

(Reference translation)

Explanatory Meeting

First Half Account Settlement FY2016 ending December 31, 2016 on a consolidated basis

August 5, 2016
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JUKI Corporation

Mind & Technology



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Part 1

Performance of 1st Half FY2016 (ending Dec 2016)

1-1: Performance Trends and Dividends for 1st Half FY2016



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, operating income was down by 52.0% from the same period of the previous fiscal year, mainly due to the drop in sales. Ordinary income was down by 84.6% mainly due to loss on valuation on foreign exchange according to a significant shift to yen appreciation. Profit declined 3.0 billion yen due to a revision of deferred tax assets.

The Company has decided not to pay an interim dividend.

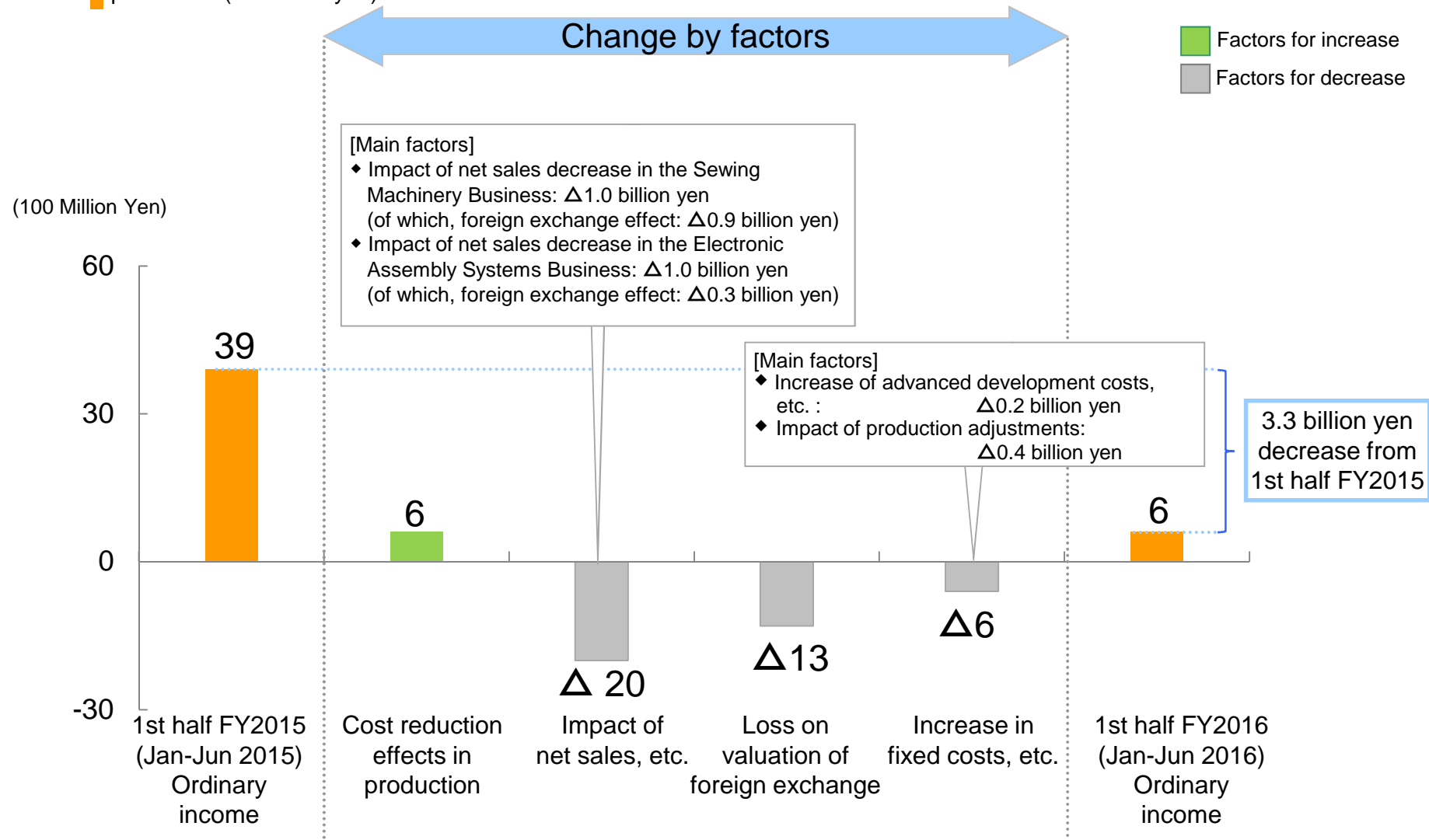
(Million Yen)

FY2015 ended December 31, 2015							FY2016 ending December 31, 2016			
	1st half			2nd half			1st half			Year-on-year change <B-A> (%)
	1Q	2Q	1st half <A>	3Q	4Q	2nd half	1Q	2Q	1st half 	
	Jan-Mar 2015	Apr-Jun 2015	Jan-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Jul-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jan-Jun 2016	
Net Sales	28,136	29,233	57,369	25,846	29,650	55,496	25,910	25,081	50,991	Δ6,377 (Δ11.1%)
Operating Income	1,793 [6.4%]	2,434 [8.3%]	4,227 [7.4%]	1,287 [5.0%]	1,596 [5.4%]	2,883 [5.2%]	1,455 [5.6%]	573 [2.3%]	2,028 [4.0%]	Δ2,198 (Δ52.0%)
Ordinary Income	1,544 [5.5%]	2,399 [8.2%]	3,943 [6.9%]	499 [1.9%]	1,286 [4.3%]	1,785 [3.2%]	831 [3.2%]	Δ225 [Δ0.9%]	606 [1.2%]	Δ3,336 (Δ84.6%)
Profit	1,019 [3.6%]	1,700 [5.8%]	2,719 [4.7%]	180 [0.7%]	954 [3.2%]	1,134 [2.0%]	650 [2.5%]	Δ882 [Δ3.5%]	Δ232 [Δ0.5%]	Δ2,952
Dividend per Share (After share consolidation)	—	—	<Interim Dividends> ¥10	—	—	<Year-end Dividends> ¥25	—	—	<Interim Dividends> ¥0	Δ¥10
Exchange Rate	1 US\$ ¥119	1 Euro ¥121	¥120	¥121	¥121	¥121	¥116	¥108	¥113	Δ¥7
			¥136	¥136	¥131	¥134	¥129	¥121	¥125	Δ¥11

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 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 ($\Delta 2.0$ billion yen) and loss on valuation of foreign exchange ($\Delta 1.3$ billion yen), etc. despite cost reduction effects in the areas of production (0.6 billion yen).

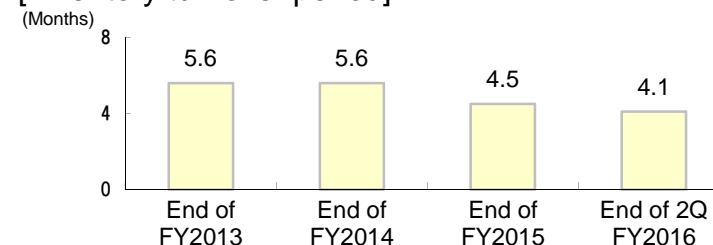


1-3: Changes in Major Financial Indices

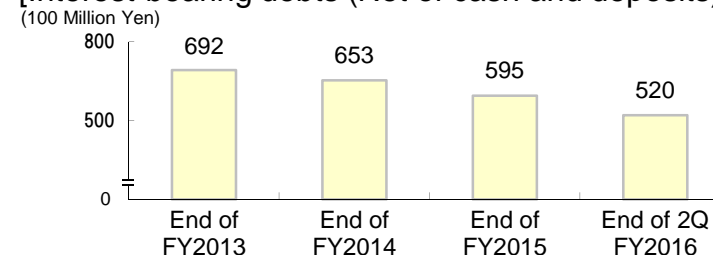
- Inventory turnover period decreased to 4.1 months by reviewing distribution and reducing manufacturing lead times.
- Interest-bearing debts decreased by 7.4 billion yen.
- Operating cash flow increased substantially due to a decrease in inventories, etc.

		As of December 31, 2015 (FY2015) 〈A〉	As of June 30, 2016 (2Q FY2016) 〈B〉	(Million Yen) Change 〈B-A〉
Total Assets		119,281	106,455	△12,825
Net Assets [Foreign currency translation adjustment]		28,477 [△1,148]	23,256 [△4,239]	△5,220 [△3,091]
Net Assets Ratio		23.9%	21.8%	△2.1%
Equity Ratio		23.2%	21.3%	△1.9%
<hr style="border-top: 1px dotted #0000FF;"/>				
Notes and accounts receivable - trade		31,263	26,949	△4,314
Inventories [turnover period]		42,647 [4.5 months]	35,216 [4.1 months]	△7,430 [△0.4 months]
Notes and accounts payable - trade		10,126	10,782	655
Interest-bearing debts		67,377	59,928	△7,449
Cash and deposits		7,906	7,931	24
Exchange rate (period-end)	1 US\$	¥121	¥103	△¥18

[Inventory turnover period]

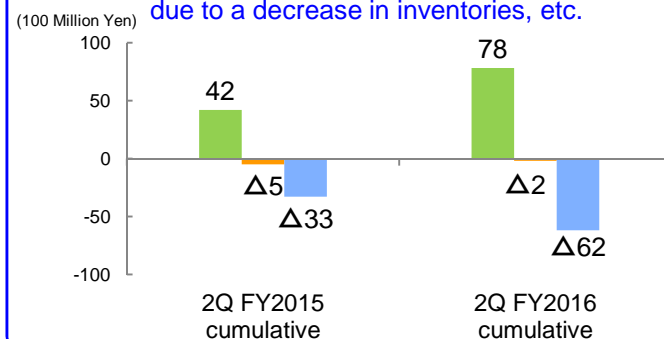


[Interest-bearing debts (Net of cash and deposits)]



[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 Sewing Machinery Business, net sales declined due to the strong yen, although sales increased in emerging countries such as Bangladesh and India in regard to geographic market, and, in terms of product, solution selling of automatic machines and spare parts had a positive effect on sales. As a result, net sales were down by 8.0% from the same period of the previous fiscal year.

In Electronic Assembly Systems Business, sales decreased in our largest market of China, and in the Americas in regard to geographic market. 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 were down by 27.4% from the same period of the previous fiscal year.

(Million Yen)

FY2015 ended December 31, 2015							FY2016 ending December 31, 2016				Year-on-year change 〈B-A〉 (%) <Reference> (foreign exchange effect in the amount)
1st half			2nd half			1st half					
1Q	2Q	1st half 〈A〉	3Q	4Q	2nd half	1Q	2Q	1st half 〈B〉			
Jan-Mar 2015	Apr-Jun 2015	Jan-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Jul-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jan-Jun 2016			
Sewing Machinery	21,223	21,681	42,904	20,061	23,182	43,243	19,817	19,659	39,476	Δ3,428 (Δ8.0%)	(Δ3,020)
Electronic Assembly Systems	5,367	6,036	11,403	4,279	4,836	9,115	4,555	3,719	8,274	Δ3,129 (Δ27.4%)	(Δ640)
Others	1,545	1,516	3,061	1,506	1,632	3,138	1,538	1,702	3,240	179 (5.8%)	
Total	28,136	29,233	57,369	25,846	29,650	55,496	25,910	25,081	50,991	Δ6,377 (Δ11.1%)	(Δ3,690)
Group Business	2,105	2,095	4,200	2,047	2,207	4,254	1,973	2,125	4,098	Δ102 (Δ2.4%)	

1-4-2: Performance by Segments

Changes in Ordinary Income



The Sewing Machinery Business showed a decrease in profits from the same period of the previous fiscal year mainly reflecting the impact of yen appreciation, despite cost reduction effects.

The Electronic Assembly Systems Business showed a decrease in profits from the same period of the previous fiscal year mainly reflecting the decline in sales and lower rates of return for profits due to competition with rival companies, although structural reform brought about a certain effect in reducing costs.

(Million Yen)

	FY2015 ended December 31, 2015						FY2016 ending December 31, 2016				
	1st half			2nd half			1st half			Year-on-year change 〈B-A〉	<Reference> (foreign exchange effect in the amount)
	1Q	2Q	1st half 〈A〉	3Q	4Q	2nd half	1Q	2Q	1st half 〈B〉		
	Jan-Mar 2015	Apr-Jun 2015	Jan-Jun 2015	Jul-Sep 2015	Oct-Dec 2015	Jul-Dec 2015	Jan-Mar 2016	Apr-Jun 2016	Jan-Jun 2016		
Sewing Machinery	1,925 [9.1%]	2,504 [11.5%]	4,429 [10.3%]	1,651 [8.2%]	2,210 [9.5%]	3,861 [8.9%]	2,133 [10.8%]	1,288 [6.6%]	3,421 [8.7%]	Δ1,008	(Δ910)
Electronic Assembly Systems	Δ134 [Δ2.5%]	Δ80 [Δ1.3%]	Δ214 [Δ1.9%]	Δ891 [Δ20.8%]	Δ575 [Δ11.9%]	Δ1,466 [Δ16.1%]	Δ540 [Δ11.9%]	Δ546 [Δ14.7%]	Δ1,086 [Δ13.1%]	Δ872	(Δ270)
Others	70 [4.5%]	14 [0.9%]	84 [2.7%]	64 [4.2%]	Δ52 [Δ3.2%]	12 [0.4%]	Δ32 [Δ2.1%]	Δ173 [Δ10.2%]	Δ205 [Δ6.3%]	Δ289	
Adjustment	Δ316	Δ40	Δ356	Δ324	Δ298	Δ622	Δ730	Δ793	Δ1,523	Δ1,167	(Δ1,270)
Total	1,544 [5.5%]	2,399 [8.2%]	3,943 [6.9%]	499 [1.9%]	1,286 [4.3%]	1,785 [3.2%]	831 [3.2%]	Δ225 [Δ0.9%]	606 [1.2%]	Δ3,336	(Δ2,450)

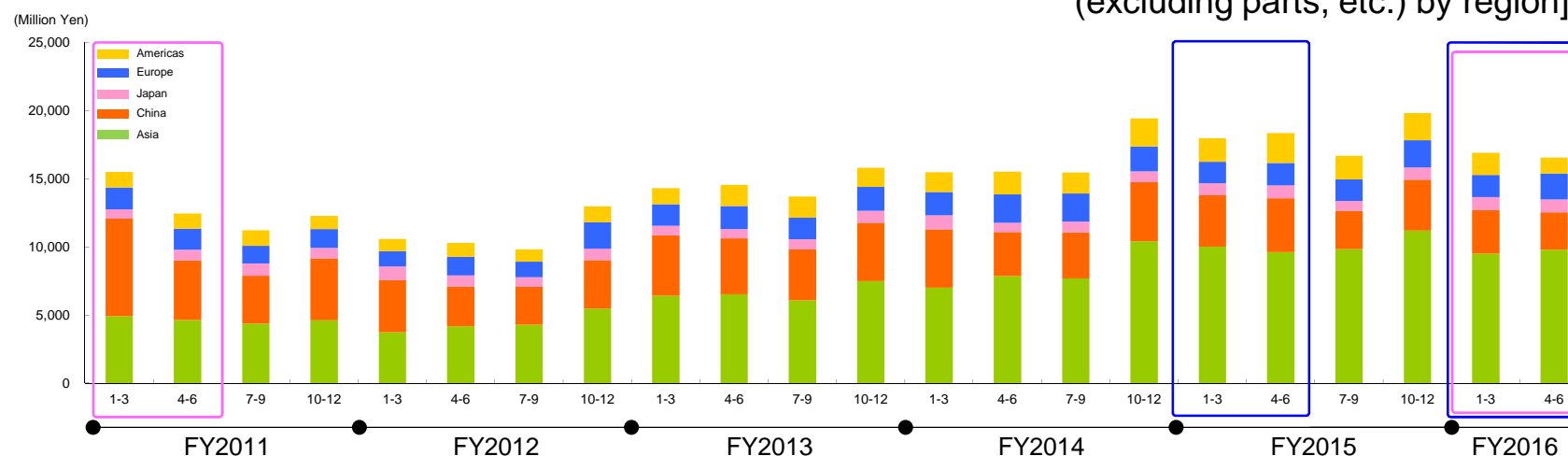
(Reference 1) Performance by Segments

Sewing Machinery Business: Industrial Sewing Machines



Sales in emerging Asian regions were sluggish but still firm and the net sales ratio grew to 58%.
The weighting of sales in China fell to 18%.

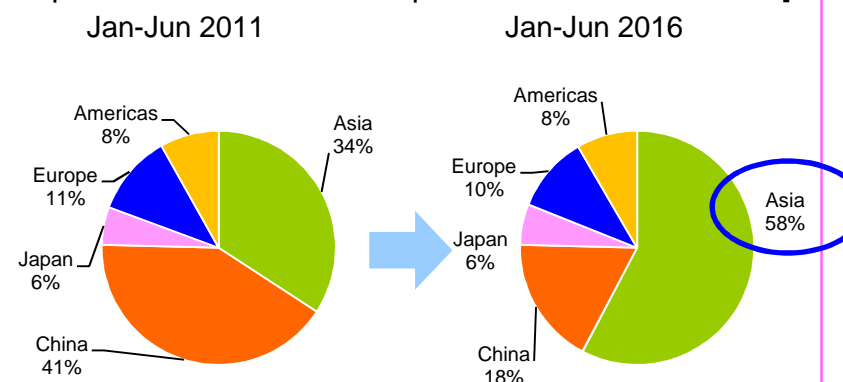
[Sewing Machinery Business: Changes in net sales of industrial sewing machines
(excluding parts, etc.) by region]



[Net sales: year-on-year comparison] (100 Million Yen)

	Jan-June 2015	Jan-June 2016	Amount of change	(% of change)
Asia	196	194	Δ2	
China	78	59	Δ19	(Δ24%)
Japan	18	19	1	
Europe	32	35	3	
Americas	39	28	Δ11	
Total	363	335	Δ28	(Δ8%)

[Composition of net sales: comparison with Jan-Jun 2011]



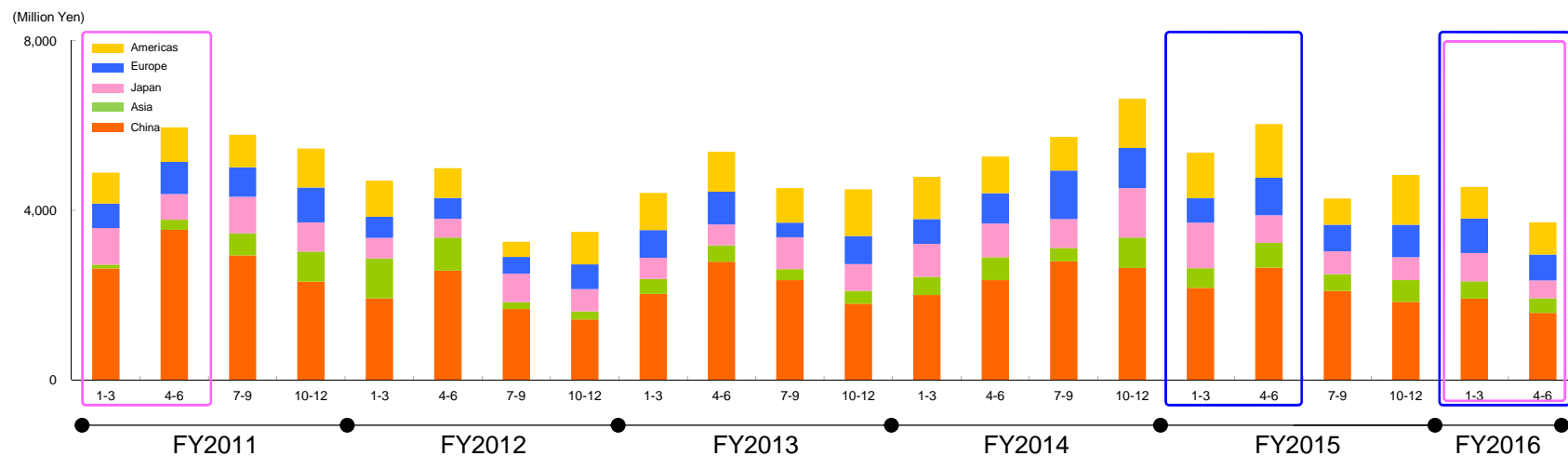
Note: The numbers for industrial sewing machines (excluding parts, etc.) are the aggregated monthly sales and do not match the figures of final settlement of account.

(Reference 2) Performance by Segments Electronic Assembly Systems Business



Sales in our largest market of China decreased mainly influenced by a sustained decline in capital investment demand due to the effect of the economic slowdown.

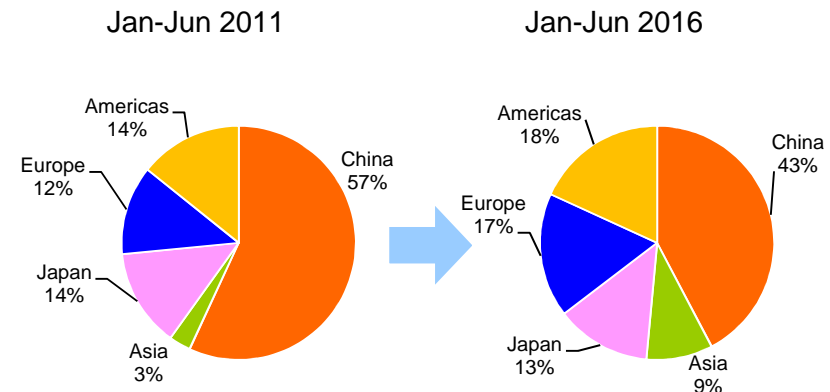
[Electronic Assembly Systems Business: Changes in net sales by region]



[Net sales: year-on-year comparison] (100 Million Yen)

	Jan-June 2015	Jan-June 2016	Amount of change	(% of change)
China	47	35	Δ12	(Δ26%)
Asia	12	8	Δ4	
Japan	18	11	Δ7	
Europe	15	14	Δ1	
Americas	22	15	Δ7	(Δ32%)
Total	114	83	Δ31	(Δ27%)

[Composition of net sales: comparison with Jan-Jun 2011]



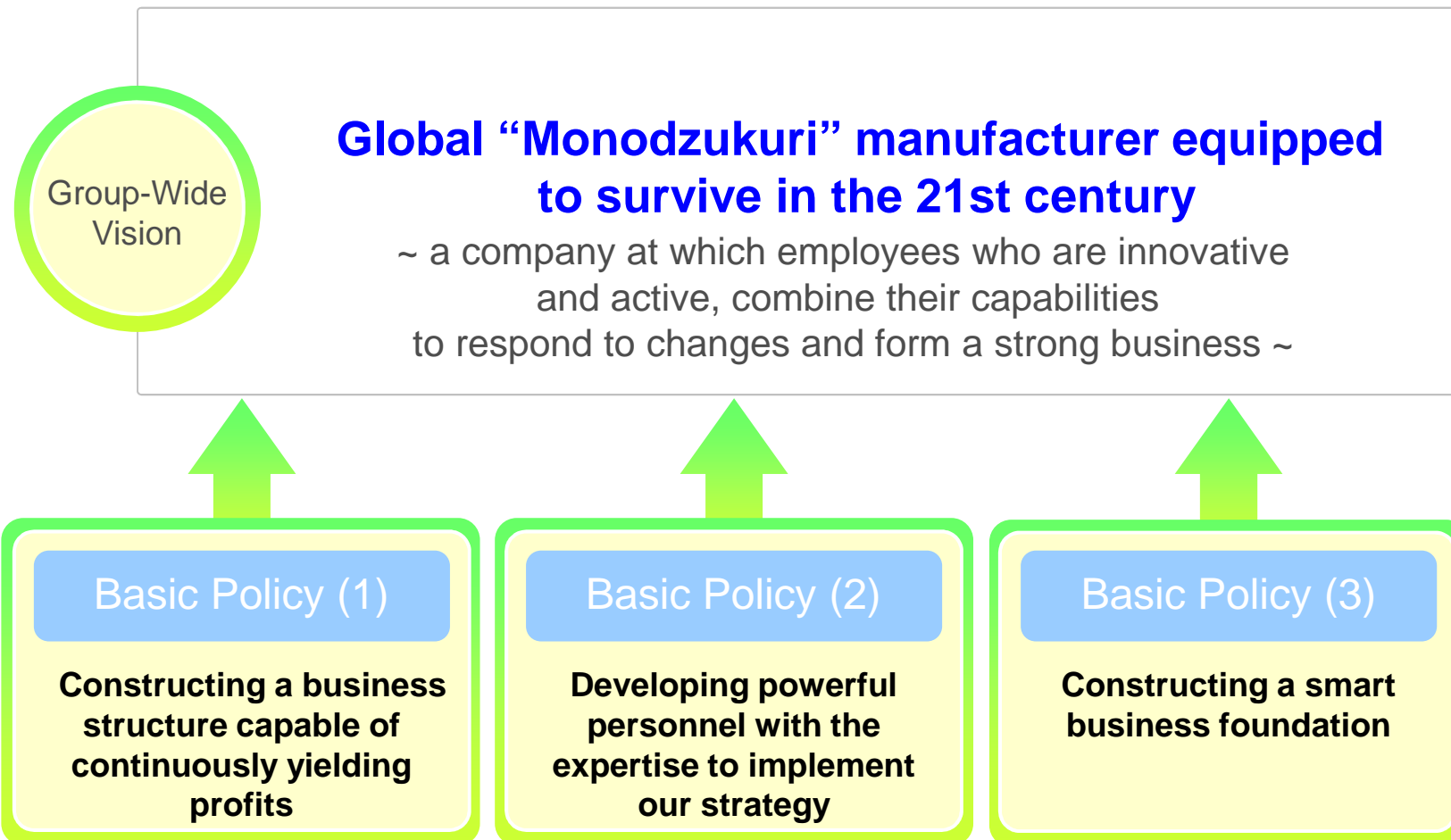
Note: The numbers are the aggregated monthly sales and do not match the figures of final settlement of account.

Part 2

Measures for the Medium-Term Management Plan (2015-2016) and Key Initiatives for 2nd Half FY2016

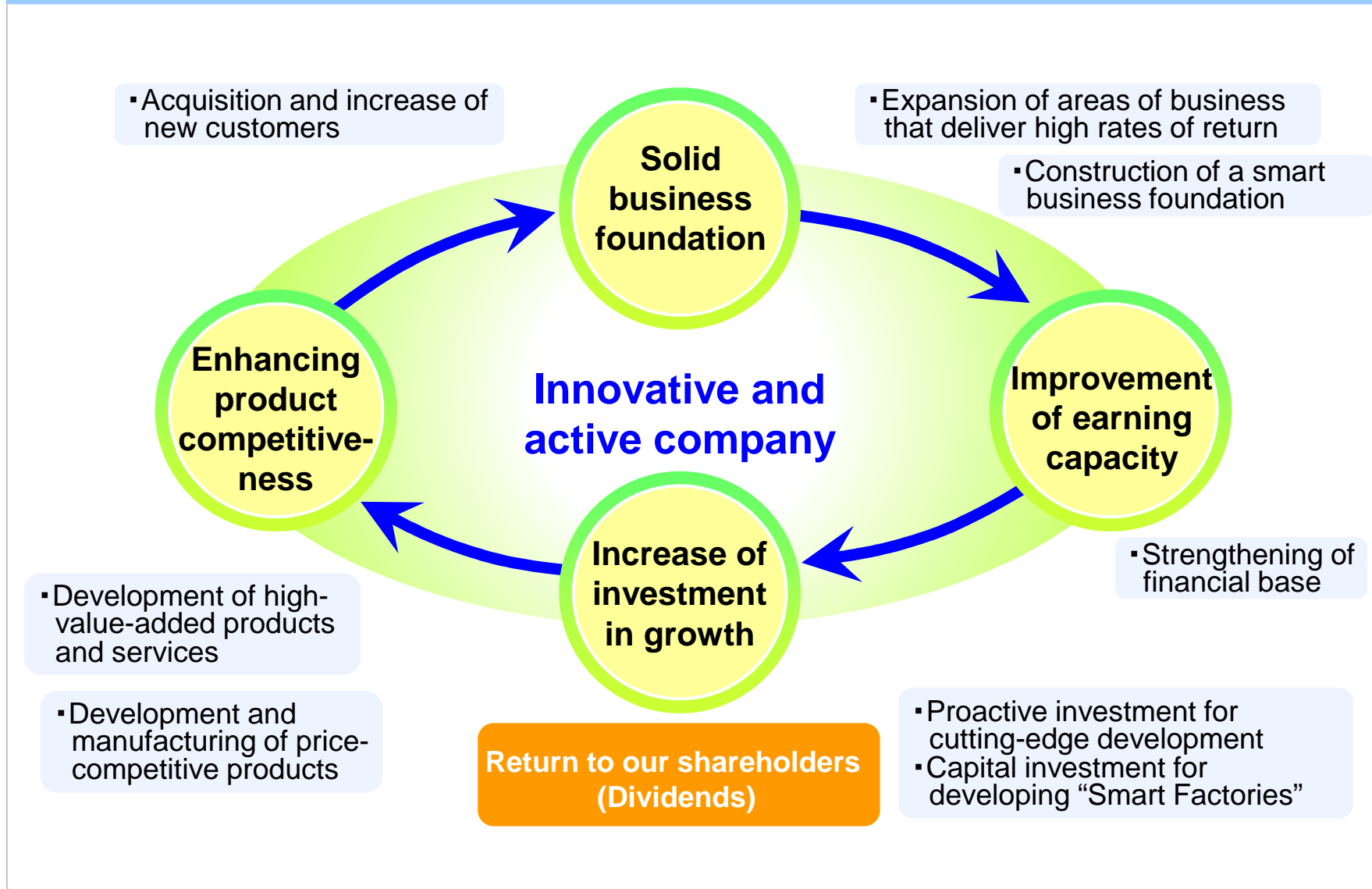
2-1-1: Measures for the Medium-Term Management Plan (2015-2016)

Group-wide Vision and Basic Policies



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

JUKI's Growth Cycle



2-2-1: Understanding of Environment

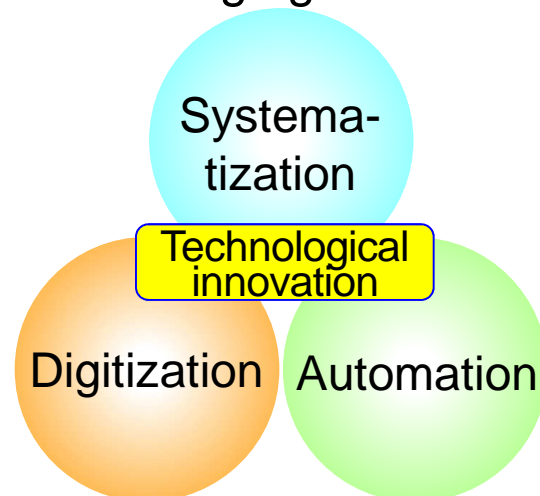
Management Environment

Europe	The UK leaving the EU
The U.S.	Hesitation to raise interest rates due to a lack of stable economic growth
China	Continued economic slowdown
Geopolitical risks	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”

2-2-2: Full-year Forecasts for FY2016

Management Policies of 2nd half

Sewing Machinery

Secure growth in sales and profits by strengthening businesses and regional strategies

Electronic Assembly Systems

Reduce fixed costs through structural reform and recover earnings through solution selling

Strengthening of Financial Base

Thoroughly reduce inventory and interest-bearing debt

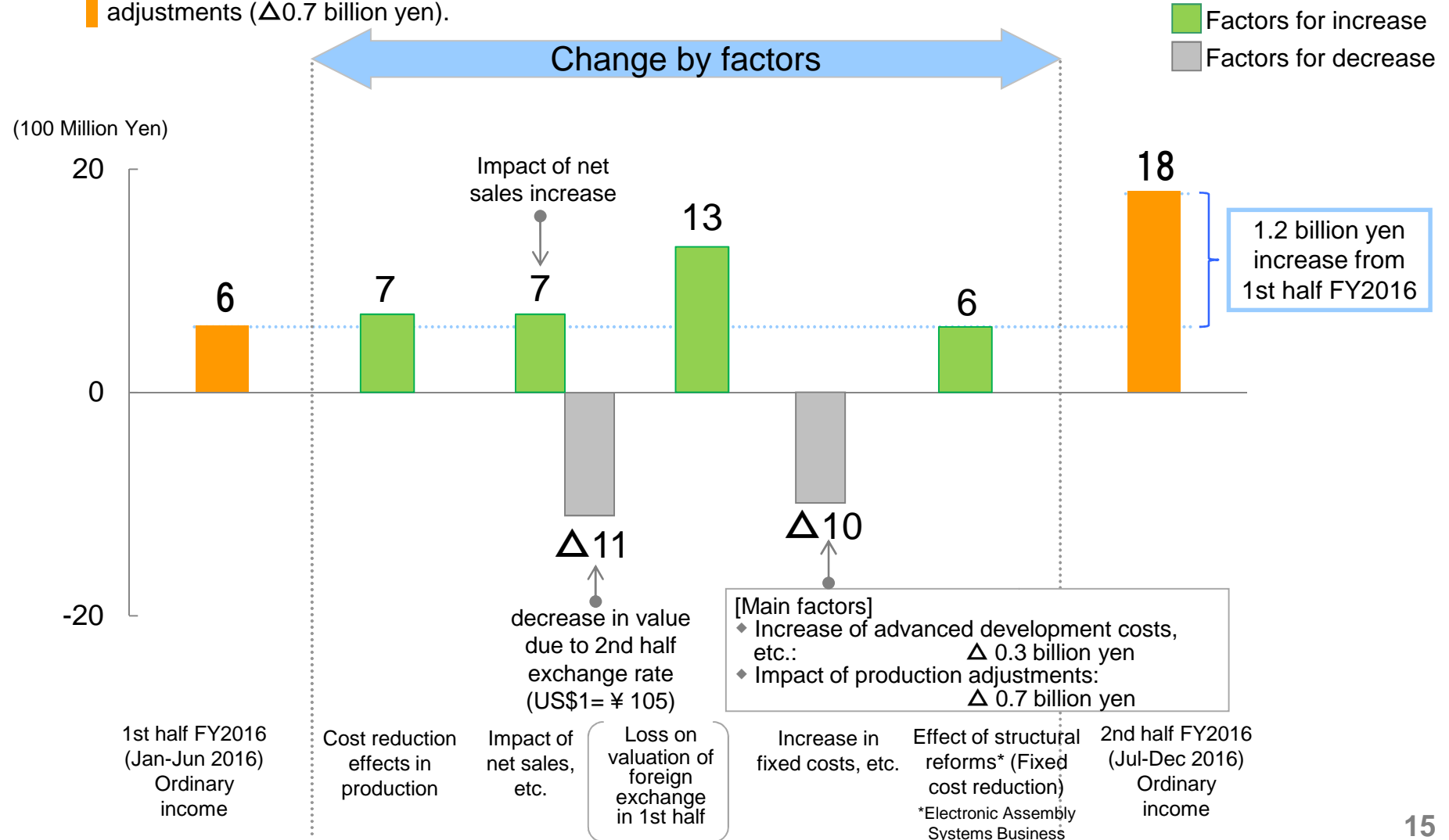
Profit-focused Business Management

	(100 Million Yen)		<Reference>	(100 Million Yen)
	Forecasts for FY2016 (Previous)	Forecasts for FY2016 (Current)	FY2016	FY2016
	Full-Year (Jan-Dec)	Full-Year (Jan-Dec)	Results for 1st half FY2016 (Jan-Jun 2016)	Forecasts for 2nd half FY2016 (Jul-Dec 2016)
Net Sales	1,150	1,040	510	530
(Sewing Machinery)	(—)	(805)	(395)	(410)
(Electronic Assembly Systems)	(—)	(168)	(83)	(85)
Operating Income	60	42	20	22
Ordinary Income	50	24	6	18 *
(Sewing Machinery)	(—)	(64)	(34)	(30)
(Electronic Assembly Systems)	(—)	(Δ11)	(Δ11)	(0)
Profit	30	10	Δ2	12
Dividend per Share	Full-year: ¥35	Full-year: ¥20	—	Year-end: ¥20
Exchange rate	1 US\$=¥110 1 Euro=¥130		1 US\$=¥113 1 Euro=¥125	1 US\$=¥105 1 Euro=¥110

* Reflecting impact of production adjustments (700 million yen)

2-2-3: Factors for Ordinary Income Increase/Decrease for 2nd Half FY2016

Ordinary income is expected to increase due to the effect of production cost reductions (0.7 billion yen) and the impact of net sales increase (0.7 billion yen), as well as a reduction in fixed costs (0.6 billion yen) due to structural reforms of the Electronic Assembly Systems Business. These factors has outweighed the impact of decrease in value due to the exchange rate (US\$1 = ¥105) in the 2nd half of the fiscal year ($\Delta 1.1$ billion yen) and the impact of production adjustments ($\Delta 0.7$ billion yen).



2-3-I-1: Key Initiatives for 2nd Half FY2016 (Sewing Machinery Business: Industrial Sewing Machines)



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

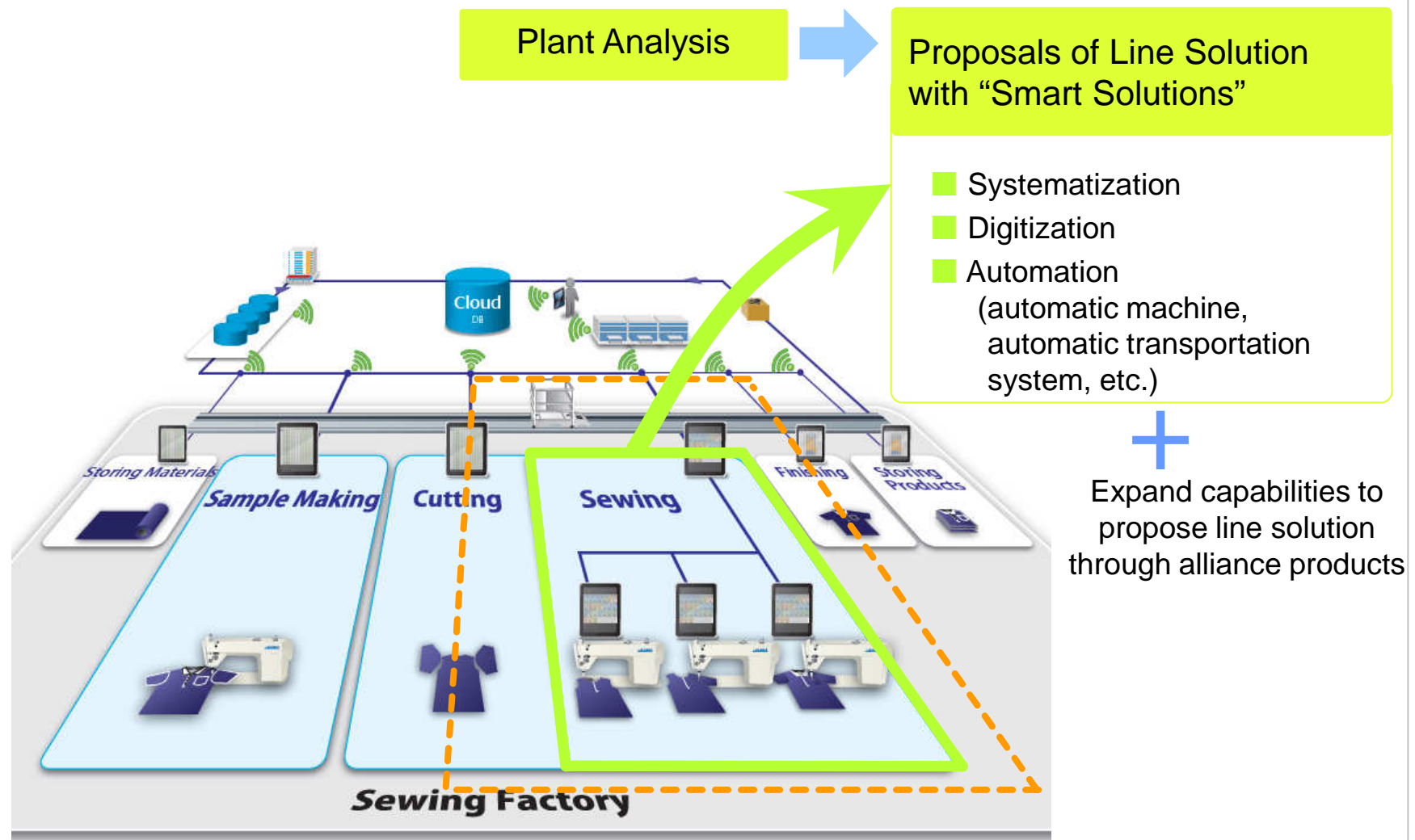
Bangladesh, Vietnam, Indonesia, Middle East, Africa and Central/South America



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

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

Expansion of Line Solution Proposals



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

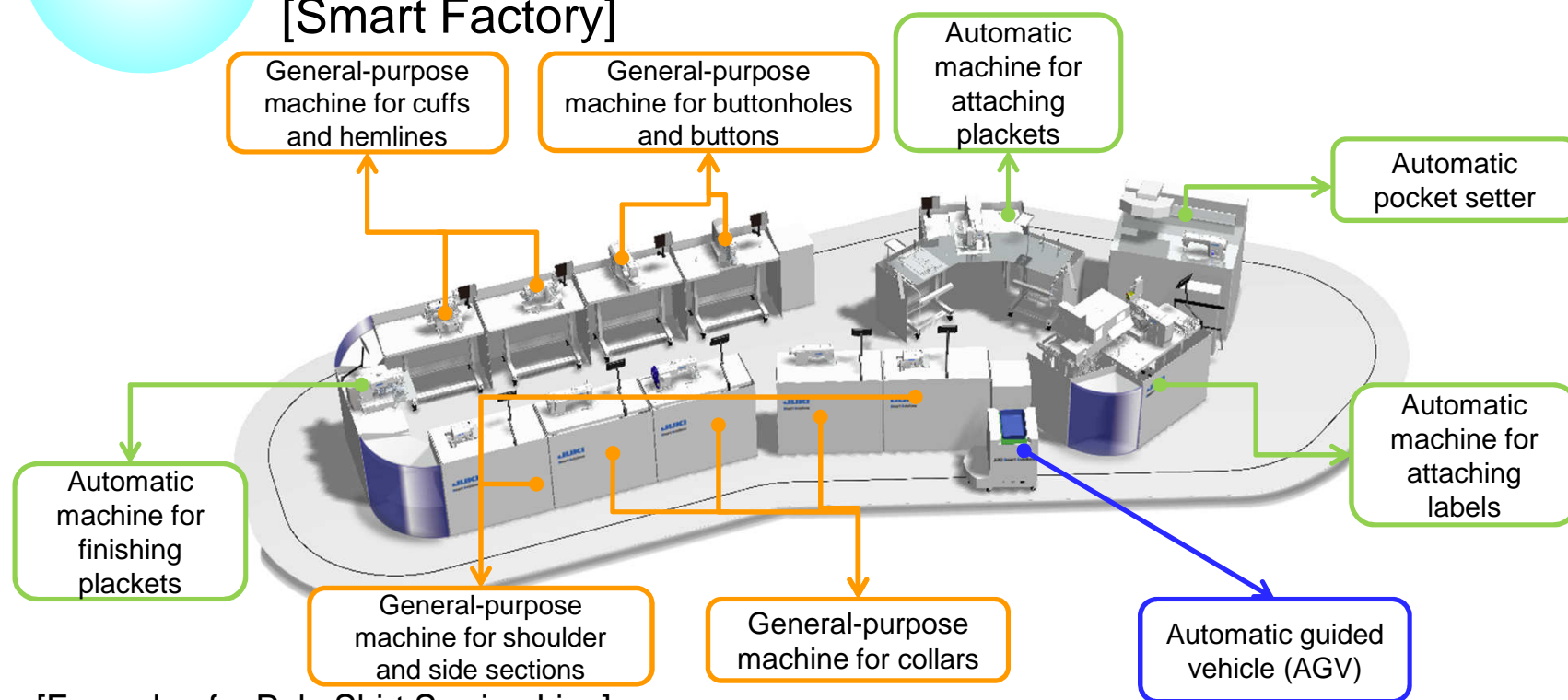
Measures for Systematization

Systema-
tization

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.

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



Measures for Digitization

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.

Mechanical Adjustment



Digital Adjustments



2-3-2-1: Key Initiatives for 2nd Half FY2016 (Sewing Machinery Business: Household Sewing Machines)



Key Initiatives for Household Sewing Machines

Product Strategy

Reinforce sales of new products and products targeting quilters

Household Sewing Machine

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

Overlock Machine

- 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

2-3-2-2: Key Initiatives for 2nd Half FY2016 (Sewing Machinery Business: Household Sewing Machines)



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



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

**Hobby
Purpose**



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

2-3-3-1: Key Initiatives for 2nd Half FY2016 (Electronic Assembly Systems Business)

Key Initiatives for Electronic Assembly Systems

Expand Business Areas

Sales of individual mounter



Expand sales in growing business fields through line solution selling with "Smart Solutions"

Intelligent storage management system

Production support system

Inspection equipment and printing equipment

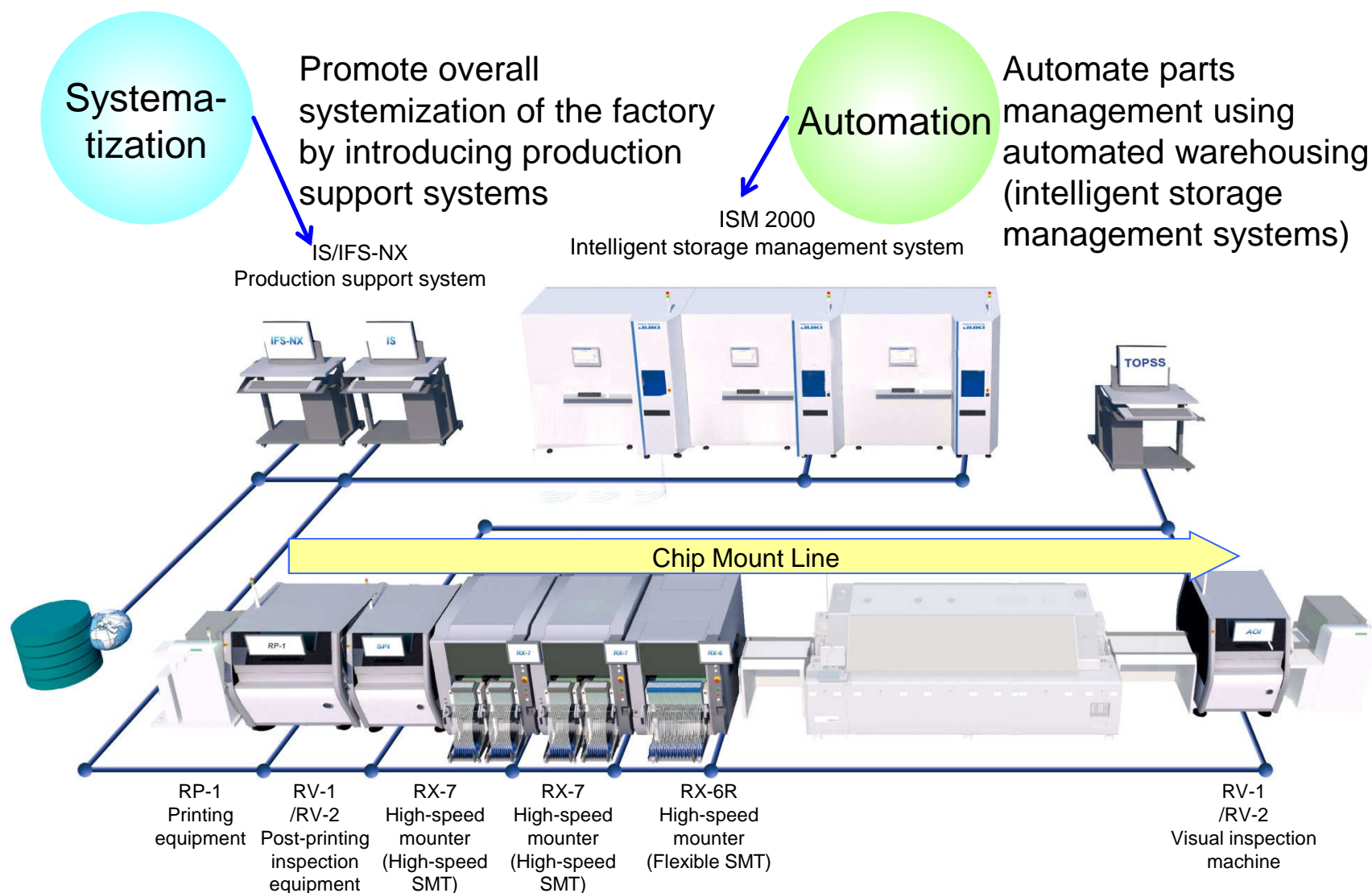
Labor-saving equipment

Structural Reform

- Improve earnings by reconstructing sales structure in response to the wave of technological innovation and organizational streamlining
- Improve earnings by expanding sales in growing business fields through stronger solution selling

2-3-3-2: Key Initiatives for 2nd Half FY2016 (Electronic Assembly Systems Business)

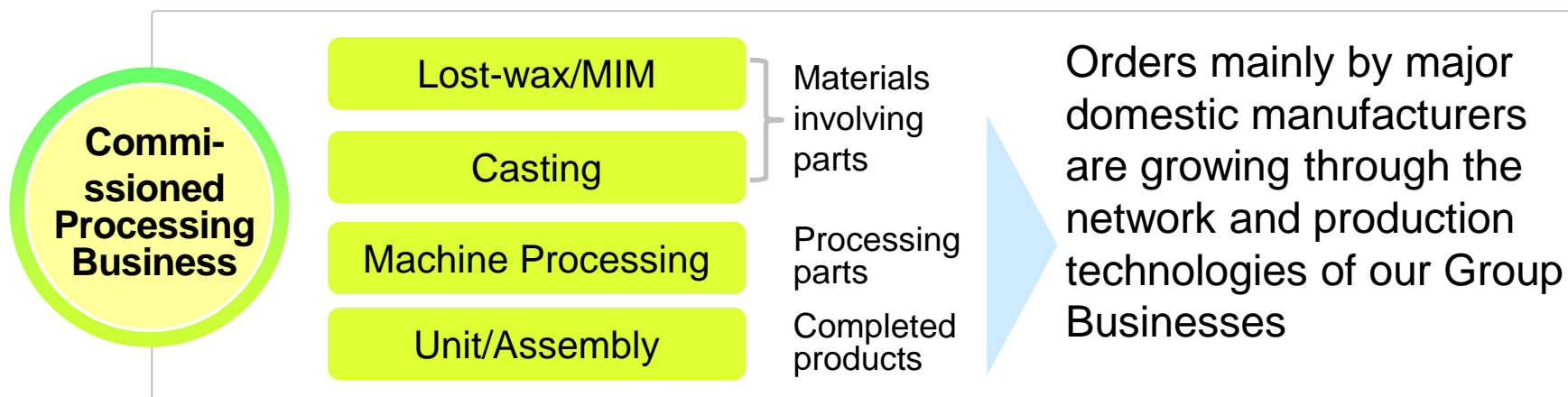
Enlargement of Line Solution Proposals



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

Key Initiatives for Group Business

Measures for Business Expansion



Our Product

Development, manufacturing, and sales of “spectrophotometers”

Launch in October, 2016

Compact spectrophotometer with an LED light source: digitally quantifies color and easily reproduce the color.

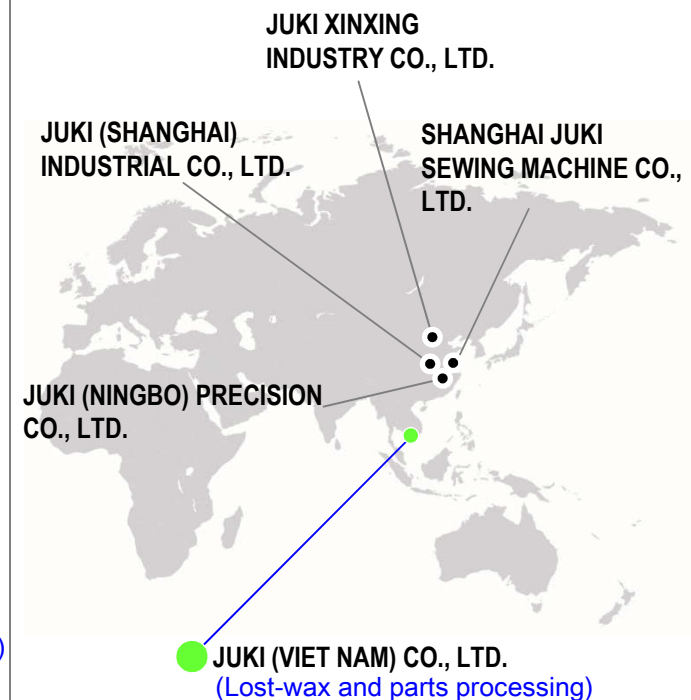
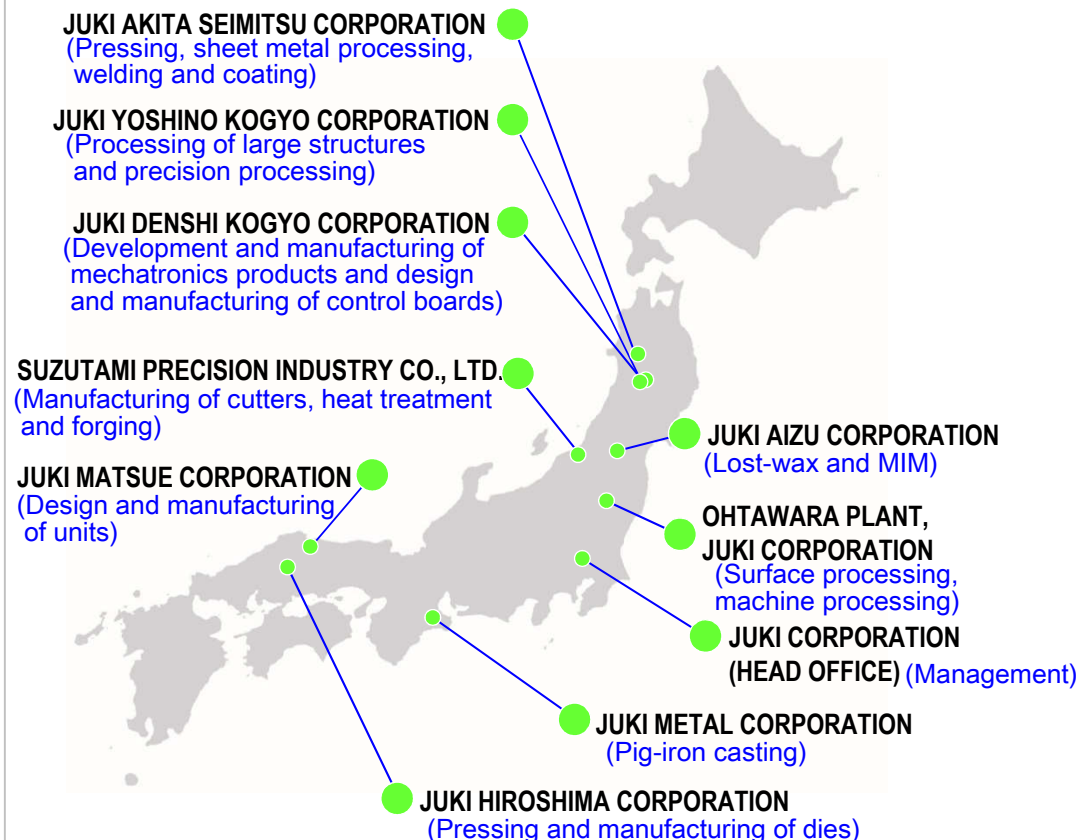


2-3-4-2: Key Initiatives for 2nd Half FY2016 (Group Business)

Network of Group Business

Further expand the commissioned processing business with nine domestic and one overseas companies ⇒ develop into the third business segment

● Companies in Group Business



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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