

*(Reference translation)*

Explanatory Meeting

Account Settlement  
FY2015 ended December 31, 2015  
on a consolidated basis

February 15, 2016  
Akira Kiyohara, President  
JUKI Corporation

*Mind & Technology*



# Table of Contents

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## Part 1: Performance of FY2015 (ended Dec 2015)

1. Performance Trends and Dividends	3
2. Factors for Ordinary Income Increase/Decrease	4
3. Major Financial Indices, Cash Flows	5
4. Performance by Segments	6

## Part 2: Measures for the Medium-Term Management Plan (2015-2016) and Key Initiatives in FY2016

1. Measures for the Medium-Term Management Plan	14
2. Understanding of Environment	16
3. Forecasts	18
4. Key Initiatives	20



# Part 1

## Performance of FY2015 (ended Dec 2015)

# 1-1: Performance Trends and Dividends for FY2015 (ended in Dec. 2015)



Net sales increased by 4.9% year on year, as a result of the factors including the firm performance in sales for the Sewing Machinery Business in Asia's emerging markets continuing on from the previous fiscal year, a focus on acquiring new customers and expanding areas of business that deliver high rates of return, and the effect of yen depreciation.

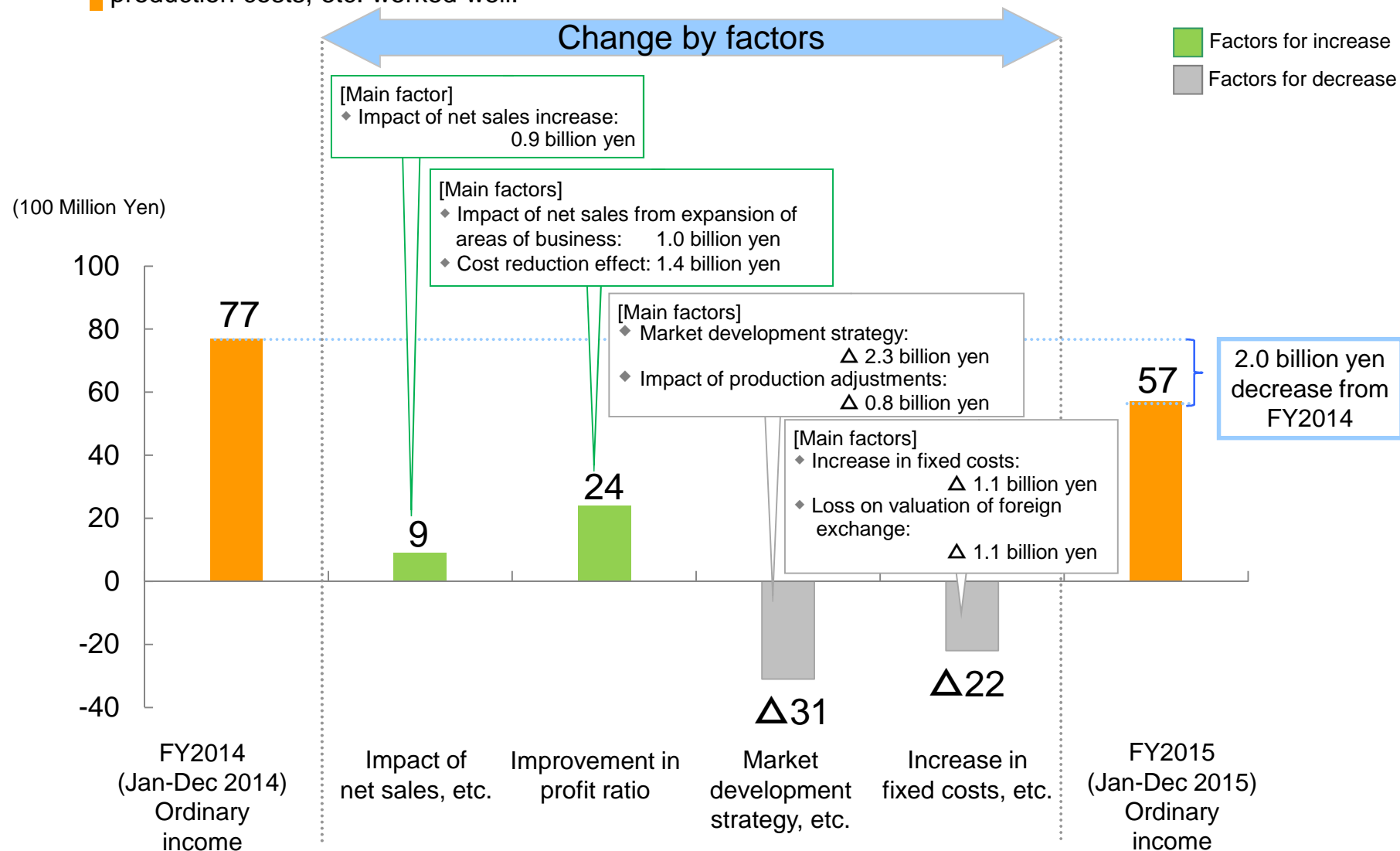
With respect to profits, although the Sewing Machinery Business performed firmly, operating income was down by 13.5% year on year due mainly to a drop in sales reflecting a sharp fall in capital investment demand, mainly in the Electronic Assembly Systems Business field, as the effects of the economic slowdown in China became apparent from the second half, as well as lower rates of return for profits reflecting the competition with other companies which escalated to a more intense level. Ordinary income and net income were down year on year due to the depreciation of emerging country currencies such as the Chinese renminbi and the Indian rupee resulting in valuation losses of foreign exchange.

	(Million Yen)				[Reference] (Million Yen)			
	FY2013 ended December 31, 2013	FY2014 ended December 31, 2014 〈A〉	FY2015 ended December 31, 2015 〈B〉	Year-on-year change 〈B-A〉 (%)	FY2015 ended December 31, 2015 Quarterly results			
	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2015		1Q Jan-Mar 2015	2Q Apr-Jun 2015	3Q Jul-Sep 2015	4Q Oct-Dec 2015
Net Sales	94,385	107,581	112,865	5,283 (4.9%)	28,136	29,233	25,846	29,650
Operating Income	5,151 [5.5%]	8,217 [7.6%]	7,110 [6.3%]	Δ1,107 (Δ13.5%)	1,793 [6.4%]	2,434 [8.3%]	1,287 [5.0%]	1,596 [5.4%]
Ordinary Income	3,878 [4.1%]	7,710 [7.2%]	5,728 [5.1%]	Δ1,982 (Δ25.7%)	1,544 [5.5%]	2,399 [8.2%]	499 [1.9%]	1,286 [4.3%]
Net Income	3,006 [3.2%]	6,058 [5.6%]	3,853 [3.4%]	Δ2,205 (Δ36.4%)	1,019 [3.6%]	1,700 [5.8%]	180 [0.7%]	954 [3.2%]
Dividend per Share (After share consolidation)	¥0	¥20	¥35	¥15	—	—	—	—
Exchange rate	1 US\$ 1 Euro	¥97 ¥129	¥106 ¥141	¥121 ¥135	¥119 ¥136	¥121 ¥135	¥121 ¥136	¥121 ¥131

Notes: 1. Exchange rate is an average rate during the period, and such rate influences operating income. 2. Figures in parentheses [ ] are ratios of income to net sales.

# 1-2: Factors for Ordinary Income Increase/Decrease for FY2015 (ended in Dec. 2015)

Ordinary income decreased year on year due to the effects of market development strategy, increase in fixed costs, and loss on valuation of foreign exchange, etc., while the business field expansion and reduced production costs, etc. worked well.

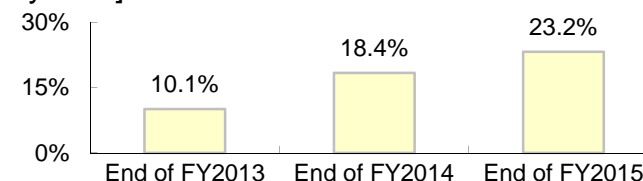


# 1-3: Major Financial Indices, Cash Flows

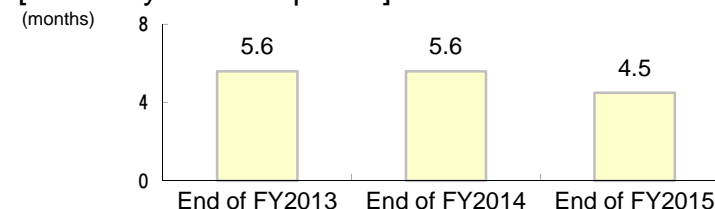
- Equity ratio rose to 23.2% mainly due to an increase in retained earnings (4.0 billion yen).
- Inventory turnover period decreased to 4.5 months due to our efforts to revamp distribution and reduce manufacturing lead times.
- Interest-bearing debts decreased by 7.4 billion yen.

	As of December 31, 2014 (FY2014) 〈A〉	As of December 31, 2015 (FY2015) 〈B〉	Change 〈B-A〉
Total Assets	130,751	119,281	△11,469
Net Assets [retained earnings]	25,010 [3,754]	28,477 [7,800]	3,467 [4,045]
Net Assets Ratio	19.1%	23.9%	4.8%
Equity Ratio	18.4%	23.2%	4.9%
Notes and accounts receivable - trade	31,275	31,263	△12
Inventories [turnover period]	50,248 [5.6 months]	42,647 [4.5 months]	△7,600 [△1.1 months]
Notes and accounts payable - trade	13,892	10,126	△3,765
Interest-bearing debts	74,747	67,377	△7,370
Cash and deposits	9,491	7,906	△1,584
Exchange rate (period-end)	1 US\$	¥121	¥121
			¥0

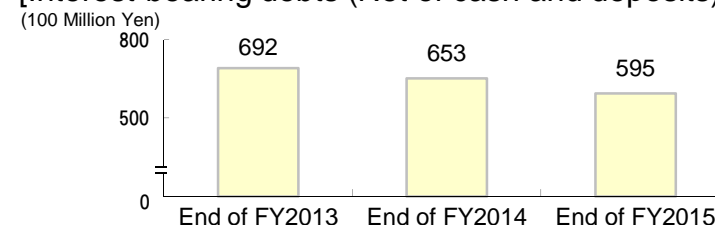
[Equity ratio]



[Inventory turnover period]

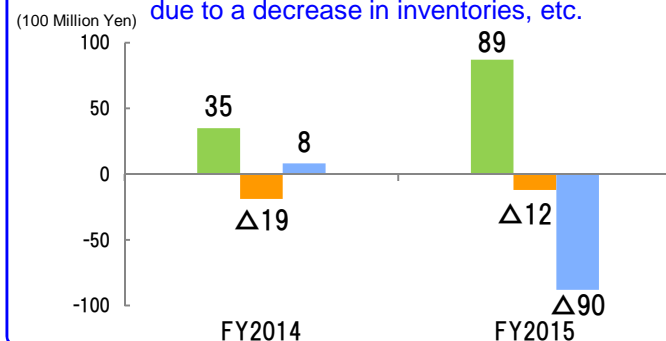


[Interest-bearing debts (Net of cash and deposits)]



【Cash Flows】 Operating CF Investing CF Financing CF

Operating cash flow increased substantially due to a decrease in inventories, etc.



## 1-4-1: Performance by Segments

### Changes in Net Sales

In the Sewing Machinery Business, net sales increased by 10.5% year on year. In the apparel sewing industry, expanded sales in emerging Asian regions, Vietnam and Bangladesh in particular, and regions such as Latin America and Africa contributed to the increase. With regard to products, increased sales of non-apparel sewn products such as car seats and sports shoes, along with automated sewing machines for the apparel sector, which were driven by needs for automation, also contributed to the increase.

In the Electronic Assembly Systems Business, net sales decreased by 8.5% year on year. Despite sales increases in newly released mounters and labor-saving systems, in China, our largest market, the effect of the economic slowdown emerged as we entered the second half, with a sharp decline in capital investment demand leading to a decline in sales.

(Million Yen)					[Reference] (Million Yen)			
	FY2013 ended December 31, 2013	FY2014 ended December 31, 2014 〈A〉	FY2015 ended December 31, 2015 〈B〉	Year-on-year change 〈B-A〉 (%)	FY2015 ended December 31, 2015 Quarterly results			
	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2015		1Q	2Q	3Q	4Q
					Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015
Sewing Machinery	68,836	77,991	86,147	8,155 (10.5%)	21,223	21,681	20,061	23,182
Electronic Assembly Systems	18,826	22,432	20,518	Δ1,914 (Δ8.5%)	5,367	6,036	4,279	4,836
Others	6,723	7,157	6,199	Δ957 (Δ13.4%)	1,545	1,516	1,506	1,632
Total	94,385	107,581	112,865	5,283 (4.9%)	28,136	29,233	25,846	29,650
Group Business	—	7,830	8,454	624 (8.0%)	2,105	2,095	2,047	2,207

\* Group Business sales: Aggregate of net sales attributable to Group Business, from among Sewing Machinery, Electronic Assembly Systems, and Other segments



## 1-4-2: Performance by Segments

### Changes in Ordinary Income



The Sewing Machinery Business showed an increase in profits reflecting cost reduction effect and increased sales of products such as non-apparel and automated sewing machines which are highly profitable, despite the effect of the devaluation of the Chinese renminbi in the third quarter.

The Electronic Assembly Systems Business showed a decrease in profits reflecting the investment in development in readiness for full-scale launch of new products added through the business integration with Sony, and a drop in sales as the effects of the economic slowdown in China became apparent from the second half of the year, as well as the competition with other companies which escalated to a more intense level.

	(Million Yen)				[Reference] (Million Yen)			
	FY2013 ended December 31, 2013	FY2014 ended December 31, 2014 〈A〉	FY2015 ended December 31, 2015 〈B〉	Year-on-year change 〈B-A〉	FY2015 ended December 31, 2015 Quarterly results			
	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2015		1Q	2Q	3Q	4Q
					Jan-Mar 2015	Apr-Jun 2015	Jul-Sep 2015	Oct-Dec 2015
Sewing Machinery	3,840 [5.6%]	7,306 [9.4%]	8,290 [9.6%]	984	1,925 [9.1%]	2,504 [11.5%]	1,651 [8.2%]	2,210 [9.5%]
Electronic Assembly Systems	419 [2.2%]	71 [0.3%]	△1,680 [△8.2%]	△1,751	△134 [△2.5%]	△80 [△1.3%]	△891 [△20.8%]	△575 [△11.9%]
Others	269 [4.0%]	323 [4.5%]	96 [1.5%]	△227	70 [4.5%]	14 [0.9%]	64 [4.2%]	△52 [△3.2%]
Adjustment	△651	9	△978	△987	△316	△40	△324	△298
Total	3,878 [4.1%]	7,710 [7.2%]	5,728 [5.1%]	△1,982	1,544 [5.5%]	2,399 [8.2%]	499 [1.9%]	1,286 [4.3%]

Figures in parentheses [ ] are ratios of ordinary income to net sales.



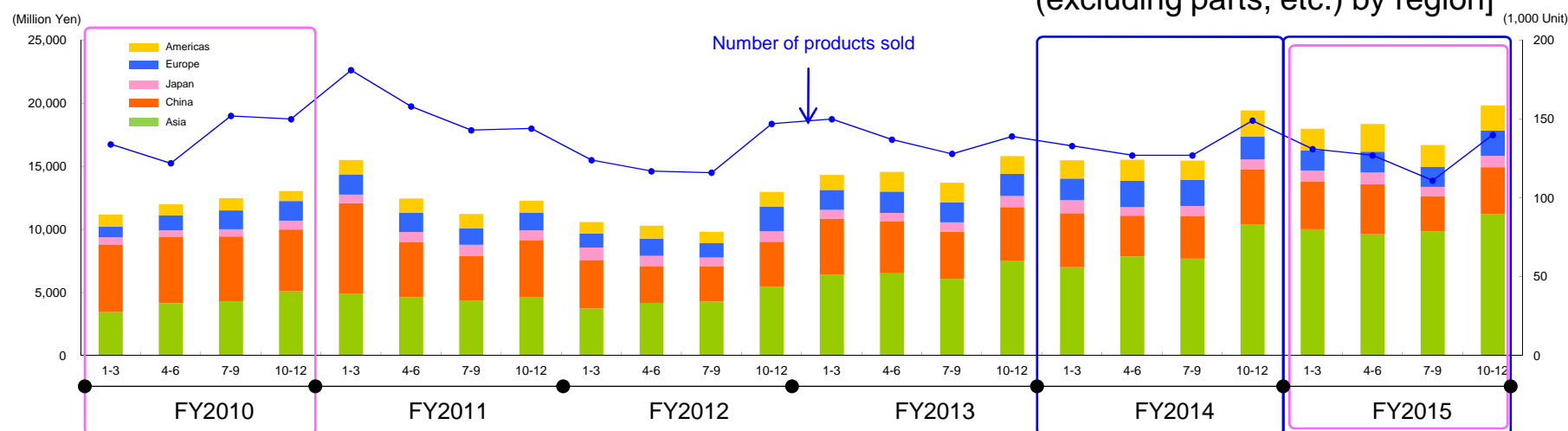
# (Reference 1-1) Performance by Segments

## Sewing Machinery Business: Industrial Sewing Machines



Sales in emerging Asian regions were still strong and the net sales ratio grew to 56%.  
The weighting of sales in China fell to 20%.

[Sewing Machinery Business: Changes in net sales of industrial sewing machines  
(excluding parts, etc.) by region]



[Net sales: year-on-year comparison]

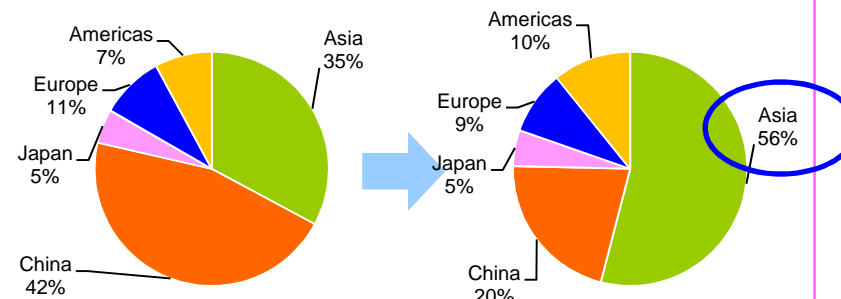
(100 Million Yen)

	Jan-Dec 2014	Jan-Dec 2015	Amount of change	% of change
Asia	330	407	77	23.3%
China	152	143	△9	△5.9%
Japan	33	34	1	3.0%
Europe	77	68	△9	△11.7%
Americas	67	76	9	13.4%
Total	659	728	69	10.5%

[Composition of net sales: comparison with Jan-Dec 2010]

Jan-Dec 2010

Jan-Dec 2015



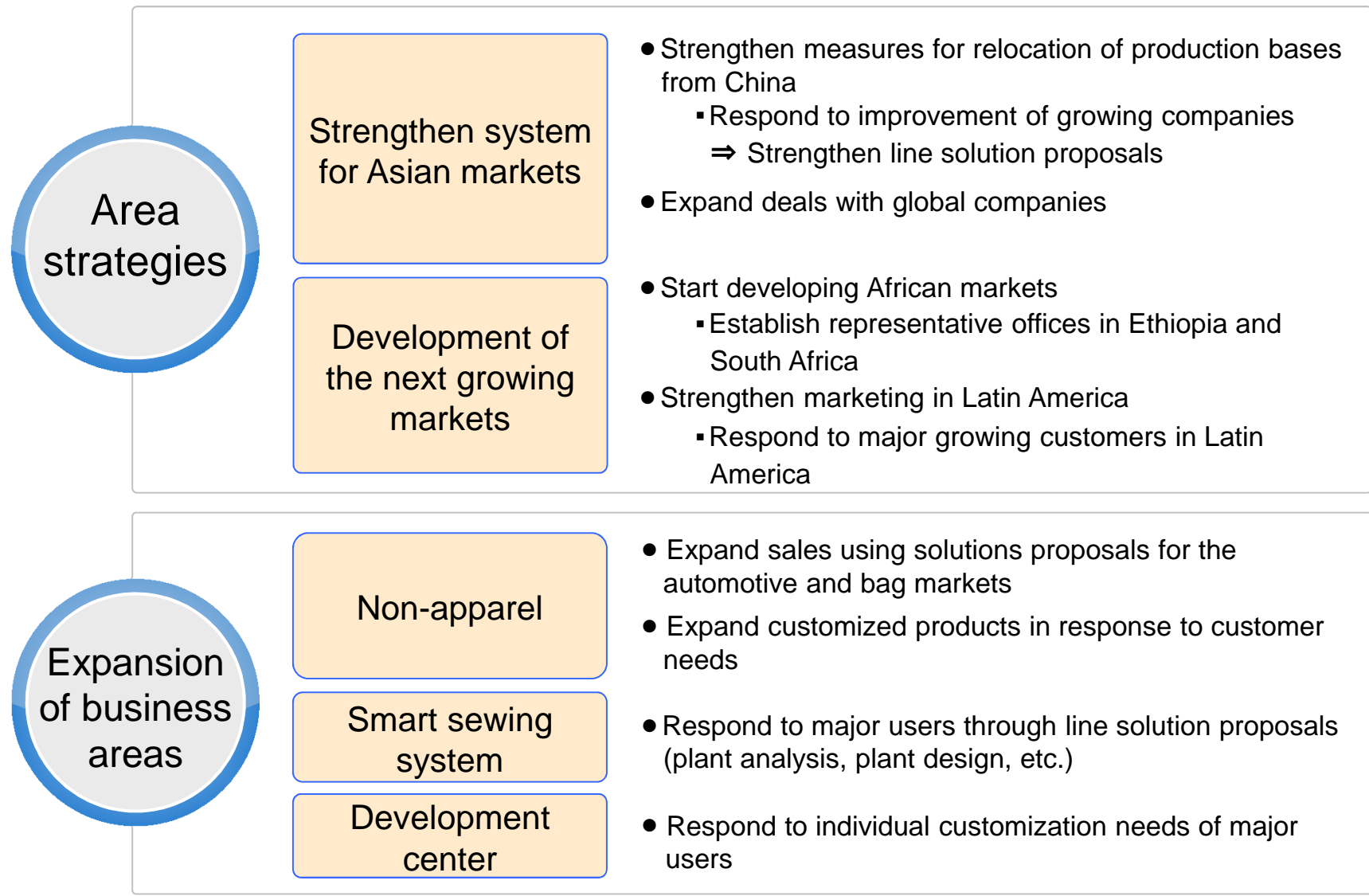
Note: The numbers for industrial sewing machines (excluding parts, etc.) are the aggregated monthly sales and do not match the figures of final settlement of account.

## (Reference 1-2) Performance by Segments

### Sewing Machinery Business: Industrial Sewing Machines



#### Measures for Industrial Sewing Machines Business

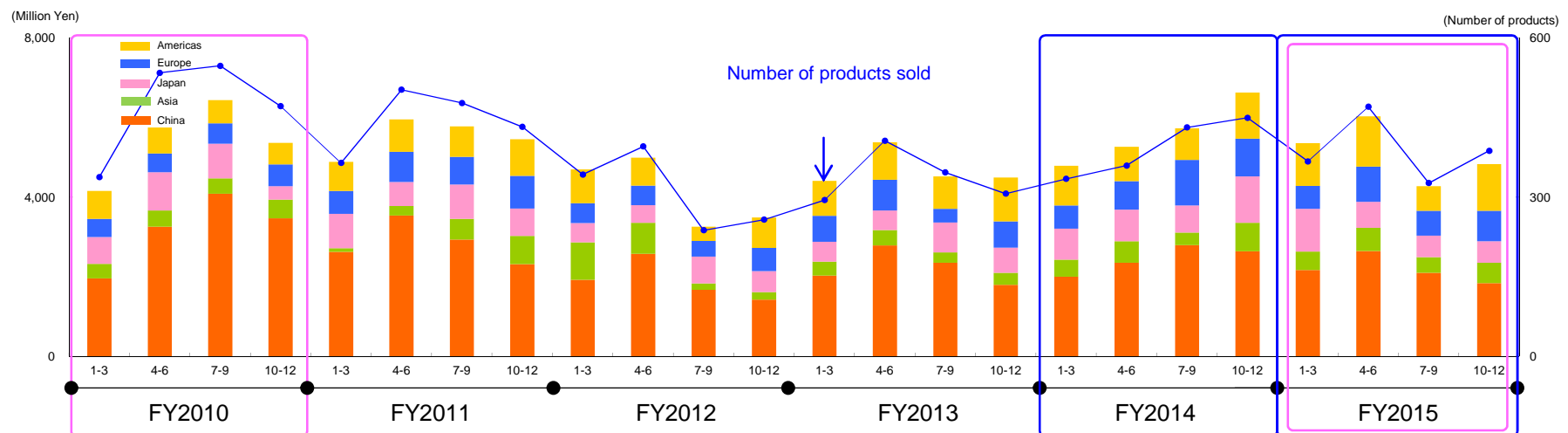


# (Reference 2-1) Performance by Segments Electronic Assembly Systems Business



Sales in China decreased reflecting the effect of the economic slowdown and a decline in capital investment demand.

## [Electronic Assembly Systems Business: Changes in net sales by region]



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

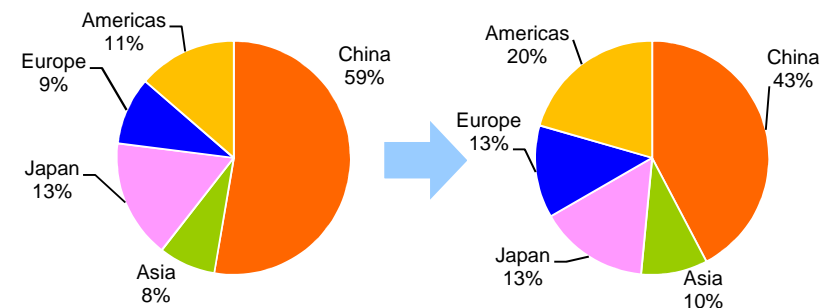
(100 Million Yen)

	Jan-Dec 2014	Jan-Dec 2015	Amount of change	% of change
China	98	88	△10	△10.2%
Asia	20	20	0	0%
Japan	34	28	△6	△17.6%
Europe	34	28	△6	△17.6%
Americas	38	41	3	7.9%
Total	224	205	△19	△8.5%

### [Composition of net sales: comparison with Jan-Dec 2010]

Jan-Dec 2010

Jan-Dec 2015



Note: The numbers are the aggregated monthly sales and do not match the figures of final settlement of account.

## (Reference 2-2) Performance by Segments Electronic Assembly Systems Business

### Measures for Electronic Assembly Systems Business

#### Product strategy

New products

- New products launched in 2015



High speed compact  
modular mounter  
RX-6R



PWB visual inspection  
machine (AOI/SPI)  
RV-2

Line solutions  
collaborative  
products

- Strengthen product lineup through business collaborations for line solutions

#### Area strategies

Chinese market

- Strengthen management capabilities in the Chinese market, centered on solution sales

Indian market

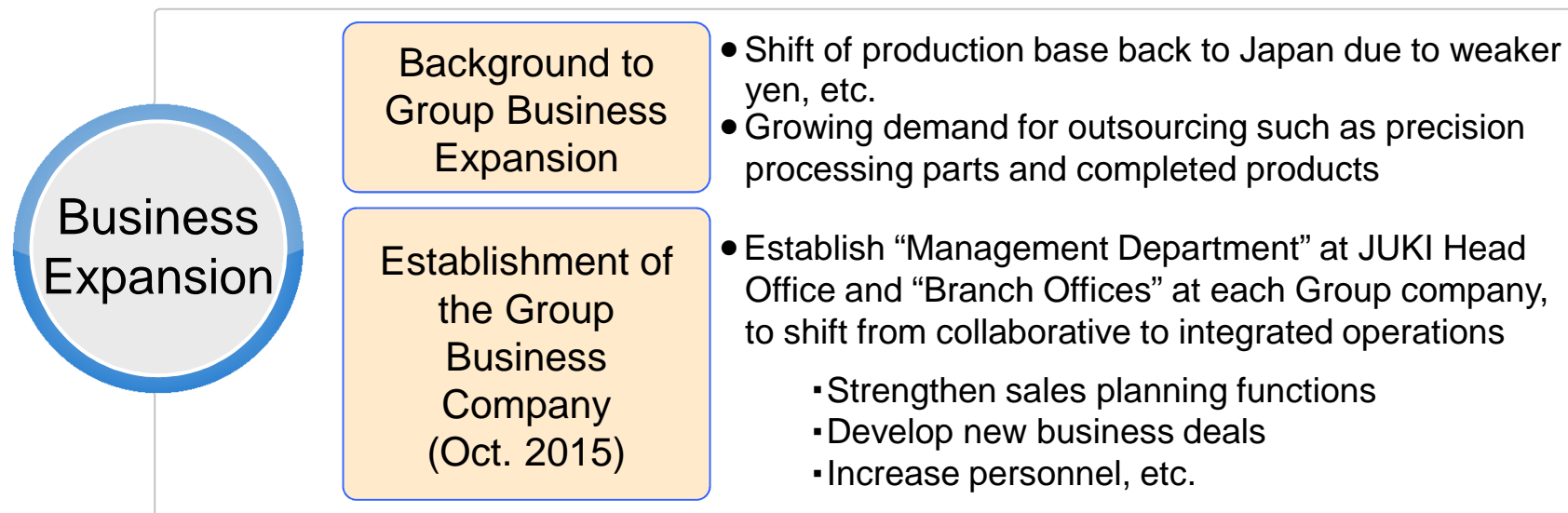
- Expand sales to growing companies (assembled product manufacturers)

European and  
U.S. market

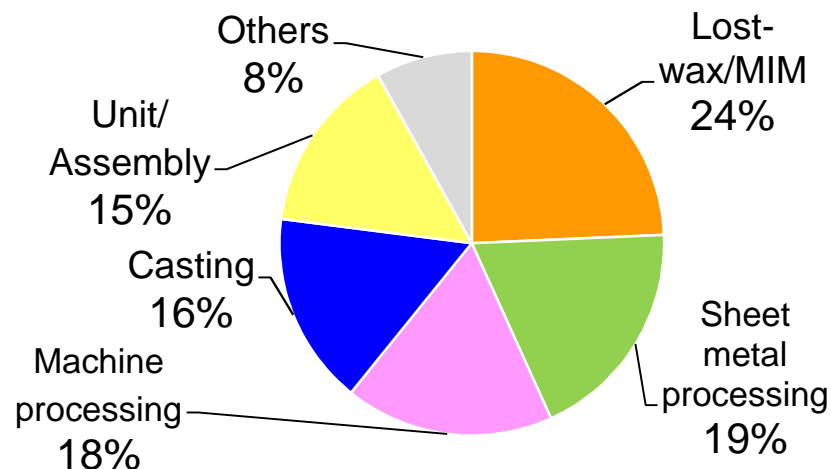
- Develop new customers among growing companies (EMS)

## (Reference 3) Performance by Segments Group Business

### Measures for Group Business



### Content of business talks



We have many business talks of materials involving lost-wax/MIM and casting, and "parts" involving machine processing

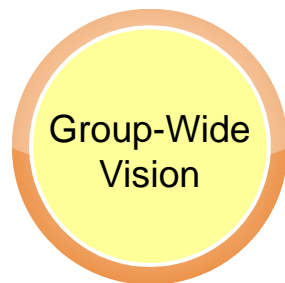
Business deals for "completed products" such as units and assembly are increasing

## Part 2

# Measures for the Medium-Term Management Plan (2015-2016) and Key Initiatives in FY2016

## 2-1-1: Measures for the Medium-Term Management Plan (2015-2016)

### Group-wide vision and basic policies



### Global “Monodzukuri” manufacturer equipped to survive in the 21st century

~ a company at which employees who are innovative and active, combine their capabilities to respond to changes and form a strong business ~

#### Basic Policy (1)

**Constructing a business structure capable of continuously yielding profits**

#### Basic Policy (2)

**Developing powerful personnel with the expertise to implement our strategy**

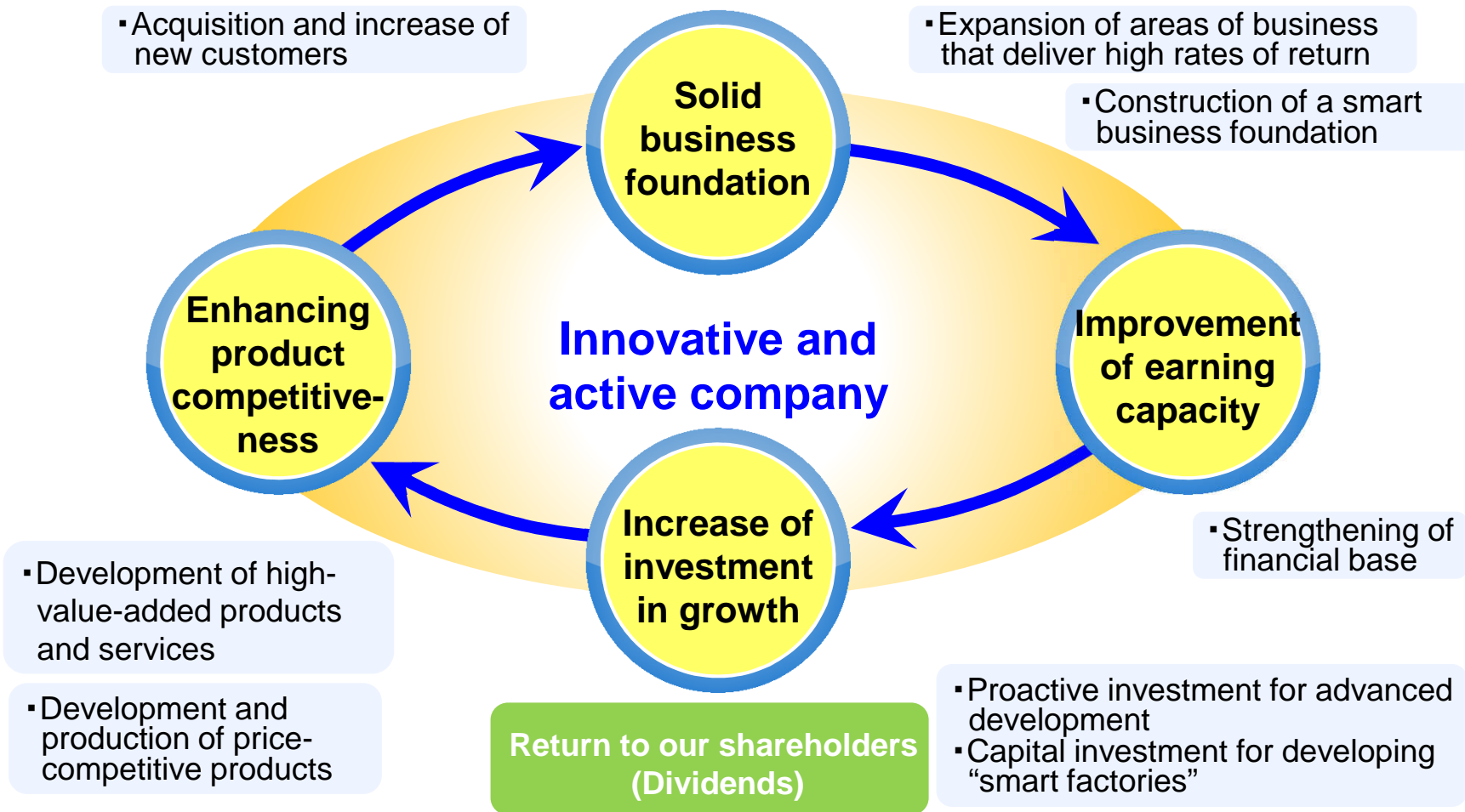
#### Basic Policy (3)

**Constructing a smart business foundation**



## 2-1-2: Measures for the Medium-Term Management Plan (2015-2016)

### JUKI's growth cycle



## 2-2-1: Understanding of Environment

### Management Environment

#### ■ Raising of interest rate in the U.S.

**Risk** ⇒ Draw growth funds away from emerging countries

**Opportunity** ⇒ Stable growth of U.S. economy

#### ■ Further slowdown of Chinese economy

**Risk** ⇒ Slump in capital investment demand

**Opportunity** ⇒ Shift to high-end products in manufacturing industry

#### ■ Decline in oil price

**Risk** ⇒ Financial deterioration in oil producer countries

**Opportunity** ⇒ Expansion in consumer demand for automobiles, etc.

#### ■ Progress on TPP, FTA

**Opportunity** ⇒ Market expansion from liberalization of trade

From 2014 to 2015 1H, the global economy and forex markets were stable



From 2015 2H, the global economy fluctuated heavily



2016 will be a year of significant upheaval

## 2-2-2: Understanding of Environment

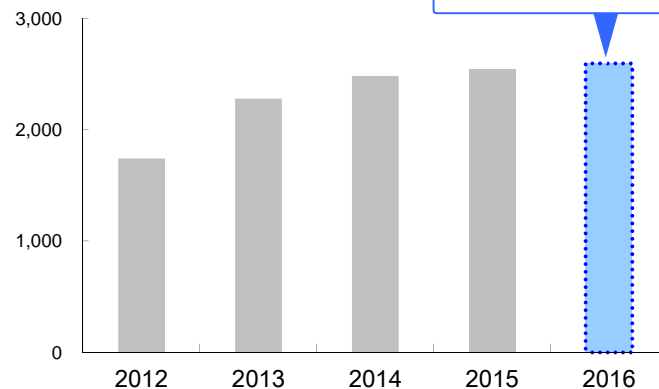
Cautions Approach to Capital Investment in the Manufacturing Sector  
Overall; However, Strong and Growing Companies Continue to  
Invest in Increasing Productivity and Saving Energy

Build a Solid Business Foundation Structure

### [Market sizes for industrial sewing machines and electronic assembly systems]

#### <<Industrial sewing machines >>

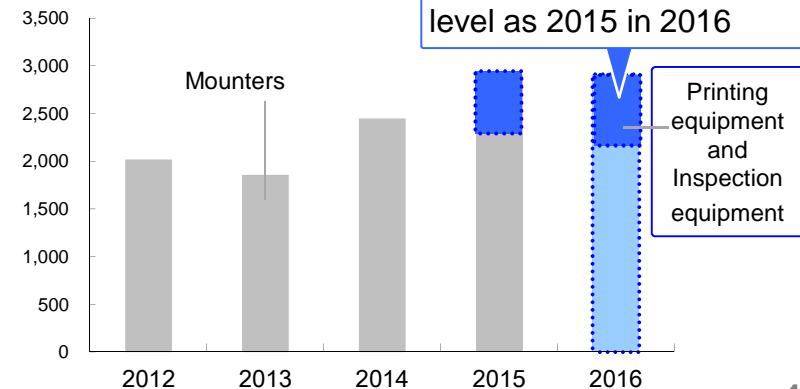
<Market size>  
(100 Million Yen) \* Data: JUKI estimates



Predicted to be +8% in  
2016 compared to 2015

#### <<Electronic assembly systems>>

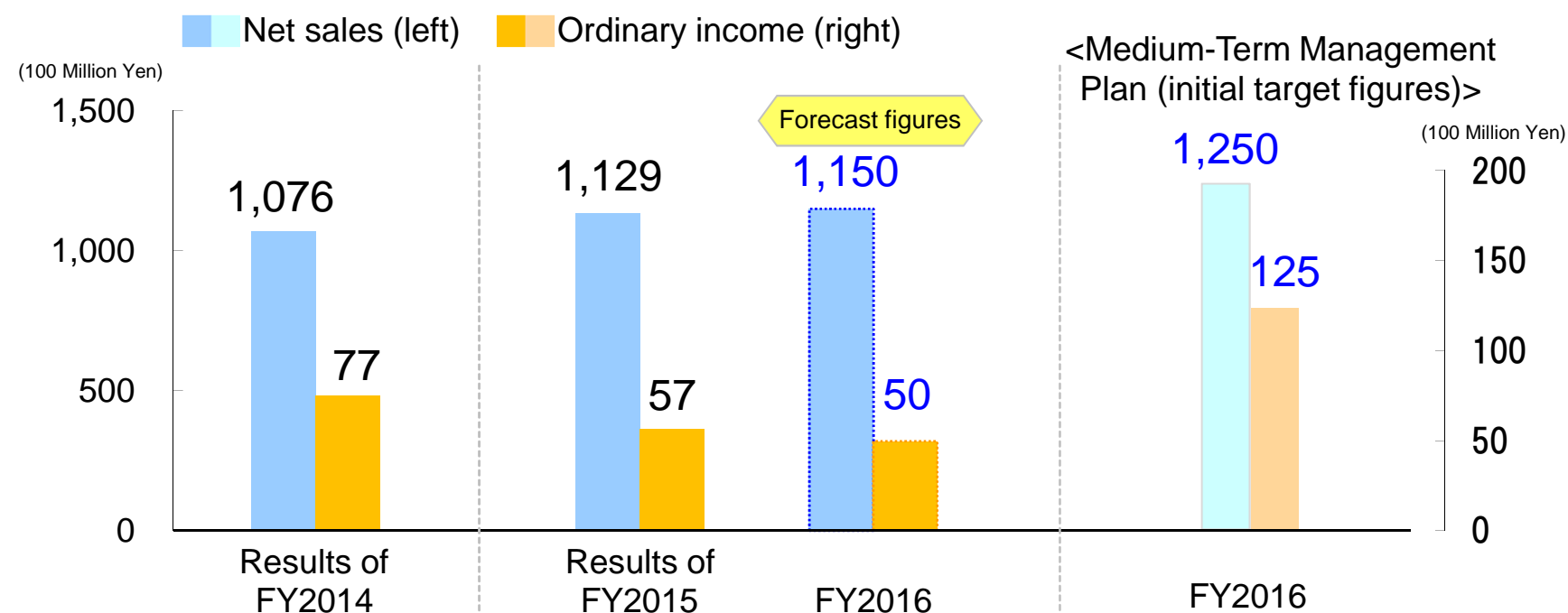
<Market size>  
(100 Million Yen) \* Data: JUKI estimates  
Market: Mounters + Printing equipment +  
Inspection equipment



Predicted to be the same  
level as 2015 in 2016

## 2-3-1: Forecast for FY2016

Revision of the initial target figures for FY2016 in the Medium-Term Management Plan, due to the significant changes of the business environment



	FY2014	FY2015	FY2016
Ordinary income ratio	7.2%	5.0%	4.3%
Equity ratio	18.4%	23.2%	26%
Net D/E ratio	2.6 times	2.1 times	1.6 times

## 2-3-2: Forecast for FY2016

(100 Million Yen)

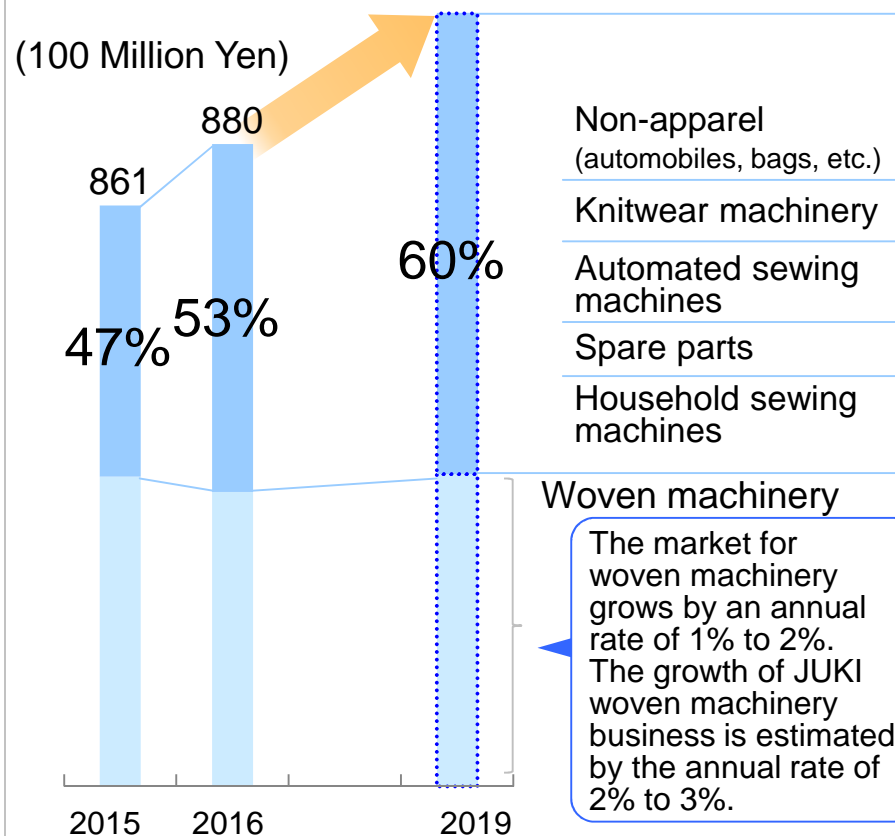
		Full-year results for FY2015 (Jan-Dec)	Forecasts for FY2016	
			1st half (Jan-Jun)	Full-year (Jan-Dec)
Net Sales		1,129	560	1,150
	(Sewing Machinery)	(861)	(430)	(880)
	(Electronic Assembly Systems)	(205)	(95)	(200)
Operating Income		71	22	60
Ordinary Income		57	17	50
Net income		39	10	30
Dividend per Share (After share consolidation)		¥ 35 〔 Interim: ¥10 Year-end: ¥25 〕	Interim: ¥10	Full-year: ¥35 〔 Interim: ¥10 Year-end: ¥25 〕
Exchange rate	1 US\$	¥121	¥110	¥110

## 2-4-1-1: Key Initiatives for FY2016 (Sewing Machinery Business)

Medium-term visions for sewing machinery business (industrial sewing machines + household sewing machines)

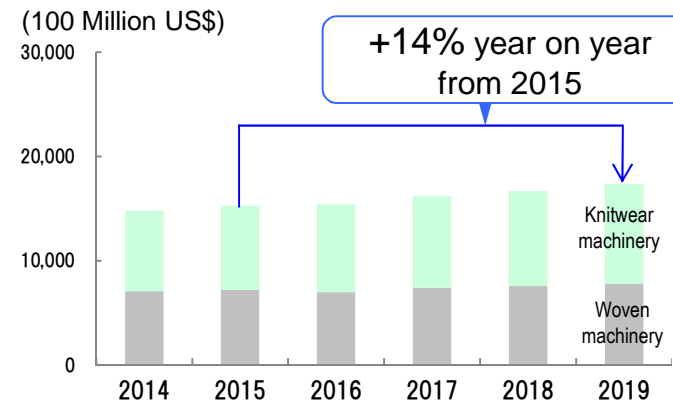
Further expand business fields with non-apparel, knitwear machinery, automated sewing machines, spare parts and household sewing machines

[Images of sales composition of Sewing Machinery Business]



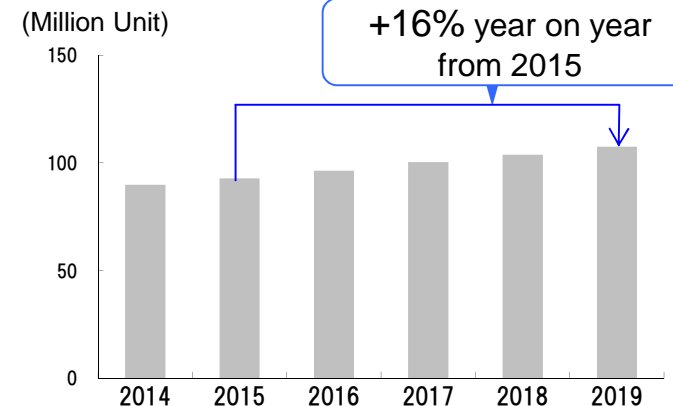
### [Apparel market]

\* Data: JUKI estimates



### [Automobile market]

\* Data: JUKI estimates



## 2-4-1-2: Key Initiatives for FY2016 (Sewing Machinery Business: Industrial Sewing Machines)



### Product strategy and regional strategy for industrial sewing machines

#### Product strategy

##### Further expand sales in growing areas of business

Non-apparel

- Expand sales in automotive and bag markets, etc.

Knitwear machinery

- Expand sales through line solutions
- Expand sales in Latin America

Automated sewing machines

- Respond to automation needs and customize products for the major customers, under horizontal business network, based on line solutions

Spare parts

- Expand sales of volume-zone spare parts
- Expand sales; the Parts Business Promotion Department (newly established) plays a central role

#### Regional strategy

- Strengthen regional headquarters function of JUKI Singapore  
⇒ Supervise operations for Asia (excluding China) and Africa, and promote speedy decision-making
- Expand sales in “new emerging countries”  
⇒ Expand sales in the Africa and Latin America



## 2-4-1-3: Key Initiatives for FY2016 (Sewing Machinery Business: Industrial Sewing Machines)

### Enlargement of line solution proposals and new product lines

#### Line solution proposals

Propose smart solutions that address customer needs for labor savings and automation



Improve productivity



Labor-saving



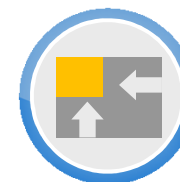
Overcome skill requirement



Worker-friendly



Improve quality

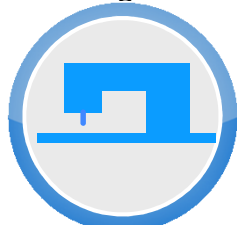


Space-saving

Strengthen capacity to address the needs of major users of sewing machines in countries such as China, Vietnam, India and Indonesia

#### New product lines

[New product lines for the next generation]



Successive launching planned

[The latest released new products]



MO-6800S



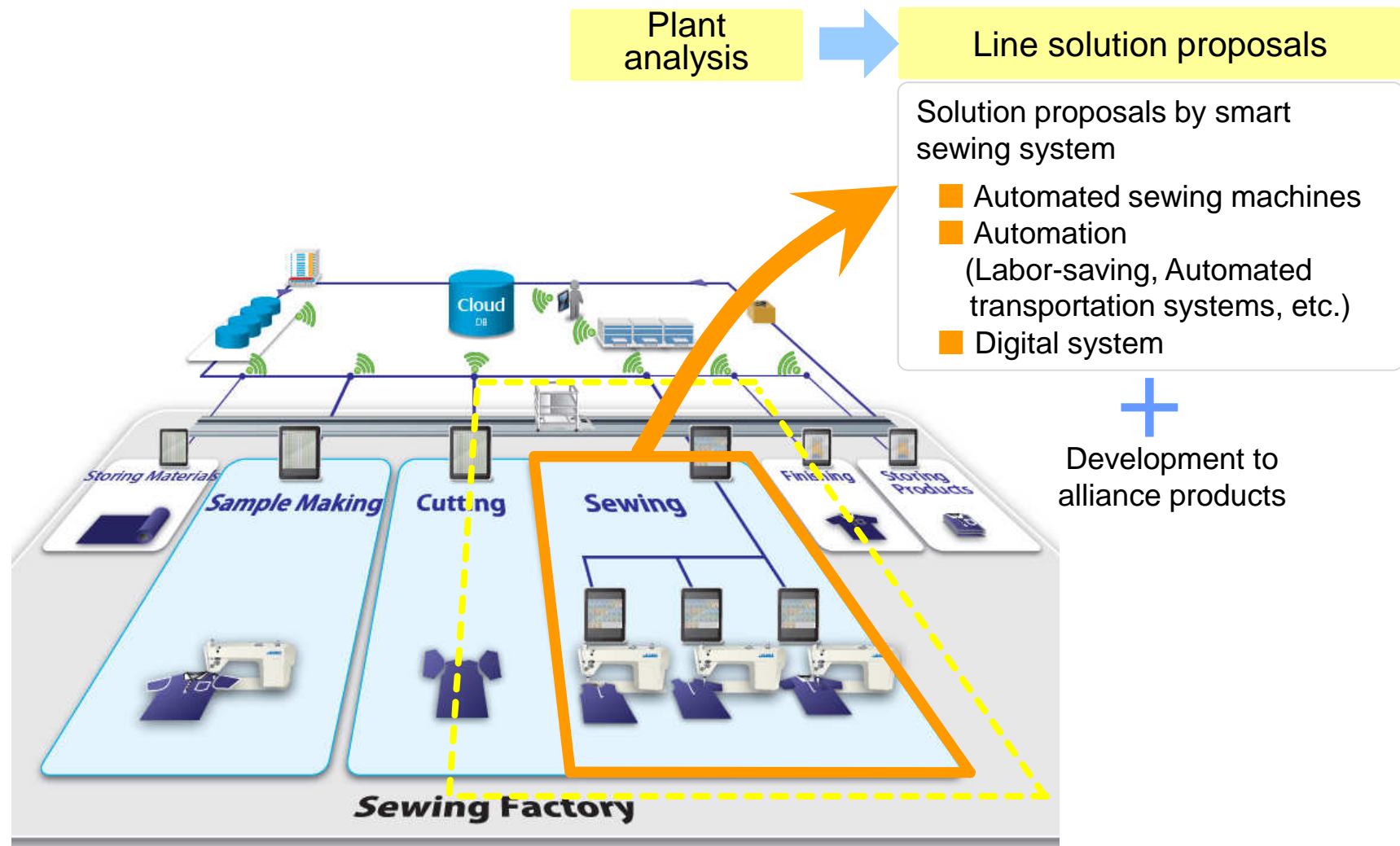
LU-2800 Series



LK-1903BB

## 2-4-1-4: Key Initiatives for FY2016 (Sewing Machinery Business: Industrial Sewing Machines)

### Expansion of line solution proposals



## 2-4-1-5: Key Initiatives for FY2016 (Sewing Machinery Business: Household Sewing Machines)



### Product strategy and regional strategy for household sewing machines

#### Product strategy

##### Reinforce sales and expand sales of new 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

###### Machines for work purposes and for quilts

- Expand sales to (semi-) professional quilters by developing a series of QVP quilting machines

#### Regional strategy

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

## 2-4-1-6: Key Initiatives for FY2016 (Sewing Machinery Business: Household Sewing Machines)



### New product lines of household sewing machines

Quilting machine for household use  
(QVP family)



Frame type (stand-up model)  
TL-2200QVP



Computer sewing machine  
for quilting  
DX-2000QVP



Overlock machine  
for quilting  
MO-2000QVP

Household sewing  
machines/ Overlock  
machine



Household computer  
sewing machine  
HZL-EX7



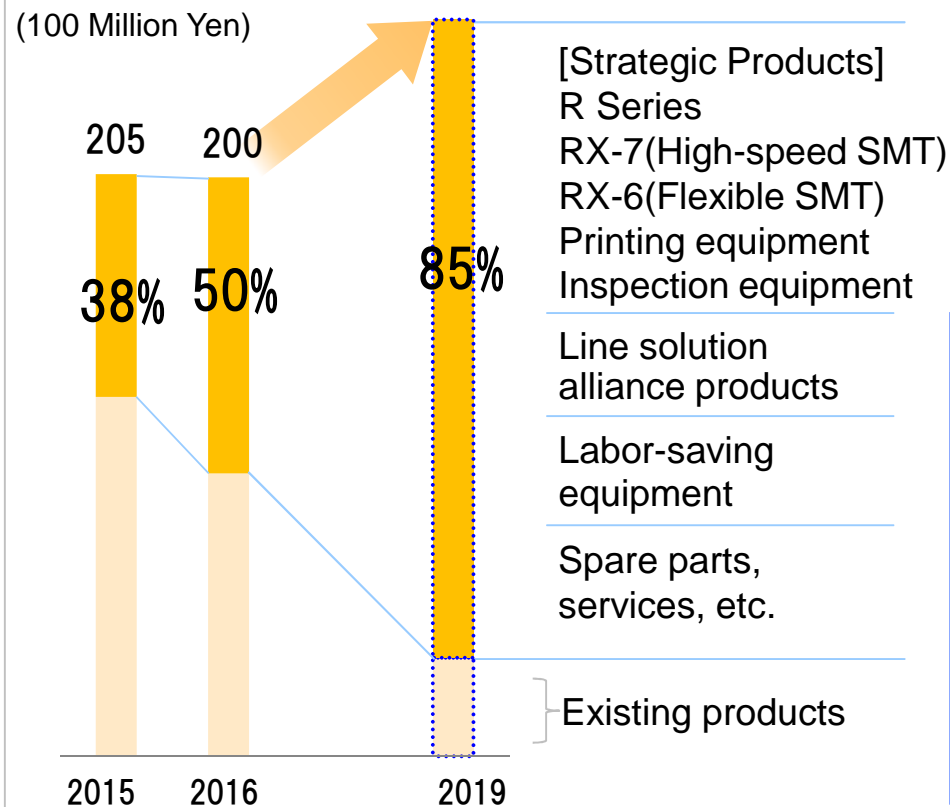
Overlock machine  
MO-114D

## 2-4-2-1: Key Initiatives for FY2016 (Electronic Assembly Systems Business)

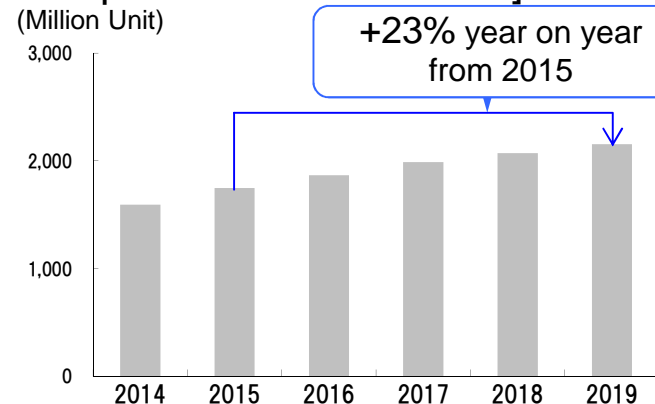
### Medium-term vision for Electronic Assembly Systems Business

Expand business fields with R Series, line solution alliance products, labor-saving equipment and others

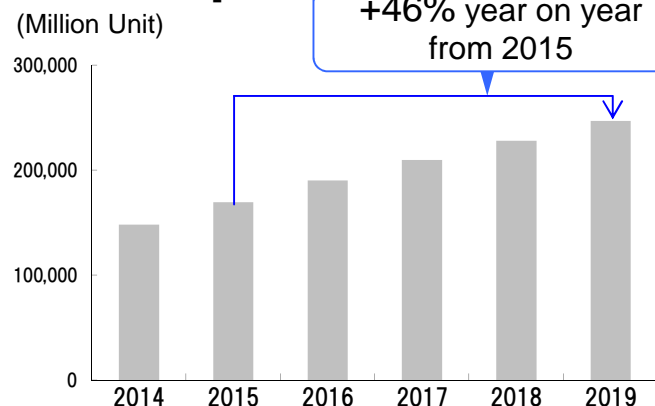
[Images of sales composition of Electronic Assembly Systems Business]



\* Data: JUKI estimates  
[Smartphone · tablet market]



\* Data: JUKI estimates  
[LED market]



## 2-4-2-2: Key Initiatives for FY2016 (Electronic Assembly Systems Business)

### Product strategy and structural reform of business operation for Electronic Assembly Systems

#### Product strategy

#### Expand sales in growing areas of business

[Strategic Products]  
R Series, etc.

- Expand sales of new product lines (RX-7 (high-speed SMT), RX-6R (flexible SMT), printing equipment and inspection equipment)

Line solution  
alliance products

- Expand sales of intelligent storage management systems (ISM Series)

Labor-saving  
equipment

- Expand sales by upgrading sales networks, enhancing partnerships, etc.

Spare parts and  
services

- Expand sales; the Parts Business Promotion Department (newly established) plays a central role

#### Structural reform of business operation

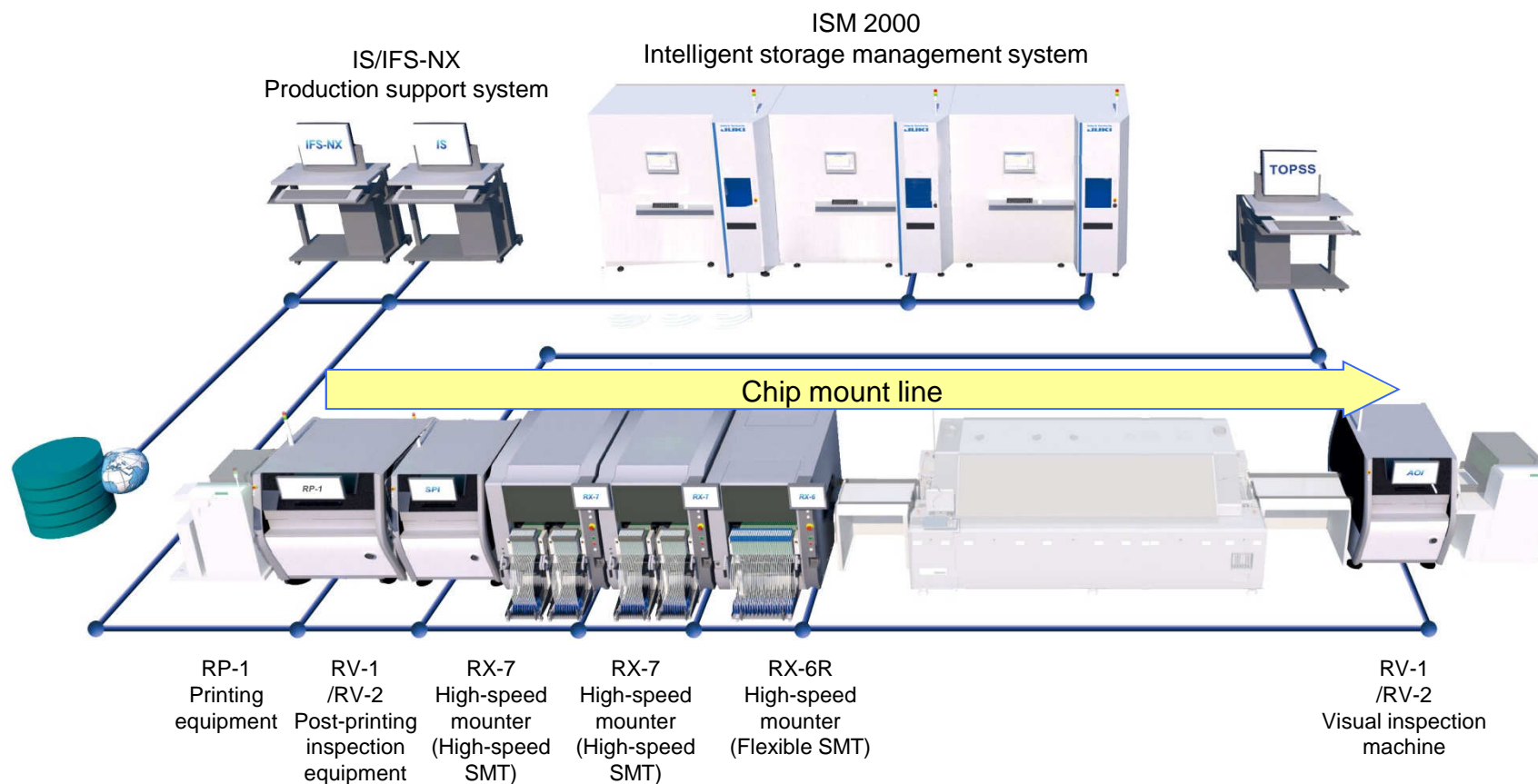
- Improve earnings by streamlining sales structure and improving organizational efficiency to respond to market changes
- Bolster earning power by improving sales composition through enhanced solution sales



## 2-4-2-3: Key Initiatives for FY2016 (Electronic Assembly Systems Business)

### Enlargement of line solution proposals

#### Example of a line solution proposal



➡ Expand sales through line solution proposals including line solution alliance products



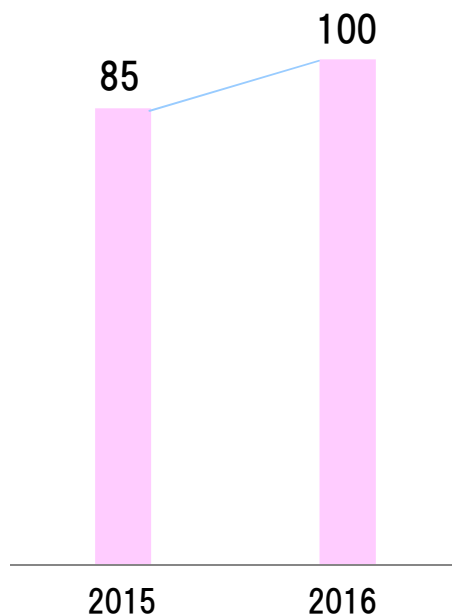
## 2-4-3-1: Key Initiatives for FY2016 (Group Business)

### Medium-term vision for Group Business

Expand business mainly with five key areas (measuring instruments, medical equipment, automobiles, tools, and dies)

[Sales plan for Group Business]

(100 Million Yen)



Planning  
and  
develop-  
ment

Take on business involving all stages of unit design and manufacturing

Take on business involving all stages of unit manufacturing

Take on business involving parts manufacturing

Sales

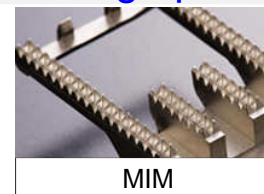
### Multiple manufacturing options



Pig-iron casting



Lost-wax



MIM



Manufacturing of dies



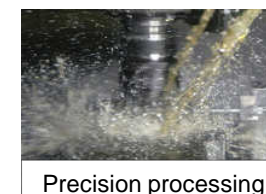
Manufacturing of cutters



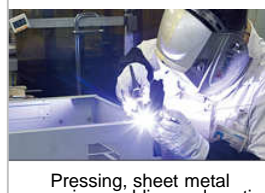
Heat treatment and forging



Processing of large structures



Precision processing



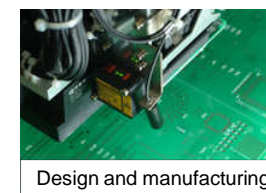
Pressing, sheet metal processing, welding and coating



Development and manufacturing of mechatronics products



Design and manufacturing of units



Design and manufacturing of control boards

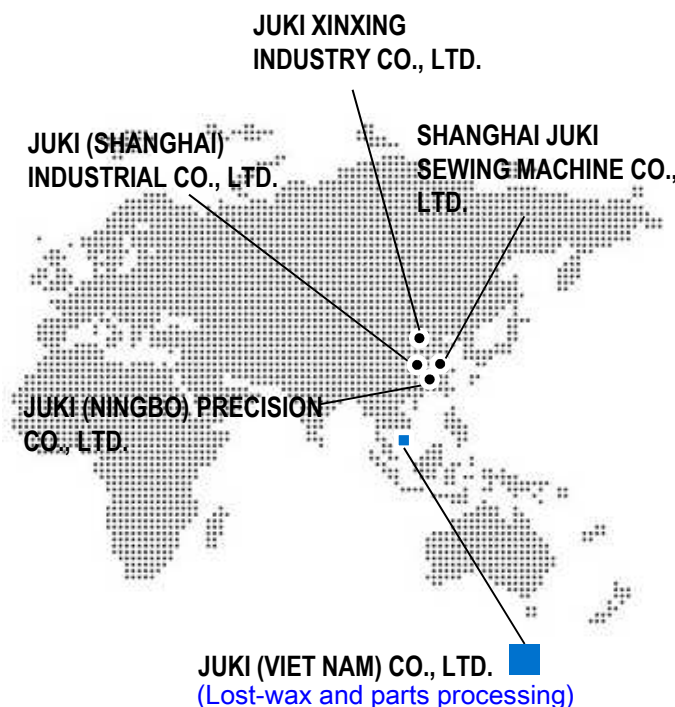
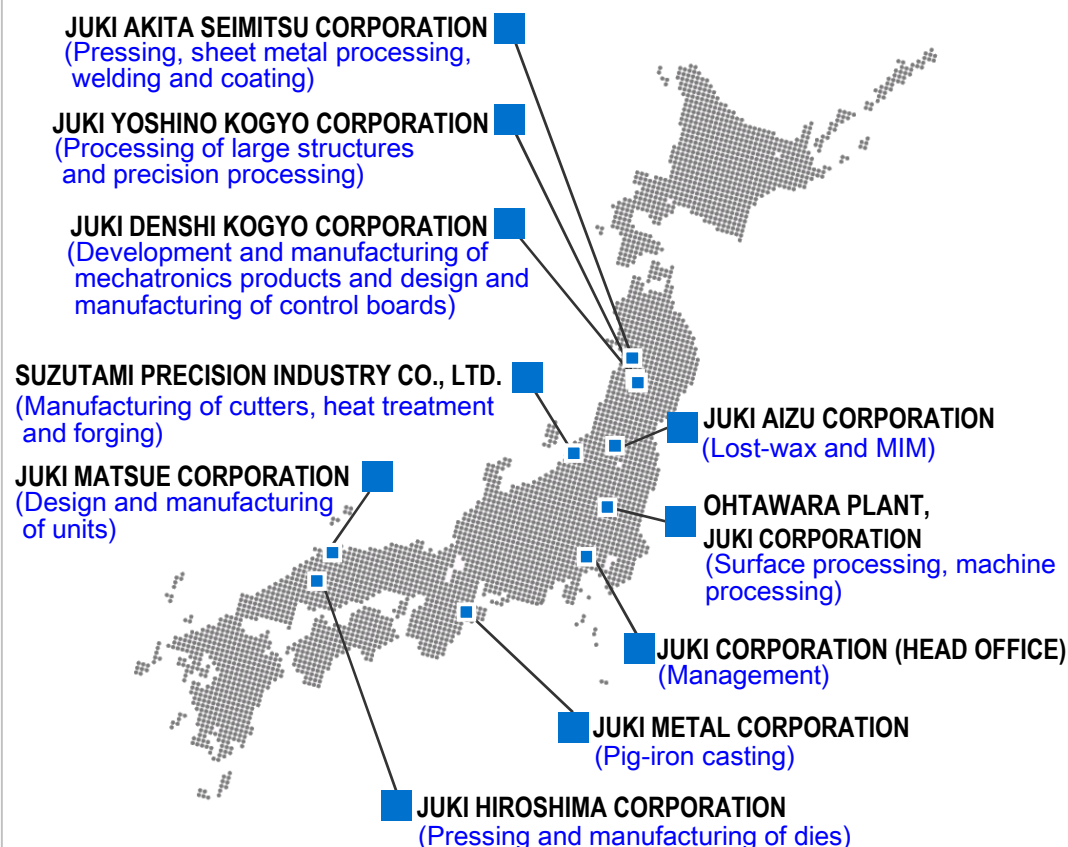
\* Group Business sales: Aggregate of net sales attributable to Group Business, from among Sewing Machinery, Electronic Assembly Systems, and Other segments

## 2-4-3-2: Key Initiatives for FY2016 (Group Business)

### Expansion of business as a third business segment

Further expand the commissioned processing business with nine domestic companies including Ohtawara Plant, and one overseas company

- Companies in Group Business  
(Nine domestic companies and one overseas company)



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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