

Explanatory Meeting

First Half Account Settlement FY2018 ending December 31, 2018 on a consolidated basis

August 7, 2018

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Mind & Technology

(This translation may be used for reference purposes only)



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Part 1

Performance of the 1st Half of FY2018 (ending Dec. 2018)

1-1: Performance Trends and Dividends for the 1st Half of FY2018

Net sales increased 10.0% compared with the same period in the previous fiscal year despite some production delays, thanks to the successful promotion of solution sales and advances in building a customer base in the middle market centered on Asia.

Income, despite the increase in net sales, was affected by higher middle market strategy costs and development costs as well as the yuan's strengthening against the dollar, with operating income rising marginally compared with the same period of the previous fiscal year. Including additional effects from increased foreign exchange valuation loss, ordinary income fell 11.5% compared with the same period of the previous fiscal year.

(Million yen)

FY2017 ended December 31, 2017				FY2018 ending December 31, 2018			
1st half				1st half			Year-on-year change <B-A> (%)
1Q	2Q	1st half <A>		1Q	2Q	1st half 	
Jan-Mar 2017	Apr-Jun 2017	Jan-Jun 2017		Jan-Mar 2018	Apr-Jun 2018	Jan-Jun 2018	
Net Sales	23,717	24,672	48,389	25,650	27,585	53,235	4,845 10.0%
Operating Income	2,138 [9.0%]	1,480 [6.0%]	3,618 [7.5%]	1,242 [4.8%]	2,408 [8.7%]	3,650 [6.9%]	31 0.9%
Ordinary Income	2,241 [9.4%]	1,348 [5.5%]	3,589 [7.4%]	946 [3.7%]	2,232 [8.1%]	3,178 [6.0%]	(411) (11.5%)
Net Income	1,527 [6.4%]	877 [3.6%]	2,404 [5.0%]	468 [1.8%]	1,474 [5.3%]	1,942 [3.6%]	(461) (19.2%)
Exchange Rate	1 US\$ 1 Euro	¥114 ¥121	¥111 ¥124	¥109 ¥133	¥109 ¥129	¥109 ¥131	(¥4) ¥9

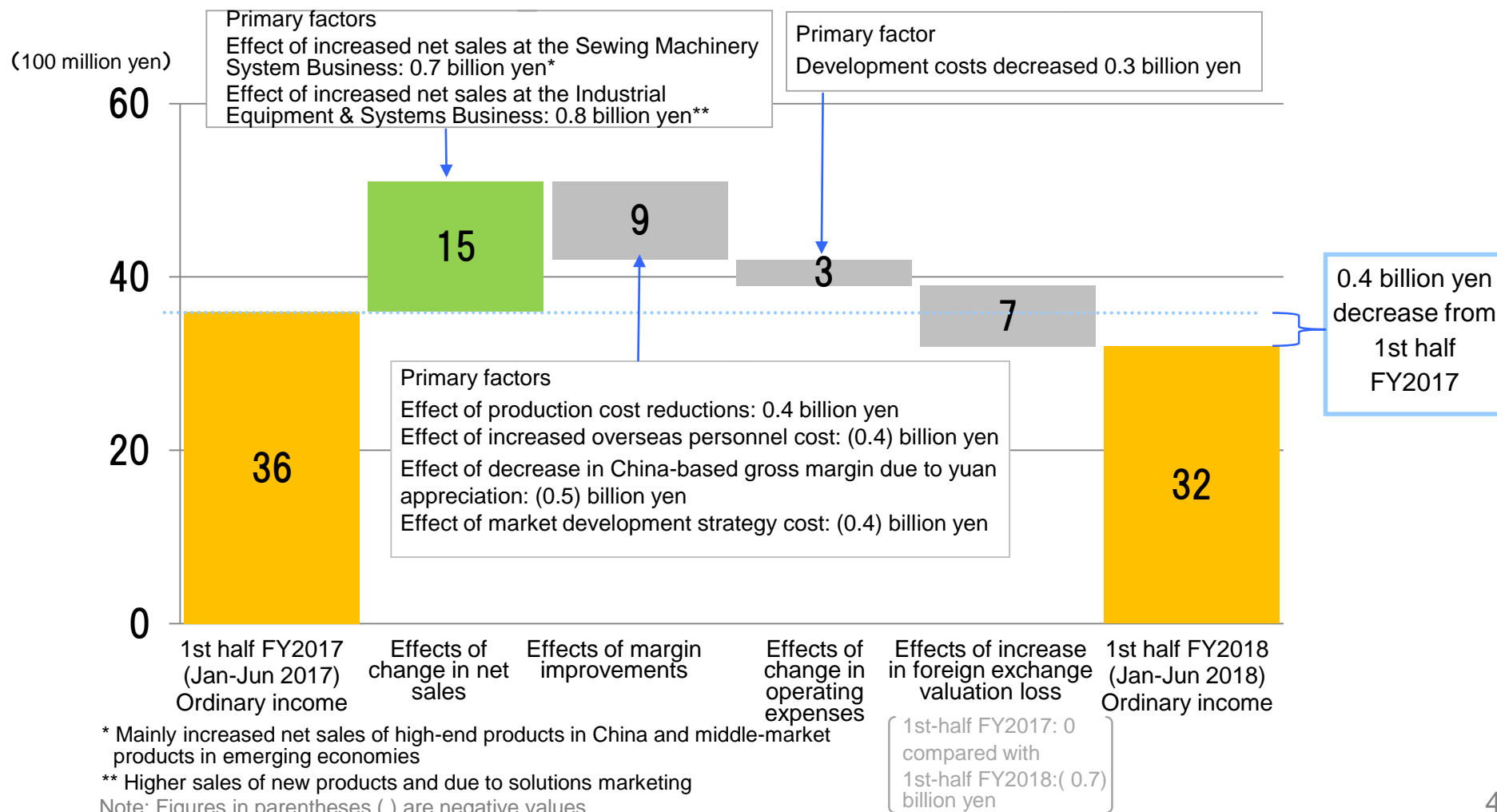
FY2017 full-year dividend (actual): ¥35 per share (including a commemorative dividend of ¥10 per share)

FY2018 full-year dividend (forecast): ¥25 per share

Notes: 1. Exchange rate is an average rate during the period; and such rate influences operating income. 2. Figures in brackets [] are ratios of income to net sales. 3. Figures in parentheses () are negative values.

1-2: Factors for Ordinary Income Decrease/Increase for the 1st Half of FY2018

Despite the increase in net sales, operating income rose just marginally compared with the same period of the previous fiscal year due to higher middle market strategy costs and development costs as well as the yuan's strengthening against the dollar. With additional effects from the depreciation of the dollar and weakening currencies of emerging economies, ordinary income fell 0.4 billion yen compared with the same period of the previous fiscal year.



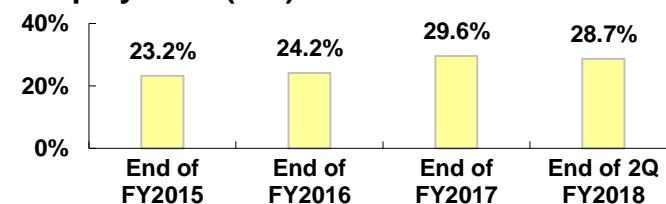
1-3: Changes in Major Financial Indices

The equity ratio decreased by 0.9% to 28.7% (reflecting an increased negative balance in the foreign currency translation adjustment account compared with the same period of the previous fiscal year, due to yen appreciation).

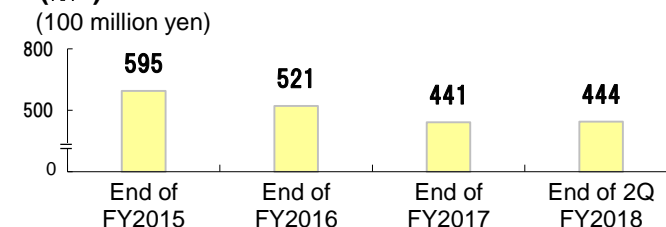
Interest-bearing debt (net of cash and deposits) was almost flat at 44.4 billion yen.
(Million Yen)

	As of December 31, 2017 (FY2017) 〈A〉	As of June 30, 2018 (2Q FY2018) 〈B〉	Change 〈B-A〉
Total Assets	110,554	113,919	3,364
Net Assets [Foreign currency translation adjustment]	33,343 [(1,966)]	33,284 [(2,771)]	(59) [(804)]
Net Assets Ratio	30.2%	29.2%	(1.0%)
Equity Ratio	29.6%	28.7%	(0.9%)
Notes and accounts receivable-trade [Turnover period]	32,398 [3.8 months]	31,781 [3.6 months]	(617) [(0.2 months)]
Inventories [Turnover period]	36,652 [4.2 months]	39,853 [4.5 months]	3,200 [0.3 months]
Notes and accounts payable-trade [Turnover period]	14,049 [1.6 months]	15,574 [1.8 months]	1,524 [0.2 months]
Interest-bearing debts	50,551	51,363	812
Cash and deposits	6,407	6,983	576
Exchange rate (period-end)	1US\$ ¥ 113	¥111	(¥2)

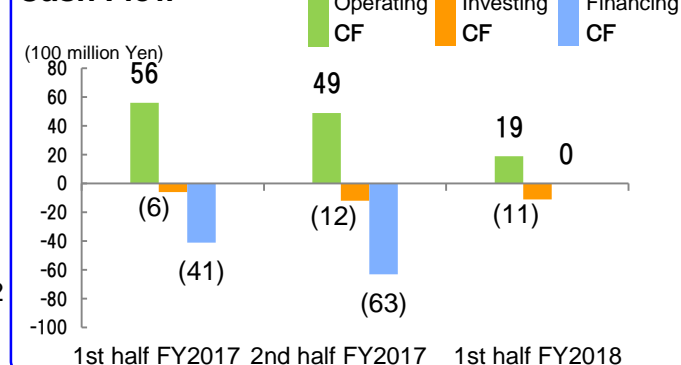
Equity ratio (※1)



Interest-bearing debts (Net of cash and deposits) (※2)



Cash Flow



Note: Figures in parentheses () are negative values.

1-4-1: Performance by Business Segment

Changes in Net Sales

The Sewing Machinery & Systems Business Unit achieved robust sales in high-end markets, including China, and posted also a year-on-year gain in middle-market sales. In the face of stiff competition, sales revenues increased 6.8% compared with the same period of the previous fiscal year.

The Industrial Equipment & Systems Business Unit saw higher sales of new mounters and labor-saving equipment on the back of voracious facility investment demand for industrial equipment, especially in China. In Group Business, with successful customer development for contracted processing operations, and taking into account the effects of some production delays, sales revenues increased 17.0% compared with the same period of the previous fiscal year.

(Million yen)

	FY2017 ended December 31, 2017			FY2018 ending December 31, 2018			Year-on-year change <B-A> (%)
	1st half			1st half			
	1Q	2Q	First half <A>	1Q	2Q	First half 	
	Jan-Mar 2017	Apr-Jun 2017	Jan-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Jan-Jun 2018	
Sewing Machinery & Systems	15,989	16,573	32,562	17,065	17,704	34,769	2,207 6.8%
Industrial Equipment & Systems	7,644	8,015	15,659	8,505	9,818	18,323	2,663 17.0%
Other	82	84	166	78	64	142	(24)
Total	23,717	24,672	48,389	25,650	27,585	53,235	4,845 10.0%
Group Business	2,495	2,723	5,218	2,645	2,638	5,283	65 1.2%

Note: Figures in parentheses () are negative values.

1-4-2: Performance by Business Segment

Changes in Ordinary Income

At the Sewing Machinery & Systems Business, segment income declined 28.0% compared with the same period of the previous fiscal year, as contributions from higher net sales were outstripped by the cost of investment in middle-market strategies and the effects (-0.5 billion yen) of the yuan's appreciation against the dollar.

At the Industrial Equipment & Systems Business, segment income rose 59.4% compared with the same period of the previous fiscal year, reflecting increased sales of industrial equipment and new products, with enhancing effects on the income margin.

(Million yen)

	FY2017 ended December 31, 2017			FY2018 ending December 31, 2018			
	1st half			1st half			Year-on-year change <B-A> (%)
	1Q	2Q	First half <A>	1Q	2Q	First half 	
	Jan-Mar 2017	Apr-Jun 2017	Jan-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Jan-Jun 2018	
Sewing Machinery & Systems	1,815 [11.4%]	1,048 [6.3%]	2,863 [8.8%]	553 [3.2%]	1,509 [8.5%]	2,062 [5.9%]	(801) (28.0%)
Industrial Equipment & Systems	593 [7.8%]	536 [6.7%]	1,129 [7.2%]	825 [9.7%]	976 [9.9%]	1,801 [9.8%]	671 59.4%
Other	10 [12.2%]	10 [11.9%]	20 [12.0%]	11 [14.1%]	20 [31.3%]	31 [21.8%]	10
Adjustment	(177)	(247)	(424)	(443)	(273)	(716)	(292)
Total	2,241 [9.4%]	1,348 [5.5%]	3,589 [7.4%]	946 [3.7%]	2,232 [8.1%]	3,178 [6.0%]	(411) (11.5%)

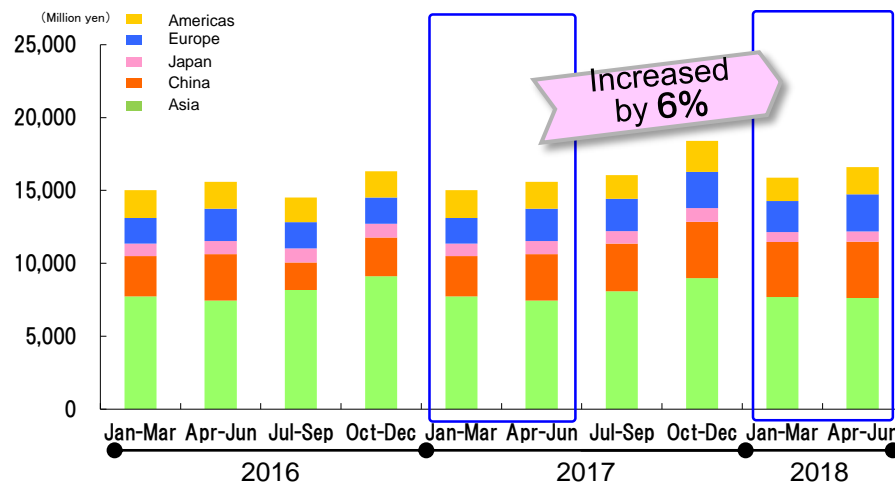
Note: Figures in parentheses () are negative values.

[Reference #1] Performance by Business Segment: Sewing Machinery & Systems Business

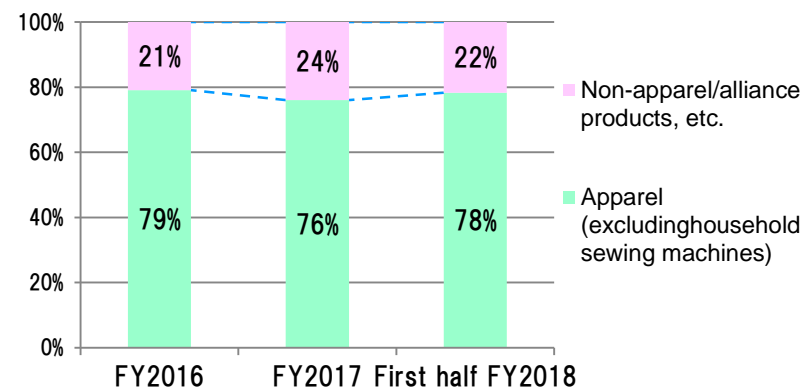
(6.8% sales increase compared with the same period of the previous fiscal year)

Industrial sewing machines posted 29.0% sales revenue growth compared with the same period of the previous fiscal year, centered on apparel-related demand in China.

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



Change in Net Sales of Apparel/Non-Apparel Products (excluding household sewing machines)



Net sales: Year-on-Year Comparison

(100 million yen)

	Jan-Jun 2017	Jan-Jun 2018	Amount of change	(% of change)
Asia	152	153	1	
China	59	76	17	+29%
Japan	18	14	(4)	
Europe	40	47	7	
Americas	38	35	(3)	
Total	306	325	19	+6%

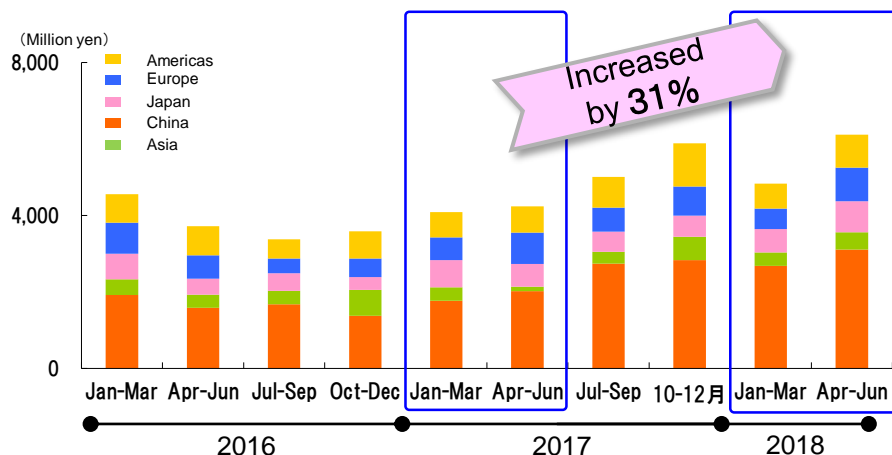
Note: Figures in parentheses () are negative values.

[Reference #2] Performance by Business Segment: Industrial Equipment & Systems Business

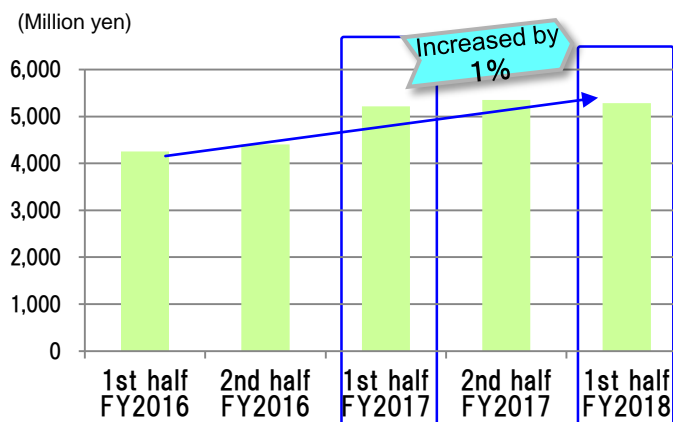
(17.0% sales increase compared with the same period of the previous fiscal year)

- Sales of industrial equipment increased 53% compared with the year-earlier period on the back of voracious facility investment demand in China.
- Both Group Business and Parts Business also posted steady sales growth.

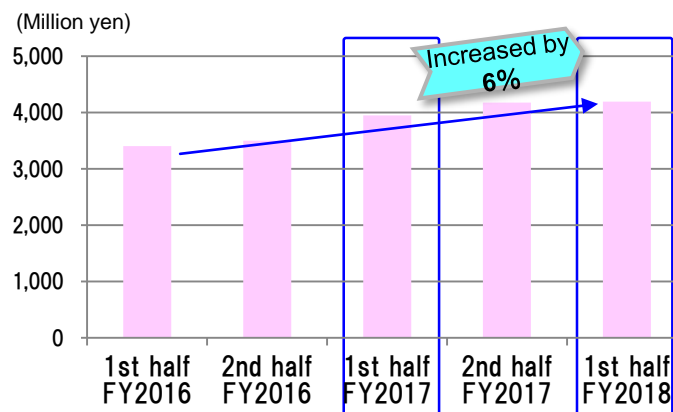
1. Changes in Net Sales of Electronic Assembly Systems by Region (monthly aggregation base) (Including parts/services)



2. Group Business: Changes in Net Sales



3. Parts Business: Changes in Net Sales



Net sales: Year-on-Year Comparison

	Jan-Jun 2017	Jan-Jun 2018	Amount of change	(% of change)
China	38	58	20	+53%
Asia	5	8	3	
Japan	13	14	1	
Europe	14	14	0	
Americas	13	15	2	
Total	83	109	26	+31%

1-5:

FY2018 Full-Year Results Forecasts

	First half FY2018 (Jan-Jun)	First half FY2018 (Jan-Jun)		(100 million yen)	[Reference] (100 million yen)
	Forecast <A>	Results 	Difference <B-A> (Rate of change)	Full year FY2018 (Jan-Dec) Forecast	Full year FY2017 (Jan-Dec) Results
Net Sales	510	532	22 4.4%	1,040	1,037
Sewing Machinery & Systems Business	—	348	—	690	691
Industrial Equipment & Systems Business	—	183	—	350	343
Operating Income	25	37	12 46.0%	55	82
Ordinary Income	22	32	10 44.5%	50	78
Net Income	14	19	5 38.7%	35	56
			Dividend per share	Full-year: ¥25	Full-year: ¥35 (including a commemorative dividend of ¥10 per share)
Exchange rate	1US\$= ¥107	1US\$= ¥109	¥2	1US\$= ¥105	1US\$= ¥112

Note: Given foreign exchange trends and uncertainties in the business environment of emerging economies which are arising from the trade dispute between the U.S. and China, results projections for the full fiscal year to December 2018 remain unchanged from the previous announcement of February 9. The Company will continue to carefully examine results projections data, taking into consideration the operating environment and other factors influencing business performance.

Part 2

Measures for Achieving the Medium-Term Management Plan (2018-2020) and Priority Measures for the 2nd Half of FY2018

2-1-1: Measures for Achieving the Medium-Term Management Plan: Anticipated Business Climate

The Economy

- Global economy expected to maintain stable growth as it did last year
 - On the other hand, careful watch is needed on trade war and geopolitical risks
- Strong demand for capital investment in electronic parts and machine tool industries
 - Technological innovation in information and communication (IoT) fields, and labour shortage

Customer Needs

- Acceleration of technological innovation trend (from products to services)
 - Mounting interest in AI, robotics, and cloud-technology applications
- Aggressive investment in smart company/smart factory concepts
 - Introduction and implementation of digitization, systematization, and factory automation solutions

In response, companies are called to:

- Streamline management structures
 - Strengthening of corporate governance systems, introduction of global-approach frameworks
- Promote profit-oriented business management
 - Annual sales and profits growth, stabilization of dividends, increases in equity

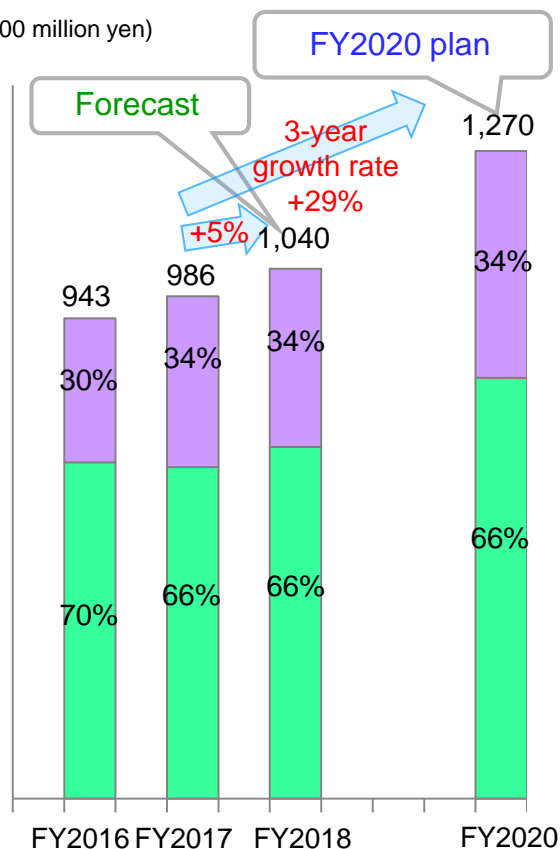
2-1-2: Measures for Achieving the Medium-Term Management Plan: Progress Status

Net Sales

(Target: annual growth rate of 9%)

FY2018 forecast 104.0 billion yen

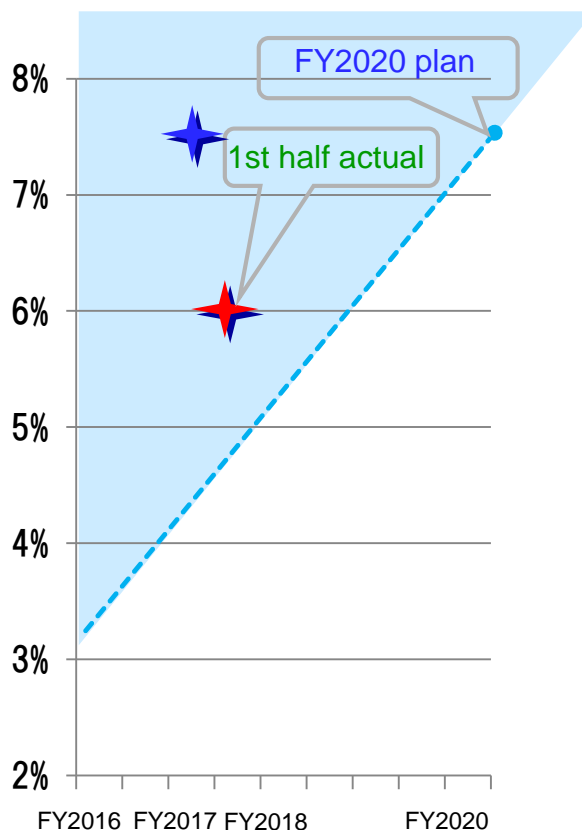
(100 million yen)



Rate of Ordinary Profit to Net Sales

(Target: 7.6% or higher by FY2020)

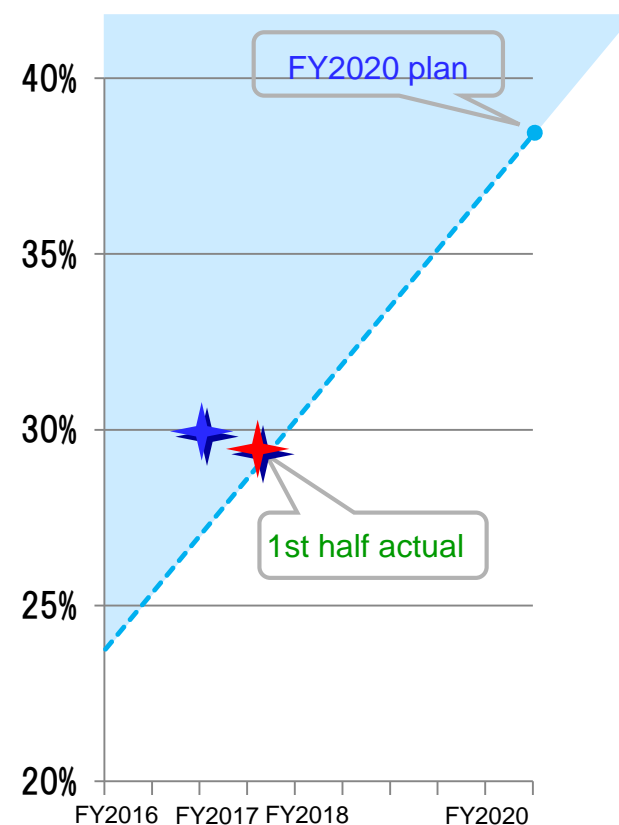
FY2018 1st half (actual) 6.0%



Equity Ratio

(Target: 37% or higher by FY2020 year-end)

FY2018 1st half (actual) 28.7%



- Industrial Equipment & Systems Business
- Sewing Machinery & Systems Business

Conversion base: 1US\$=¥105 for both actual and plan data

2-1-3: Measures for Achieving the Medium-Term Management Plan: Vision and Six Basic Policies

Vision

To be an enterprise that consistently provides customer-preferred, high-quality products and services

- Let's impress customers by, and have customers rely on JUKI Group's activities, systems, products and services!



Basic Policies

Business Strategies

- (1) Strengthening our value-creation capabilities through solution sales - Bolstering our ability to propose automation and systematization, as well as by utilizing AI and other cutting-edge technologies
- (2) Strengthening of future customer base through market development (newly added)
- (3) Creating and strengthening business categories fitting our vision of the future

Organizational Strategies

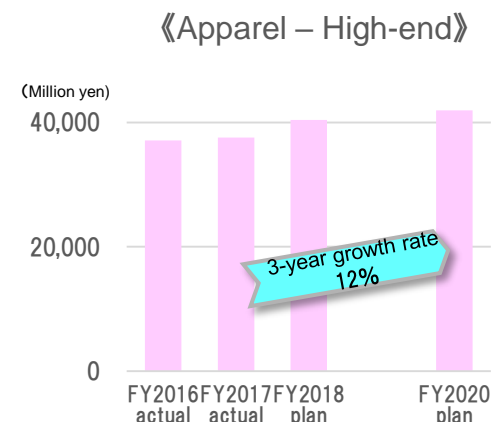
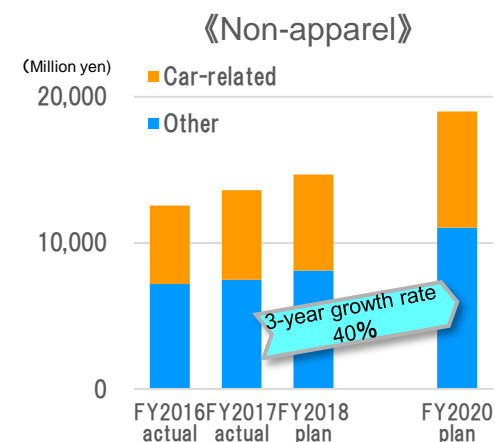
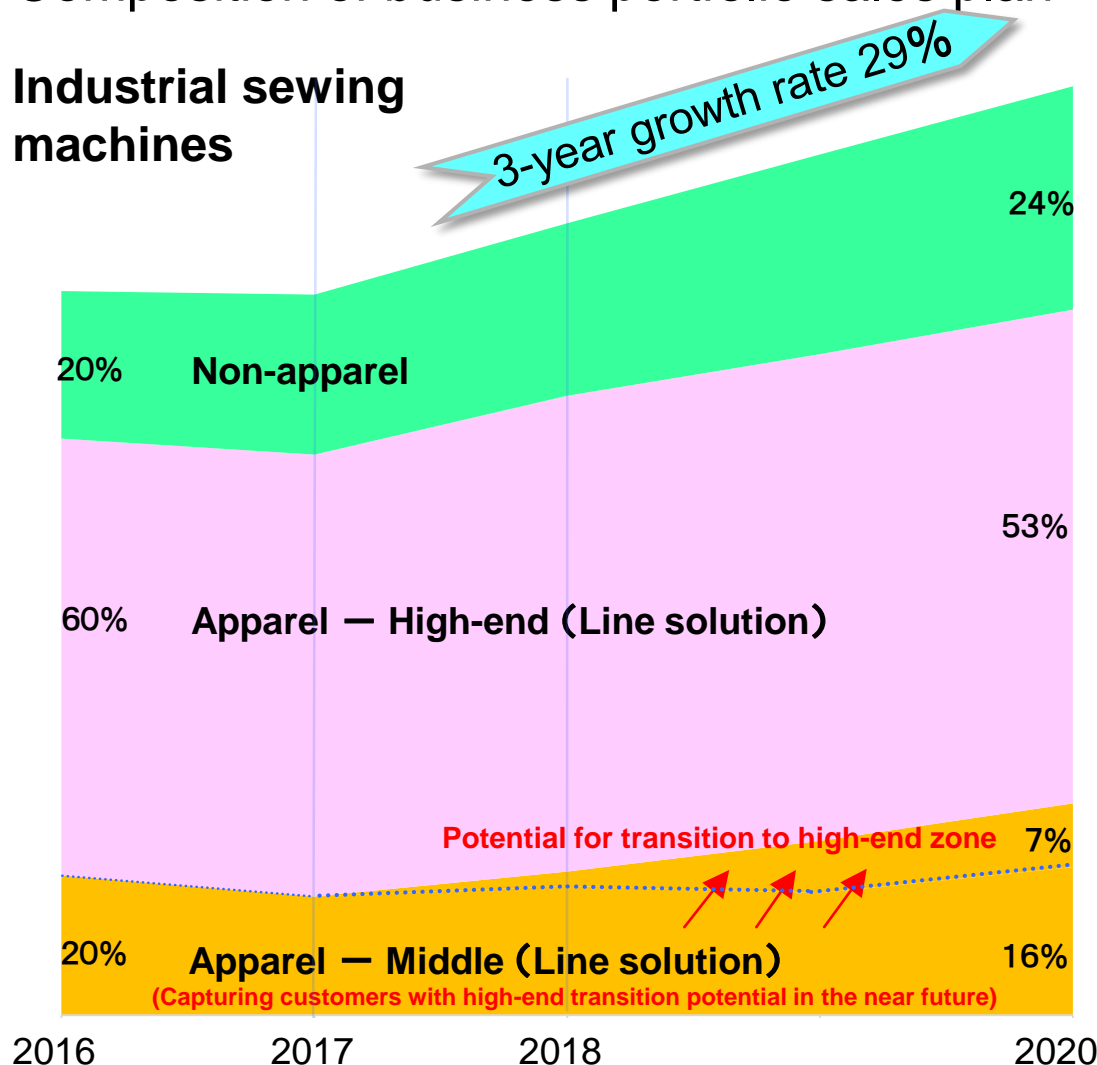
- (4) Developing and deploying globally-competent and innovative-minded personnel ready to realize our vision
- (5) Constructing a smart business foundation (Introducing Smart and Connected processes) (newly added)
 - Reforming supply chain management and promoting work style reforms
- (6) Building capital through strengthening our financial structure

Detailed by Business on the following pages

2-1-4: Measures for Achieving the Medium-Term Management Plan: Sewing Machinery & Systems Business

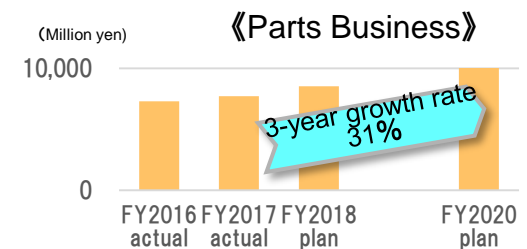
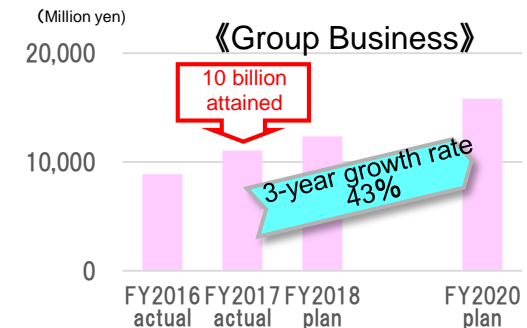
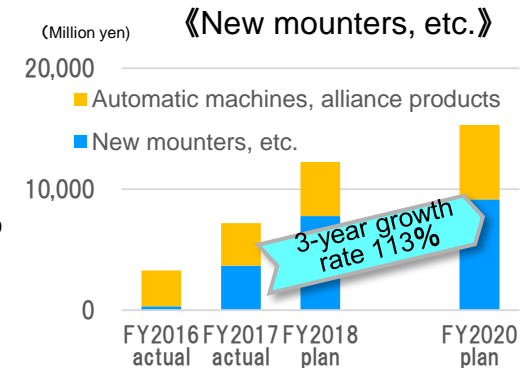
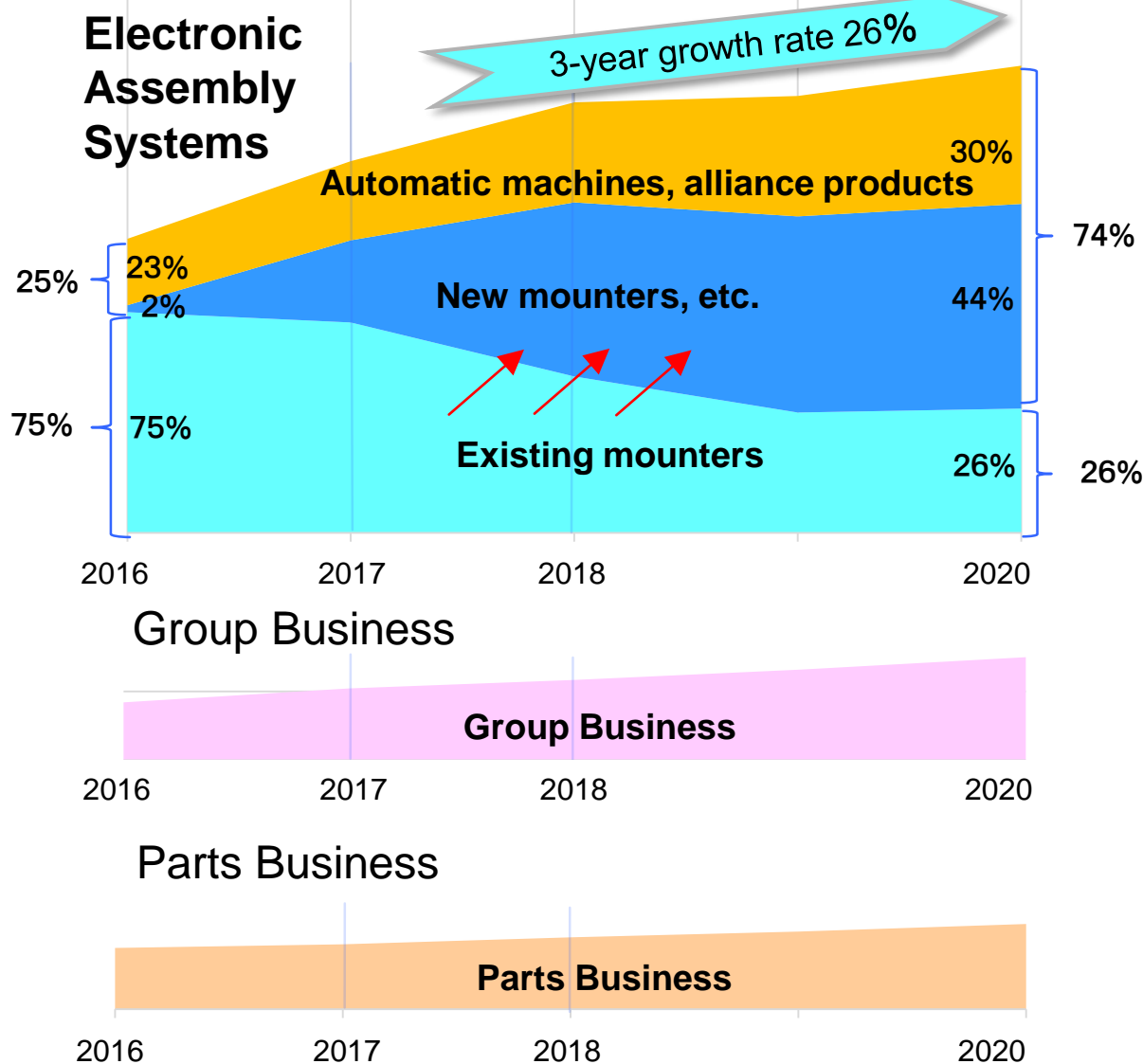
Composition of business portfolio sales plan

Industrial sewing machines



2-1-5: Measures for Achieving the Medium-Term Management Plan: Industrial Equipment & Systems Business

Composition of business portfolio sales plan



2-2-1-1: Priority Measures: Sewing Machinery & Systems Business (Industrial Sewing Machines)

Vision

Contribute to customer innovation through innovative technology and system proposals based on JUKI Smart Solutions

Basic Policy

Establish standards for smart factory (sewing factory) and **strengthen proposals** tailored for each market (including the **middle market**)

Priority Measures

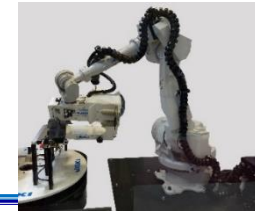
- Establish smart factory business model and enhance product portfolios
- Develop package-deals for sewing machinery network systems
- Restructure Asian business model and train site executives

2-2-1-2: Priority Measures: Sewing Machinery & Systems Business (Industrial Sewing Machines)

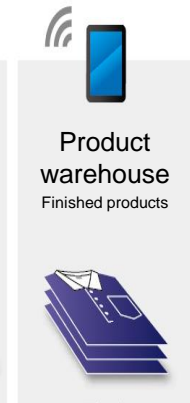
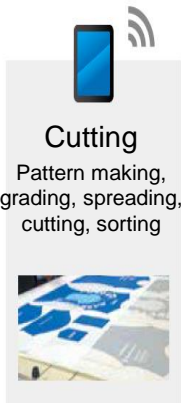
《High-end offerings》
“Digital Series”-
centered line solutions



《Productivity improving / Labor-saving》
Automatic machines Sewing robotics Automated guided vehicles



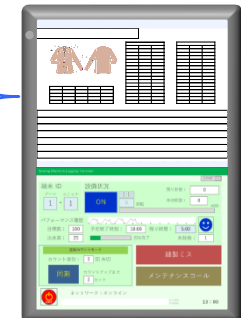
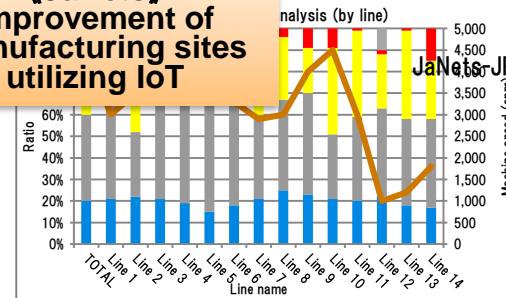
《Proposals for plants》



《Middle-market offerings》
“Simple Series”-
centered line solutions



《JaNets》
Improvement of
manufacturing sites
utilizing IoT



2-2-2-1: Priority Measures: Sewing Machinery & Systems Business (Household Sewing Machines)

Vision

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

Basic Policy

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

Priority Measures

- Target hobby and craft markets with product development that makes the most of JUKI's strengths
- Increase sales and improve profits with a focus on three key large-scale markets (Japan, the U.S., and Europe) that contain high-end markets
- Secure and win users by identifying needs of users and strengthening our capability to disseminate information

2-2-2-2: Priority Measures: Sewing Machinery & Systems Business (Household Sewing Machines)

Expand product lineup to better meet each market's characteristics

《Japan》
Overlock machines

MO-1000ML



《Japan》
High-end sewing machines for professionals



SL-700EX

Live Events & Digital Marketing



Customer development



&



《Europe》
High-end household sewing machines

HZL-NX7



《U.S.》
High-end household sewing machines
Quilting machines
Embroidery machines

Quilt Virtuoso Pro (QVP)

(Manufactured by Tajima Industries, Ltd.)



J-350QVP



2-2-3-1: Priority Measures: Industrial Equipment & Systems Business (Electronic Assembly Systems)

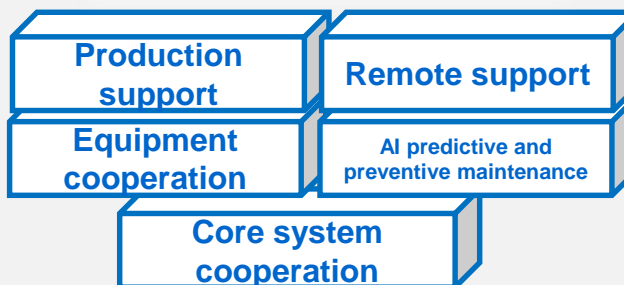
Vision	<p>Become an essential business partner for customers through devoting resources to our areas of strength and by proposing and providing automation and labor-saving solutions</p> <p>- Achieve <u>top market share in general-purpose mounters</u> in 2020</p>
Basic Policy	<p><u>Establish a strong business base</u> with expansion of multi-function mounter and non-mounter fields</p>
Priority Measures	<ul style="list-style-type: none">• Promote customer segment-specific sales strategy and product strategy• Expand sales and improve gross margin by launching new products• Expand sales of MI, ISM, and alliance products through solution sales activities

JUKI Smart Solutions

実装統合システムソフトウェア

JaNets

Juki Advanced Network system



Storage system solutions

High-speed mounter system solutions

Measurement system solutions

Robotic insertion system solutions

Materials and parts supply field

SMT field

Manual insertion field

Measurement field

Assembly field

Packaging field

Expanding business areas

Existing business areas

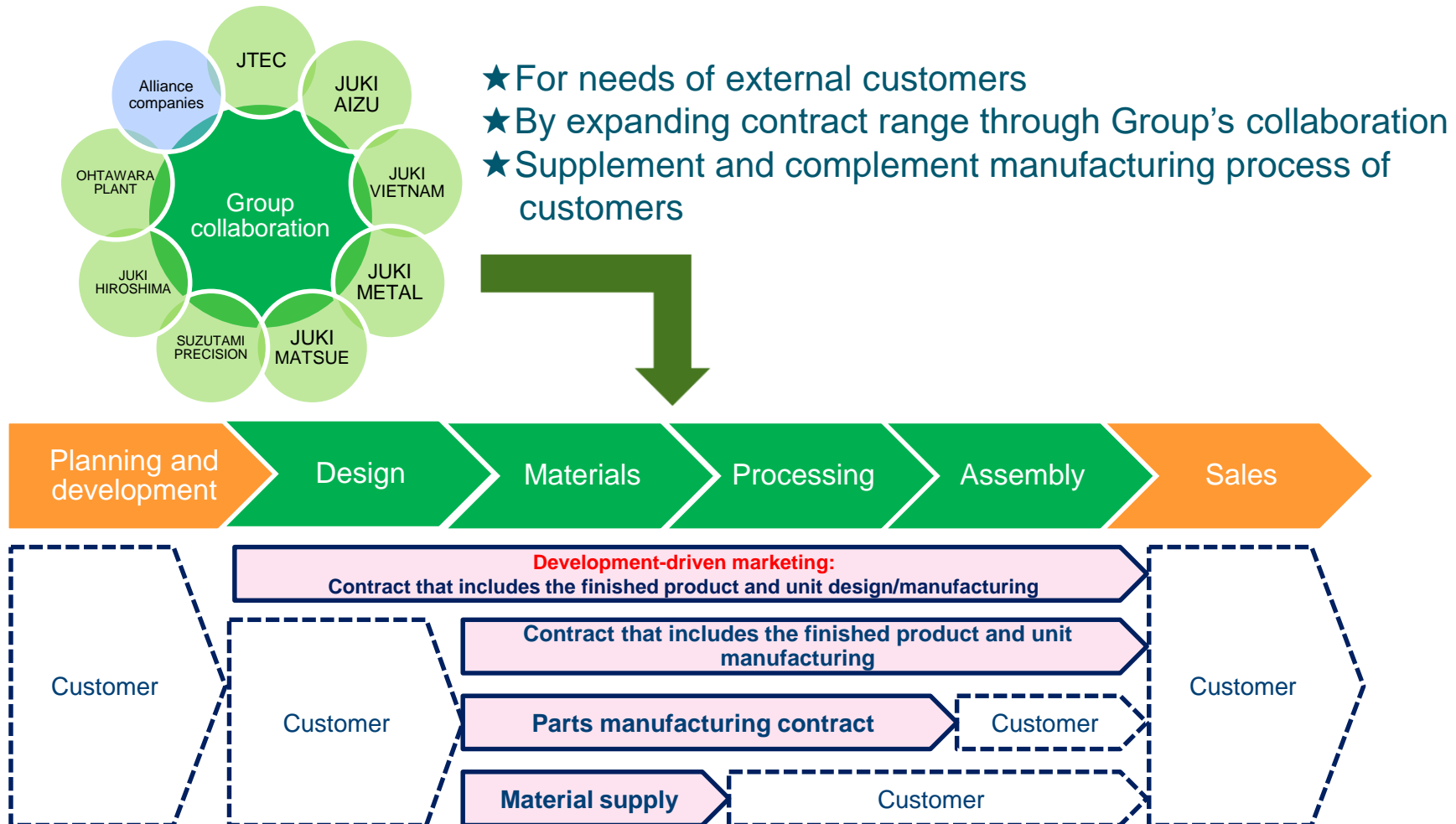
Expanding business areas

2-2-4-1: Priority Measures: Industrial Equipment & Systems Business (Group Business)

Vision	Grow into JUKI's third pillar business leveraging JUKI Group management resources (including manufacturing technologies)
Basic Policy	<p>Increase sales to create the third pillar business by acquiring new customers and expanding scope of business with important business customers</p> <ul style="list-style-type: none">- Achieve sales target of 15.0 billion yen in 2020
Priority Measures	<ul style="list-style-type: none">• Sales expansion through development-driven marketing (commercializing proprietary manufacturing technologies and products)• Increase sales by expanding scope of business with important business customers

JUKI Contract Business Model

Use of accumulated leverage of JUKI's manufacturing capabilities and global network, utilizing the Group's manufacturing companies (7 companies in Japan, 1 company overseas) and alliance companies.



2-2-5-1: Priority Measures: Industrial Equipment & Systems Business (Customer Business)

Vision

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

Basic Policy

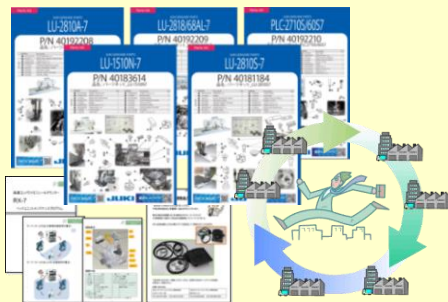
Expand Customer Business beyond the confines of sewing machinery and electronic assembly systems

Priority Measures

(Sewing machinery) Secure customers through online sales, utilizing a website dedicated to parts sales
(Electronic assembly systems) Stimulate demand for parts through paid maintenance service
(Common) Expand after sales service business in introducing smart lines and create synergistic value-added parts/services

2-2-5-2: Priority Measures: Industrial Equipment & Systems Business (Customer Business)

EXPAND PARTS/SERVICE BUSINESS



- Expand sales of sewing machinery parts
- Expand sales of parts/services through paid maintenance for electronic assembly systems

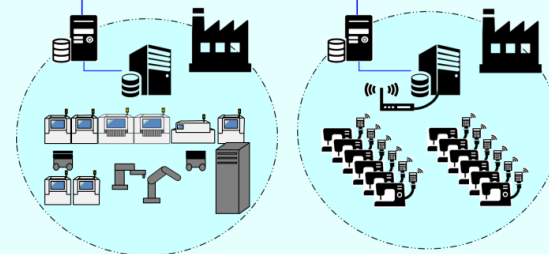
とにかく
お客さんのもとへ

EXPAND AFTER SALES SERVICE BUSINESS IN INTRODUCING SMART LINES



Technical
support

JaNets
Juki advanced Network system



Support for Smart Solution

CONNECTED



Parts supply system
Parts center/sales company's
warehouse



Network system to share and
disseminate information

**PROVIDE LOGISTICAL
SUPPORT FOR ACTIVITIES**

80 years of partnership with you

Thanks to you, JUKI will celebrate its 80th anniversary on December 15, 2018.

We offer our deep gratitude for the support provided by all stakeholders, including customers, business partners, shareholders, and the local community.

- Be your solution partner -

80th
Global & Innovative

《Strengthening of relationships》

Showing gratitude to our customers,
business partners and shareholders

- Anniversary website
- Hold “thank you” meetings: Texprocess Show [U.S.], Jisso Process Technology Exhibition (JISSO PROTEC) [Japan], etc.
- JUKI Sewing Festival (planned), and other events

**80th anniversary
activities**

**As 80 years corporation,
we will continue to be proud of
operating in our main business
and satisfy customers**

《Strengthening of capability to implement MTMP》

Achieving the plan by providing products
and services that contribute to boosting
the competitiveness of our customers

- Establishment of JUKI History Museum
- Installation of smart factory model line at J-TEC CORPORATION (Akita)

《Reforming of employee awareness and corporate culture》

Promoting global and innovative human
resources development and organization
building to lay the foundation for
becoming a 100-year-old company

- Publishing of 80-year history
- Introduction of new groupware, etc.

This material contains forward-looking statements concerning future plans, strategies and assumptions in light of the economic, financial and other data currently available. Furthermore, they are subject to a number of risks and uncertainties. JUKI therefore wishes to caution readers that actual results may differ materially from those projected in such forward-looking statements.

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