

# To Our Shareholders



## Business Report for the First Half of the 102nd Business Term

(From January 1, 2016 through June 30, 2016)

### JUKI CORPORATION

Securities code: 6440

## Major Points of Business Performance

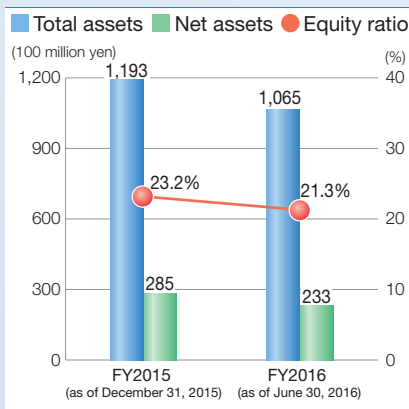
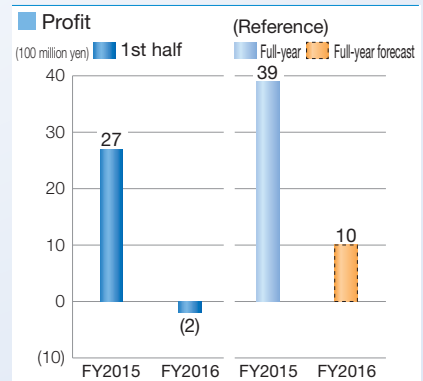
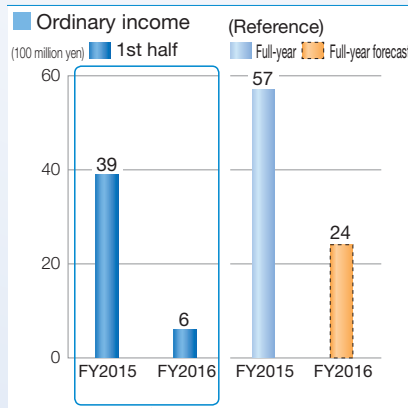
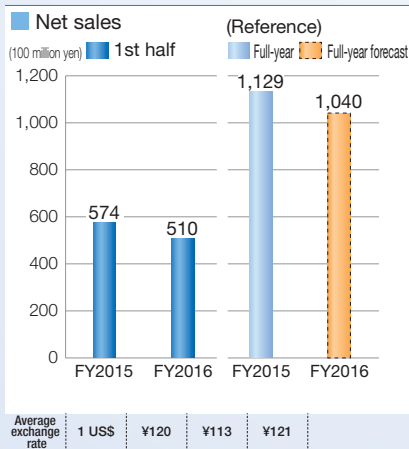
**Net sales** 51.0 billion yen  
(down by 6.4 billion yen year on year)

**Ordinary income** 0.6 billion yen  
(down by 3.3 billion yen year on year)

**Profit** (0.2) billion yen  
(down by 2.9 billion yen year on year)

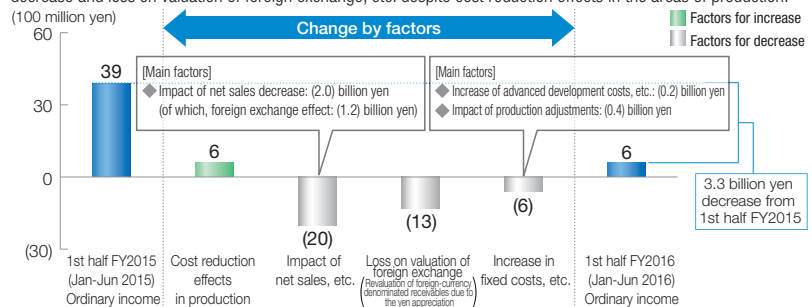
The Company has strengthened solution selling and put effort into activities for proposing automation and labor-saving solutions. Nevertheless, net sales were down by 11.1% from the same period of the previous fiscal year mainly due to the yen's rapid appreciation, as a sense of uncertainty heightened over the global economy with the slowdown in the Chinese economy and low oil prices, etc., and the world economy remains stagnant.

With respect to profits, despite the cost reduction effects in the areas of production, ordinary income was down by 84.6% mainly due to the drop in sales and loss on valuation on foreign exchange according to a significant shift to yen appreciation.



### Factors for Ordinary Income Increase/Decrease for 1st half FY2016

Ordinary income was down from the same period of the previous fiscal year mainly due to the impact of a net sales decrease and loss on valuation of foreign exchange, etc. despite cost reduction effects in the areas of production.



We would like to express our appreciation for your ongoing support of our business activities.

In presenting our business results for the first half of the 102nd business term (from January 1, 2016 through June 30, 2016), I would like to take the opportunity to convey a few words to our shareholders.

In the first half of the fiscal year under review, 2016, 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, net sales were 50,991 million yen, mainly due to the yen's rapid appreciation the main factors behind which are the United Kingdom leaving the European Union in addition to the Federal funds rate remaining low, etc. as a sense of uncertainty heightened over the global economy with the slowdown in the Chinese economy and low oil prices, etc., and the world economy remains stagnant.

With respect to profits, despite the cost reduction effects in the areas of production, operating income was 2,028 million yen mainly due to the drop in sales and lower rates of return.

Ordinary income was 606 million yen, mainly due to foreign exchange losses incurred as non-operating expenses on revaluation of foreign-currency denominated receivables amid a significant shift to appreciation of the yen against the U.S. dollar compared with the previous fiscal year-end.

As a result, loss was 232 million yen, mainly due to tax expenses of 495 million yen resulting from a revision of recoverability of deferred tax assets.

With respect to the interim dividend, the first forecast was 10 yen per share. However, after considering the results for the first half of the fiscal year under review, the Company, with sincere regret, has decided not to pay an interim dividend.

In light of the revised full-year forecast, the year-end dividend forecast has been revised from 25 yen per share to 20 yen per share.

We would appreciate your understanding and support.

Sewing factories and electronics factories that are the Company's customers are facing a major turning point, as a wave of technological innovation involving automation, digitization and systematization is surging over them.

The Company is focusing on “enhancing competitiveness of products and services” as one of its key management points and will strive to further improve business performance by accelerating proposals of line solution with “Smart Solutions” aligned to customer needs regarding automation, digitalization and systematization.

Specifically, in the second half of FY2016, the Company will pursue profit-focused business management by securing growth in sales and profits by strengthening business and regional strategies in the Sewing Machinery Business, while reducing fixed costs through structural reform and recovering earnings through solution selling in the Electronic Assembly Systems Business.

Moreover, we will aim to further strengthen the financial base by thoroughly reducing inventory and interest-bearing debt.

In closing, we ask for the ongoing support and guidance of our shareholders.



**Akira Kiyohara**  
Representative Director

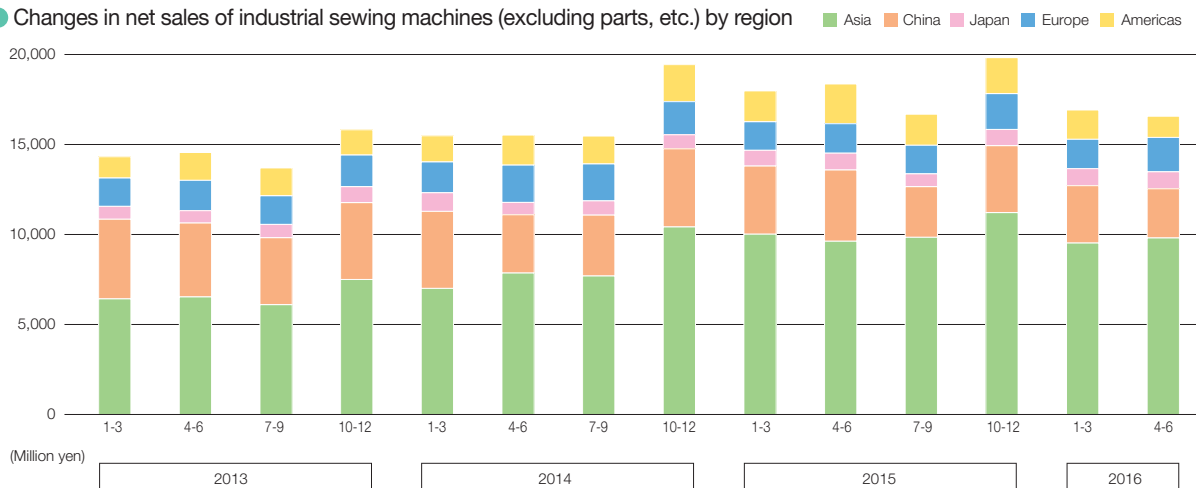
# Summary of Results for 1st Half FY2016 (Jan-Jun)

## Sewing Machinery Business

In regard to geographic market, sales increased in emerging countries such as Bangladesh and India but languished in China and the Americas. In terms of product, although solution selling of automatic sewing machines and spare parts was well, the yen was strong

compared to the same period of the previous fiscal year. As a result, net sales of the Sewing Machinery Business as a whole were 39,476 million yen (down by 8.0% from the same period of the previous fiscal year).

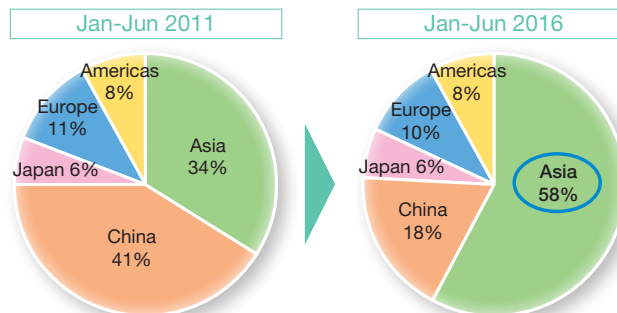
● Changes in net sales of industrial sewing machines (excluding parts, etc.) by region



● Net sales (industrial sewing machines excluding parts, etc.): year-on-year comparison (100 million yen)

	Jan-Jun 2015	Jan-Jun 2016	Amount of change
Asia	196	194	(2)
China	78	59	(19)
Japan	18	19	1
Europe	32	35	3
Americas	39	28	(11)
Total	363	335	(28)

● Composition of net sales: comparison with 2011 (5 years ago)



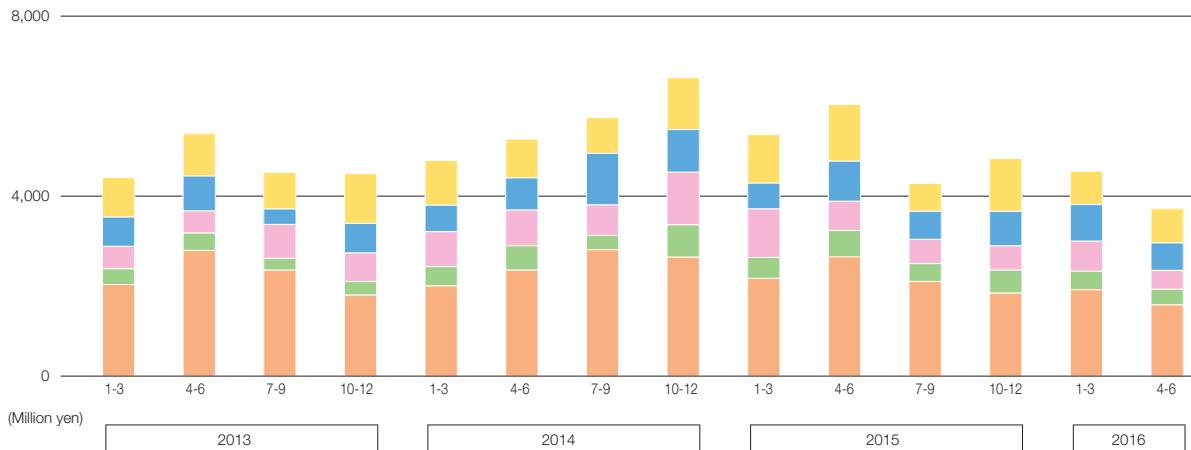
## Electronic Assembly Systems Business

In regard to geographic market, sales decreased in our largest market of China, and in the Americas. In terms of product, growth achieved in sales of our new-type mounter, inspection machine and labor-saving systems, which were rolled out under our line solutions strategy,

did not make up for a drop in sales of our existing mounters. As a result, net sales of the Electronic Assembly Systems Business as a whole were 8,274 million yen (down by 27.4% from the same period of the previous fiscal year).

### Changes in net sales by region

China Asia Japan Europe Americas



### Net sales: year-on-year comparison

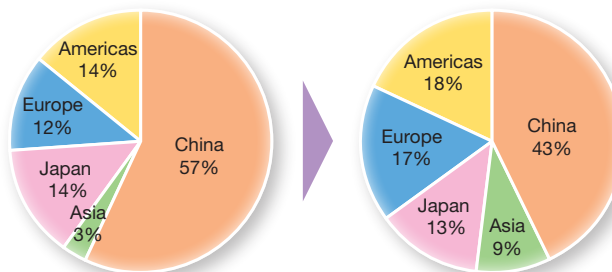
(100 million yen)

	Jan-Jun 2015	Jan-Jun 2016	Amount of change
China	47	35	(12)
Asia	12	8	(4)
Japan	18	11	(7)
Europe	15	14	(1)
Americas	22	15	(7)
Total	114	83	(31)

### Composition of net sales: comparison with 2011 (5 years ago)

Jan-Jun 2011

Jan-Jun 2016



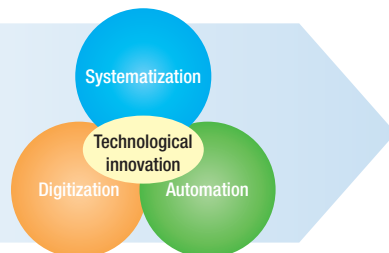
## 1. Management Environment

<b>Europe</b>	The UK leaving the EU
<b>The U.S.</b>	Hesitation to raise interest rates due to a lack of stable economic growth
<b>China</b>	Continued economic slowdown
<b>Geopolitical risks</b>	Terrorism linked to ISIL etc. and regional conflict

A sense of uncertainty heightened over the global economy, and the world economy remains stagnant.

➔ Ongoing trend of yen appreciation

A large wave of technological innovation is surging

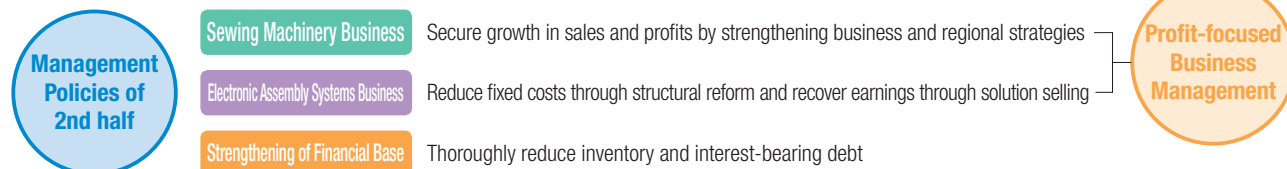


A major turning point for the manufacturing industry

Cautious approach to capital investment in the manufacturing sector; however, growing companies and regions continue to invest

JUKI accelerates proposals of line solution with “Smart Solutions”

## 2. Management Policies for 2nd Half FY2016 and Full-year Forecasts for FY2016



[Full-year Forecasts]

(100 million yen)

	Results for 1st half FY2016 (Jan-Jun 2016)	Forecasts for 2nd half FY2016 (Jul-Dec 2016)	Full-year Forecasts for FY2016 (Jan-Dec 2016)*
<b>Net sales</b>	510	530	1,040
<Sewing Machinery>	<395>	<410>	<805>
<Electronic Assembly Systems>	<83>	<85>	<168>
<b>Operating income</b>	20	22	42
<b>Ordinary income</b>	6	18	24
<Sewing Machinery>	<34>	<30>	<64>
<Electronic Assembly Systems>	<(11)>	<0>	<(11)>
<b>Profit</b>	<(2)>	12	10
Exchange rate	1 US\$ = ¥113 1 Euro = ¥125	1 US\$ = ¥105 1 Euro = ¥110	* Full-year Forecasts were revised on August 3, 2016.

## 1. Key initiatives for Industrial Sewing Machines

### Businesses Strategy

Woven Machinery

Automatic Machine

Knitwear Machinery

Non-apparel Machinery

Further expand the field of automatic machine and knitwear/non-apparel machinery through line solution proposals based on the new product for woven material (digital sewing machine DDL-9000C)

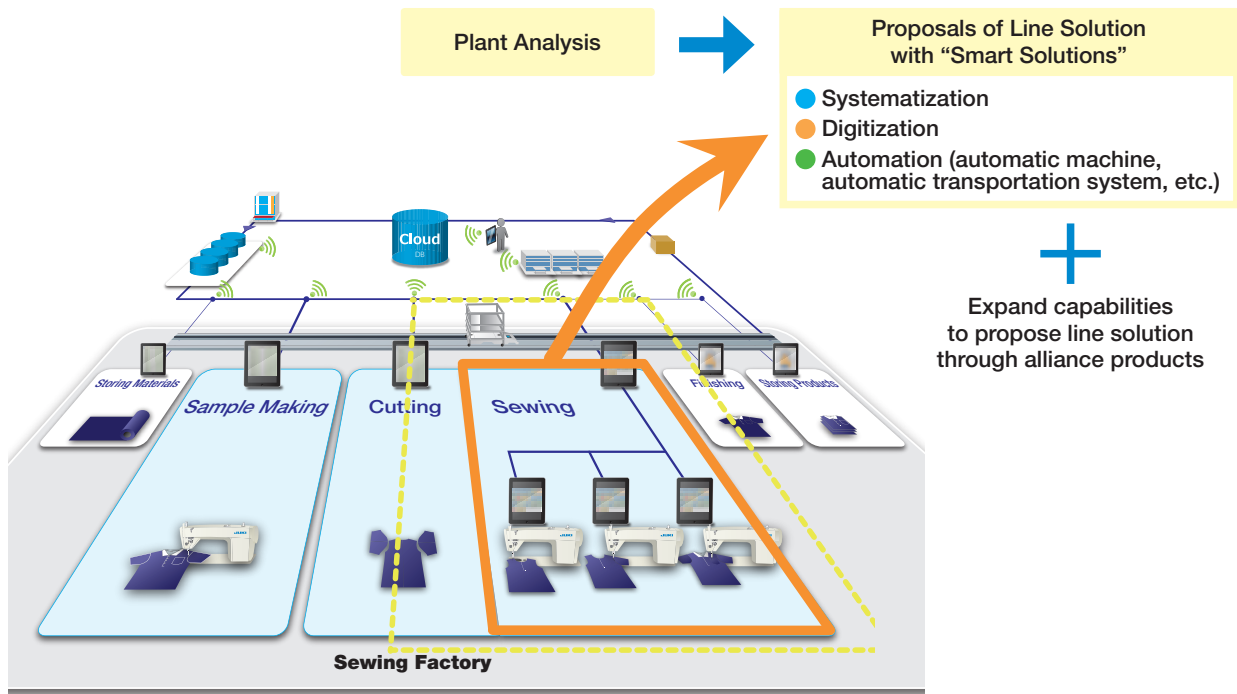
### Regional Strategy

Expand sales in emerging countries

Bangladesh, Vietnam, Indonesia, Middle East, Africa and Central/South America

➡ Accelerate the growth in all businesses and regions by line solution selling with “Smart Solutions”

## 2. Expansion of Line Solution Proposals



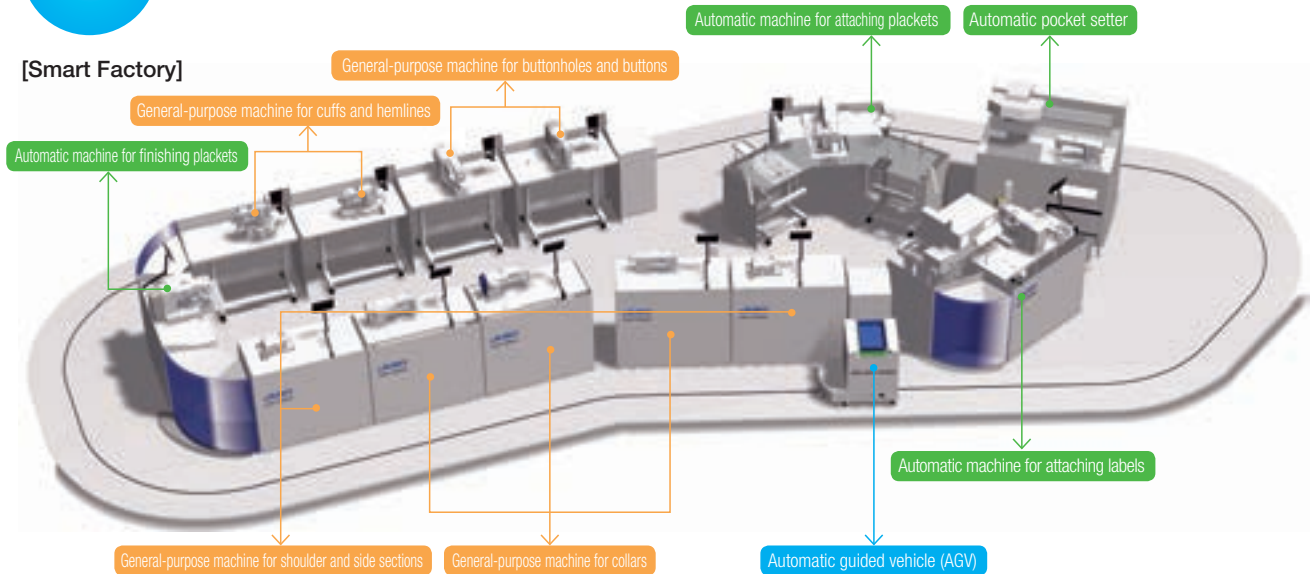
## 3. Measures for Systematization



### Construct “Smart Factory Line” through line solution proposals

→ Propose people-and-environment-friendly factories with high productivity where human skill and automation collaborate

[Smart Factory]



[Example of a Polo Shirt Sewing Line]

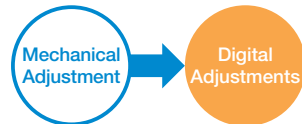
With digitalization, automation and introduction of automatic machines, as well as systemization, in sewing factories, it is now possible to operate a production line with 4 people where 13 operators had previously been required, which achieves more than a doubling of productivity.

## 4. Measures for Digitization



### DDL-9000C ▶ Launched in August

Direct-drive, high-speed, lockstitch sewing system with automatic thread trimmer



It allows instant adjustment of settings such as the feed dogs and tensioner by sending data from a tablet, which greatly reduce the time required to adjust the stitch.



1. Key Initiatives for Household Sewing Machines

Product Strategy

Reinforce sales of new products and products targeting quilters

Household Sewing Machines

- Expand sales of new products
- Reinforce sales made by handicraft mass merchandisers and roadside retailers, etc.

Overlock Machines

- Expand sales of new products
- Expand sales of overlock machines for quilters

Tailor-use Sewing Machine and Quilting Machine

- Expand sales by developing a series of QVP quilting machines

Regional Strategy

- Expand sales of products; mainly high-value-added products such as new products and quilting machines in Japan, the U.S., and Europe
- Develop and expand sales networks in emerging countries

2. Key Initiatives for Household Sewing Machines

Create a distinctive business model in the field of hobby-purpose and tailor-use sewing machine as a key focus

Hobby Purpose



Quilting machine: Frame type (stand-up model)  
TL-2200QVP



Computer sewing machine for quilting  
DX-2000QVP



Overlock machine for quilting  
MO-2000QVP

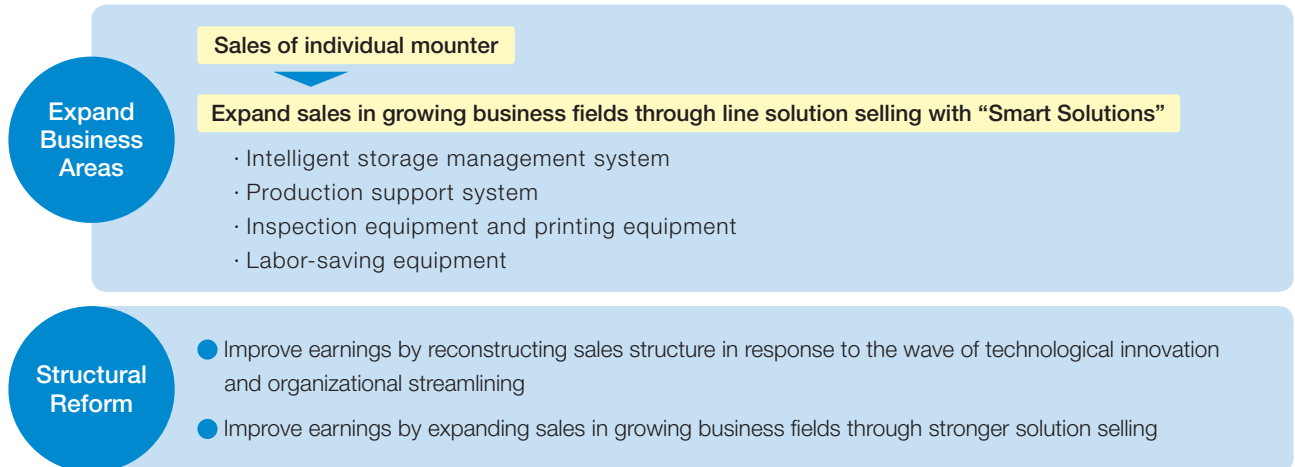
Tailor-use



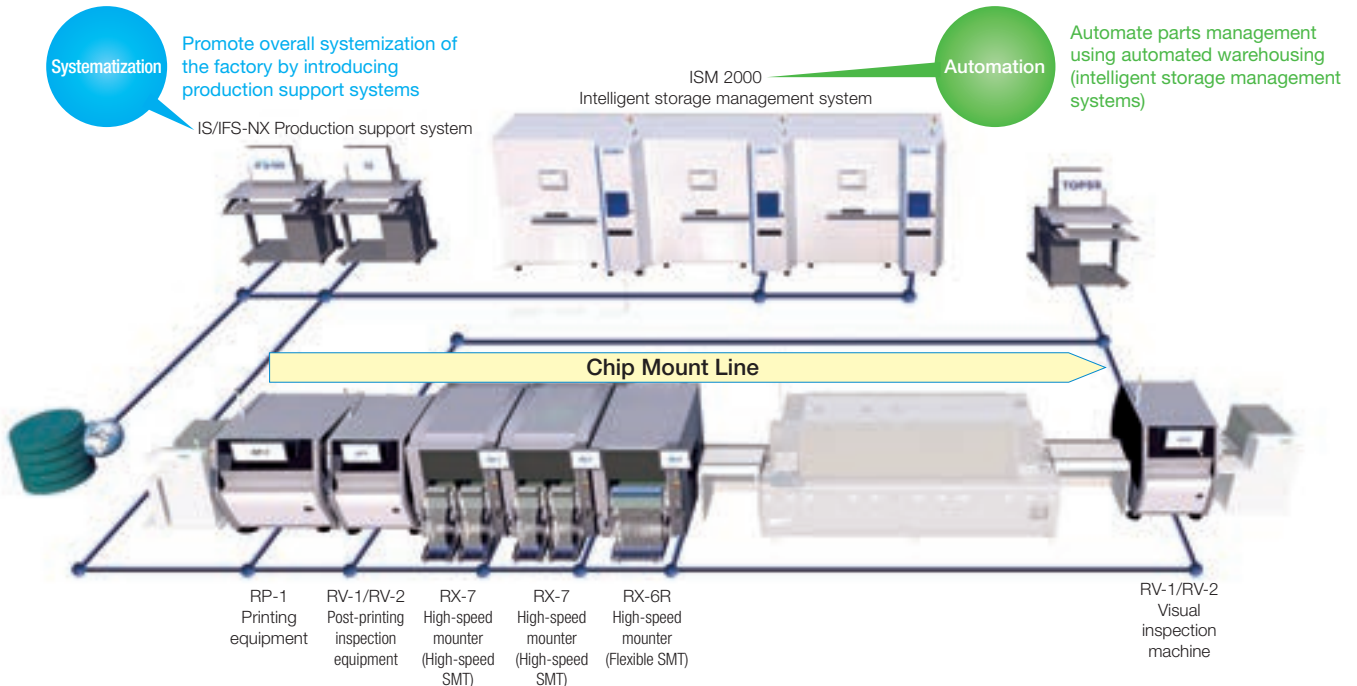
Tailor-use sewing machine  
TL-2200QVP Mini

Develop marketing activities aligned to needs

## 1. Key Initiatives for Electronic Assembly Systems



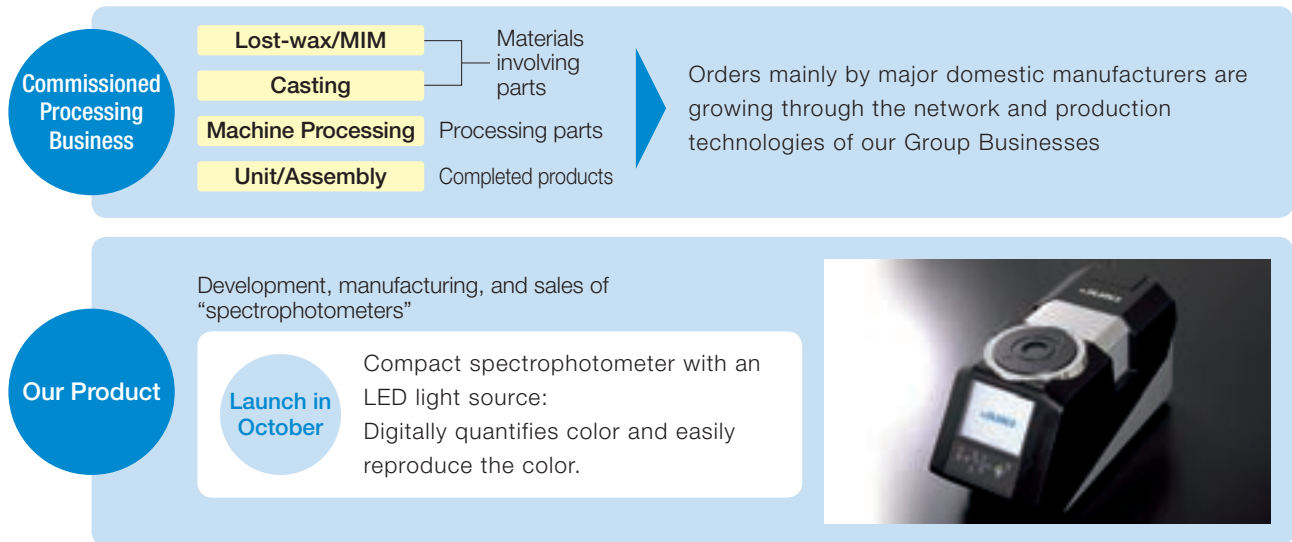
## 2. Enlargement of Line Solution Proposals



# Key Initiatives for 2nd Half FY2016 (Group Business)

## 1. Key Initiatives for Group Business

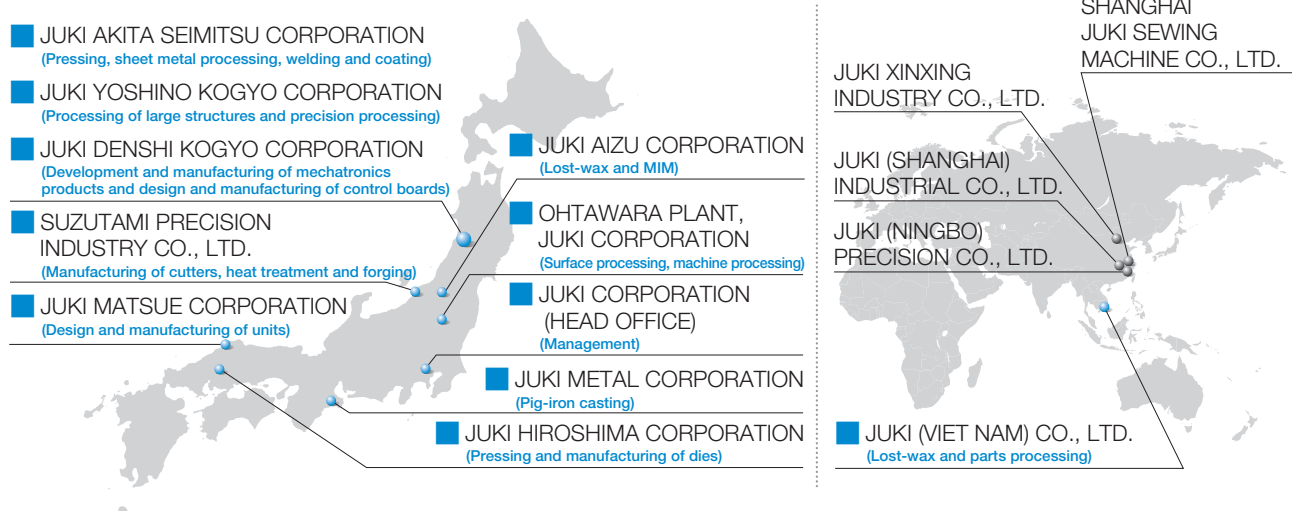
### Measures for Business Expansion



## 2. Network of Group Business

Further expand the commissioned processing business with nine domestic and one overseas companies

→ develop into the third business segment



## Consolidated Financial Statements for the First Half (Summary)

### Consolidated Balance Sheet

(Million yen)

Item	FY2015 as of December 31, 2015	1st half FY2016 as of June 30, 2016	Change
<b>Assets</b>			
Current assets	86,958	75,962	(10,996)
Non-current assets	32,323	30,493	(1,829)
Total assets	119,281	106,455	(12,825)
<b>Liabilities</b>			
Current liabilities	64,436	58,823	(5,613)
Non-current liabilities	26,367	24,375	(1,991)
Total liabilities	90,803	83,198	(7,604)
<b>Net assets</b>			
Shareholders' equity	27,873	26,355	(1,517)
Accumulated other comprehensive income	(194)	(3,642)	(3,448)
Non-controlling interests	799	543	(255)
Total net assets	28,477	23,256	(5,220)
Total liabilities and net assets	119,281	106,455	(12,825)

### Consolidated Statement of Income

(Million yen)

Item	1st half FY2015 January 1, 2015 to June 30, 2015	1st half FY2016 January 1, 2016 to June 30, 2016	Change
Net sales	57,369	50,991	(6,377)
Cost of sales	39,273	35,995	(3,277)
Gross profit	18,096	14,996	(3,100)
Selling, general and administrative expenses	13,869	12,967	(901)
Operating income	4,227	2,028	(2,198)
Non-operating income	504	551	46
Non-operating expenses	789	1,973	1,184
Ordinary income	3,943	606	(3,336)
Extraordinary income	9	367	358
Extraordinary losses	14	230	215
Profit before income taxes	3,937	744	(3,193)
Income taxes	1,227	1,169	(57)
Profit (loss)	2,710	(425)	(3,135)
Profit (loss) attributable to non-controlling interests	(9)	(193)	(183)
Profit (loss) attributable to owners of parent	2,719	(232)	(2,952)

## Corporate Information (as of June 30, 2016)

### ■ Corporate Profile

Trade name	JUKI CORPORATION
Founded on	December 15, 1938
Paid-in capital	18,044.71 million yen
Head office	2-11-1, Tsurumaki, Tama-shi, Tokyo, Japan
Fiscal year-end	December
Business items	Industrial sewing machines, SMT systems, Household sewing machines, etc.
Number of employees	6,153 (on a consolidated basis)
Number of consolidated subsidiaries	31

### ■ Stock Information

- Total number of authorized shares..... 80,000,000 shares
- Total number of issued shares ..... 29,874,179 shares
- Total number of shareholders..... 13,948

## JUKI CORPORATION

2-11-1, Tsurumaki, Tama-shi, Tokyo 206-8551, Japan  
Tel: +81-42-357-2211

<http://www.juki.co.jp>

### ■ Major Shareholders

Shareholder name	Number of shares (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,174	3.93
Japan Trustee Services Bank, Ltd. (Trust Account)	966	3.23
Mizuho Bank, Ltd.	938	3.14
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/ LUXEMBOURG FUNDS/UCITS ASSETS	880	2.95
Nippon Life Insurance Company	732	2.45

### ■ Stock Distribution Status by Owner Type

