi Nagasaki is nominated as a candidate for Outside Director because we expect him to serve as competent Outside Director and to appropriately provide advice and make decisions from an objective and neutral position, based on his broad experience and knowledge as a corporate manager and his considerable insight and supervisory ability with regard to corporate management.  
Mr. Yutaka Hori is nominated as a candidate for Outside Director because we expect him to serve as competent Outside Director and to appropriately provide advice and make decisions on matters such as compliance based on the legal expertise and experience he has built up as an attorney over many years.
  - Mr. Kazumi Nagasaki, currently an Outside Director of the Company, will have been in office for three years at the conclusion of this General Meeting of Shareholders.
  - Mr. Yutaka Hori, currently an Outside Director of the Company, will have been in office for one year at the conclusion of this General Meeting of Shareholders.
  - Upon the approval of the election of Mr. Kazumi Nagasaki, and Mr. Yutaka Hori in this proposed resolution, the Company will conclude a “Contract for Limitation of Liability” with each of them for the purpose of limiting their liability, as provided for in Paragraph 1 of Article 423 of the Companies Act, in accordance with Article 31 of the Company’s Articles of Incorporation. The maximum amount of liability under said contracts is the amount provided for in the applicable laws and regulations.
  - Mr. Kazumi Nagasaki and Mr. Yutaka Hori are such independent directors as specified by the Tokyo Stock Exchange.

### Third proposal: Election of 1 Audit & Supervisory Board Member

The election of 1 Audit & Supervisory Board Member is proposed to increase the number of Audit & Supervisory Board Members by one to strengthen the audit system.

The Audit & Supervisory Board consented to the proposal of this resolution.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
Hirofumi Gotoh (January 9, 1955)	April 1977      Joined Fuji Bank Limited (currently Mizuho Bank, Ltd.) October 1995    General Manager of Shibakoen Branch, ditto January 2005    Joined the Company April 2005      Division Manager of Household Sewing Machinery Div. June 2009      General Manager of Finance Dept. July 2010      Corporate Officer and Director and General Manager of JUKI (CHINA) CO., LTD. March 2014    Managing Officer and Chairman and General Manager of JUKI (CHINA) CO., LTD. March 2016    Managing Officer “In charge of Global Cooperate Center (Corporate Planning Dept., Human Resources Dept., Business Renovation and Electronic Assembly Systems BPR),” “In charge of Secretariat,” “In charge of Internal Auditing Dept.” and “In charge of Internal Control and Compliance” (Present)	11,200 shares

- (Notes)
1. The above candidate for Audit & Supervisory Board Member has no special interest in the Company.
  2. Mr. Hirofumi Gotoh has many years of accounting experience and has sufficient financial and accounting knowledge.

#### Fourth proposal: Election of 1 Substitute Audit & Supervisory Board Member

In order to prepare for a case in which the number of Audit & Supervisory Board Members falls short of the number stipulated by laws and regulations, the election of 1 substitute Audit & Supervisory Board Member is proposed.

The Audit & Supervisory Board consented to the proposal of this resolution.

The candidate for substitute Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held	
Mitsuhiro Shinoda (November 23, 1953)	April 1978	0 shares	
	October 2000		Joined Ricoh Company, Ltd. General Manager of Group Management Department of Corporate Planning Division, ditto
	April 2001		General Manager of Audit Office, ditto
	June 2003		General Manager of Finance Department of Finance & Accounting Division and Manager of Finance Section, ditto
	April 2007		General Manager of Internal Management & Control Division, ditto
	January 2010		Director and General Manager of Corporate Planning Division of Ricoh Chubu Co., Ltd.
	June 2011		Audit & Supervisory Board Member of Rico Company, Ltd.
	June 2016		Retired as Audit & Supervisory Board Member, ditto

- (Notes)
1. The above candidate for substitute Audit & Supervisory Board Member has no special interest in the Company.
  2. The candidate is substitute for Outside Audit & Supervisory Board Members.
  3. Mr. Mitsuhiro Shinoda is nominated as candidate for substitute Audit and Supervisory Board Member because he is expected to appropriately provide advice and conduct audits based on his corporate finance, internal controls, and audit division experience, as well as his experience as an Audit & Supervisory Board member.  
In addition, he has sufficient financial and accounting knowledge.
  4. Upon the approval of the election of Mr. Mitsuhiro Shinoda in this proposed resolution, the Company will conclude a "Contract for Limitation of Liability" with him for the purpose of limiting him liability, as provided for in Paragraph 1 of Article 423 of the Companies Act, in accordance with Article 43 of the Company's Articles of Incorporation. The maximum amount of liability under said contract is the amount provided for in the applicable laws and regulations.
  5. The Company may cancel the election of substitute Audit & Supervisory Board Member before they assume office as Audit & Supervisory Board Members. The cancellation shall be resolved by a majority of the Board of Directors and shall require the consent of the Audit & Supervisory Board.