



To Our Shareholders



Business Report for the First Half of the 104th Business Term

(From January 1, 2018 through June 30, 2018)

JUKI CORPORATION

Securities code: 6440

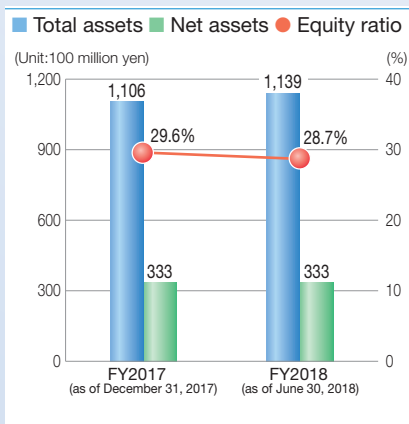
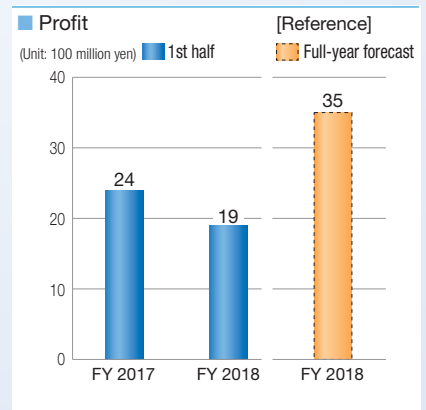
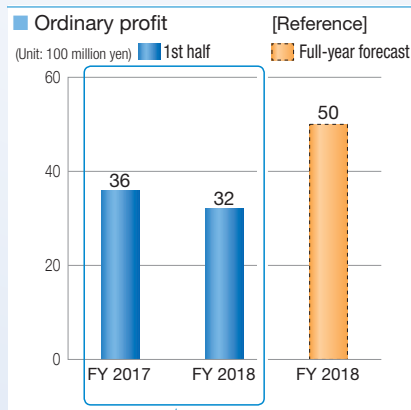
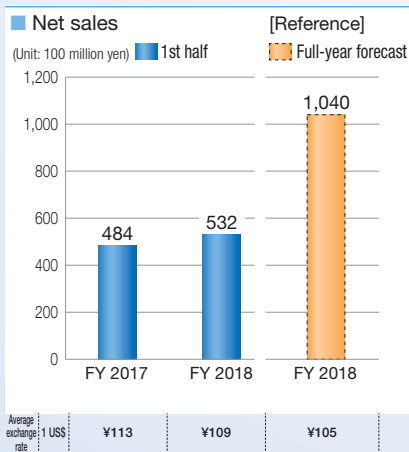
Overview of Business Performance

Net sales: 53.2 billion yen
(up by 4.8 billion yen year-on-year)

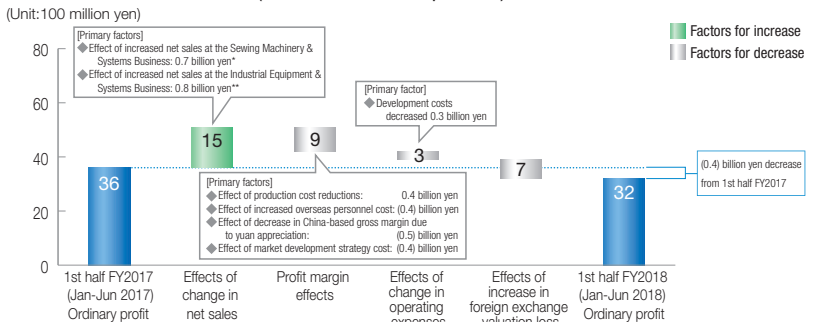
Ordinary profit: 3.2 billion yen
(down by 0.4 billion yen year-on-year)

Profit: 1.9 billion yen
(down by 0.5 billion yen year-on-year)

Net sales increased 10.0% compared with the same period of the previous fiscal year despite partial production delays, thanks to the successful promotion of solution sales and advances in customer base building for the middle market, centering on the Asian market. Profits, despite the increase in net sales, were affected by higher middle-market strategy and development costs, as well as the yuan's strengthening against the dollar, with operating profit rising marginally compared with the same period of the previous fiscal year. Profits were additionally impacted by the weakening of the dollar, which resulted in a greater foreign exchange valuation loss in foreign denominated receivables, causing ordinary profit to fall 11.5% compared with the same period of the previous fiscal year.



Factors Leading to an Increase/Decrease in Ordinary Profit in the First Half of FY2018 (Year-on-Year Comparison)



* Mainly increased net sales of high-end products in China and middle-market products in emerging economies

** Higher sales of new products and due to solutions sales

Note: Figures in parentheses () are negative values.

To Our Shareholders

I would like to express my sincere gratitude for your continued patronage and support of the Company.

In conjunction with the release of the interim financial statements, we are pleased to present the business results for the first half of the 104th business year of the Company (January 1 to June 30, 2018).

In the period under review, we carried out solution sales activities, proposing products and services that address our customers' needs for labor-saving measures, and made smart-factory propositions to improve factory-wide production efficiency at customers' sites. At the same time, we strove to build customer bases for the future, and to that end promoted middle-market strategies centered on Asia. However, although there was robust demand for facility investment in China, production was partly delayed by a shortage in supplies of electronic components. As a result, net sales amounted to 53,235 million yen.

Profits were affected by higher middle-market strategy and development costs, as well as the yuan's strengthening against the dollar, which eroded gross margins at China-based manufacturing subsidiaries, resulting in operating profit of 3,650 million yen. Additionally, compared with the end of the previous fiscal year, the yen's strengthening against the dollar resulted in a foreign exchange valuation loss due to revaluation of foreign-denominated receivables, leaving ordinary profit at 3,178 million yen, with 1,942 million yen in profit attributable to owners of parent.

Given uncertainties in foreign exchange trends and the business environment of emerging economies 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 made on February 9.

Likewise, the previously announced projection for the year-end dividend remains unchanged at 25 yen per share.

On December 15 this year, the Company will mark the 80th anniversary of its founding. In order to secure continuous future growth with a view to the 90th and 100th years of the Company, based on our long-term vision of thriving in the 21st century as a global, innovative, *Monodzukuri* (manufacturing) enterprise, we will strive to steadily implement our three-year medium-term plan for fiscal years 2018 through 2020, being "an enterprise that consistently provides customer-preferred, high-quality products and services."

In order to realize our vision, we will work to strengthen our value-creation capabilities through solution sales, build customer bases by accessing new markets, develop and deploy globally-competent and innovation-minded personnel, and create smart business foundations.

On behalf of these endeavors, I would like to sincerely request your continued goodwill and support.



Akira Kiyohara
Representative Director

Performance of the 1st Half of FY2018 (January-June, 2018)

Sewing Machinery & Systems Business (Industrial Sewing Machines, Household Sewing Machines)

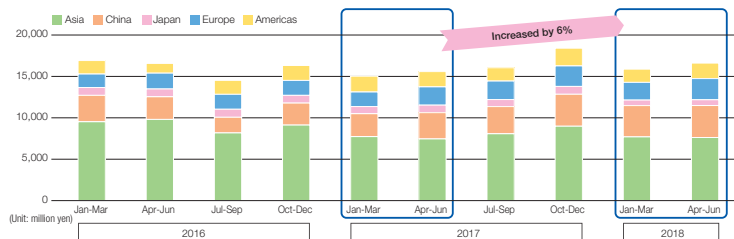
Viewed by individual markets, sales in the high-end segment (primarily in China) were firm, and middle-market sales in Asia increased compared with the same period of the previous fiscal year. As a result, total sales in the Sewing Machinery & Systems Business rose to 34,769 million yen (a 6.8% increase compared with the same period of the previous fiscal year).

Net Sales of Industrial Sewing Machines: Year-on-Year Comparison (Unit: 100 million yen)

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

Note: Figures in parentheses () are negative values.

Change in Net Sales of Industrial Sewing Machines by Region



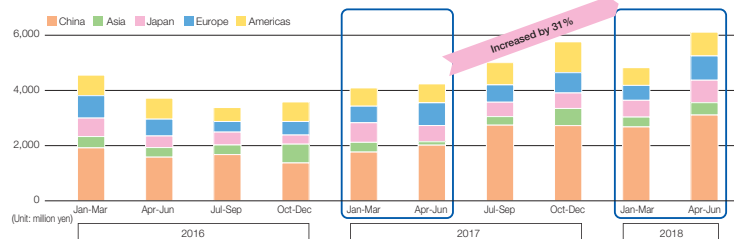
Industrial Equipment & Systems Business (Electronic Assembly Systems, Group Business, Customer Business)

Electronic Assembly Systems saw robust, sustained facility investment demand, particularly in China, the largest market, and sales of new mounters and labor-saving equipment tied to smart factory proposals increased. In addition, sales in the Group Business, such as contract manufacturing service, increased due to acquisition of new customers. Nevertheless, due to partial production delays, not all this demand could be met. Owing to these developments, overall net sales at the Industrial Equipment & Systems Business amounted to 18,323 million yen (a 17.0% increase compared with the same period of the previous fiscal year).

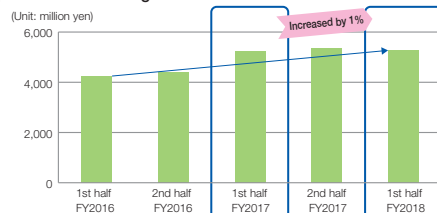
Net Sales of Electronic Assembly Systems: Year-on-Year Comparison (Unit: 100 million yen)

	Jan-Dec 2017	Jan-Dec 2018	Amount of change
China	38	58	20
Asia	5	8	3
Japan	13	14	1
Europe	14	14	0
Americas	13	15	2
Total	83	109	26

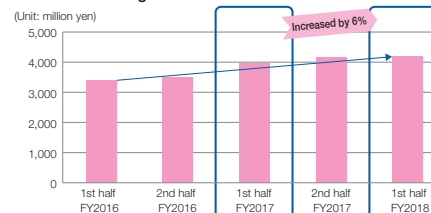
Changes in Net Sales of Electronic Assembly Systems by Region (including parts/services)



Group Business: Changes in Net Sales



Parts Business: Changes in Net Sales



Full-Year Forecast for FY2018 and Anticipated Business Climate

1. FY2018 Full-Year Results Forecasts

	(Unit: 100 million yen)			(Unit: 100 million yen)	[Reference] (Unit: 100 million yen)
	1st half results for FY2018 (Jan-Jun)	1st half results for FY2018 (Jan-Jun)		Full-year FY2018 (Jan-Dec)	Full-year FY2017 (Jan-Dec)
	Forecast <A>	Results 	Difference <B-A> (Rate of change)	Forecasts	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 profit	25	37	12 (46.0%)	55	82
Ordinary profit	22	32	10 (44.5%)	50	78
Profit	14	19	5 (38.7%)	35	56
				Dividend per share	Full-year: 35.00 yen (including a commemorative dividend of 10 yen per share)
Exchange rate	1US\$=¥107	1US\$=¥109		1US\$=¥105	1US\$=¥112

2. 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

Measures for Achieving the Medium-Term Management Plan (MTMP)

1. MTMP Vision and Six Basic Policies

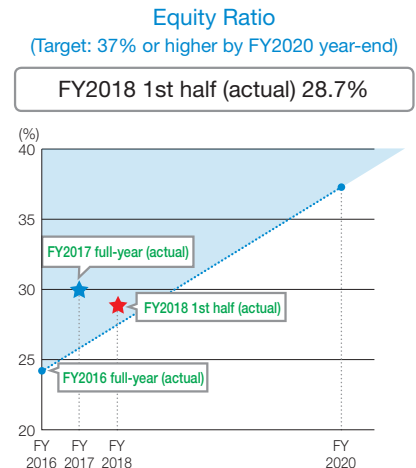
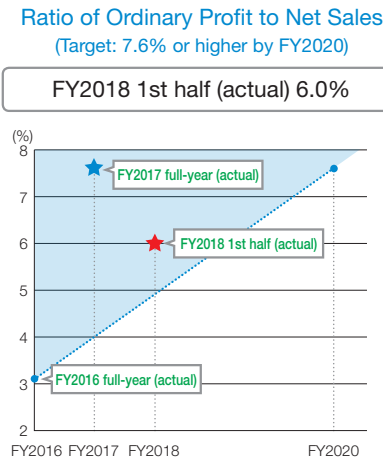
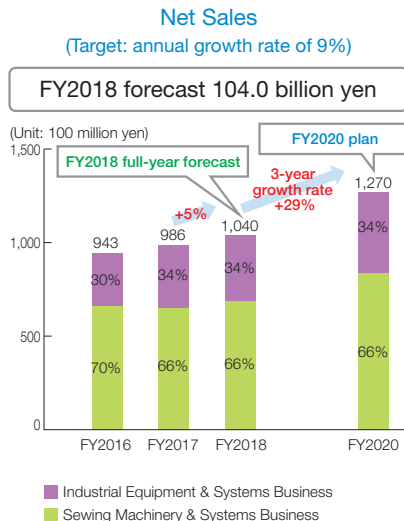
Vision

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

2. Measures for Achieving MTMP: Progress Status



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

1. Priority Measures for Industrial Sewing Machines

Vision	Contribute to customer innovation through innovative technology and system proposals based on JUKI Smart Solutions
Basic Policy	<u>Establish standards for smart factory</u> (sewing factory) and <u>strengthen proposals</u> tailored for each market (including the <u>middle market</u>)
Priority Measures	<ul style="list-style-type: none"> 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. JUKI Smart Factory (Sewing Factory) Proposal (JUKI Smart Solutions)



1. Priority Measures for 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	<ul style="list-style-type: none"> 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

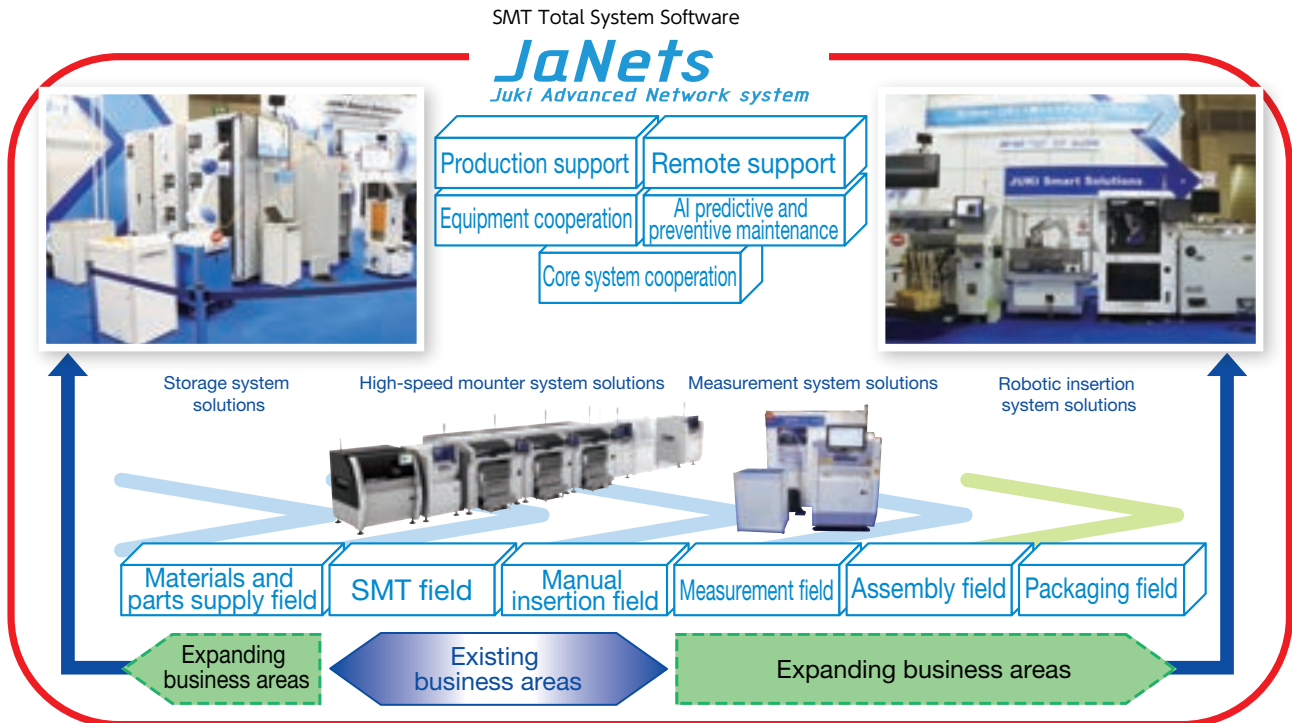
Expand product lineup to better meet each market's characteristics



1. Priority Measures for 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

2. JUKI Smart Factory Proposal (JUKI Smart Solutions)



1. Priority Measures for Group Business

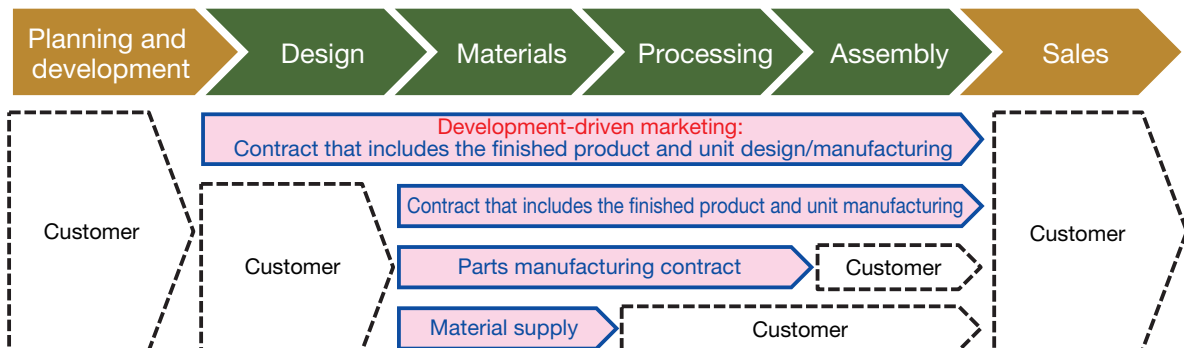
Vision	Grow into JUKI's third pillar business leveraging JUKI Group management resources (including manufacturing technologies)
Basic Policy	<p>Increase sales to create the third pillar business by acquiring new customers and expanding scope of business with important business customers</p> <ul style="list-style-type: 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

2. JUKI's Proposal for "One-stop" Contract Manufacturing Services (JUKI Contract Business Model)



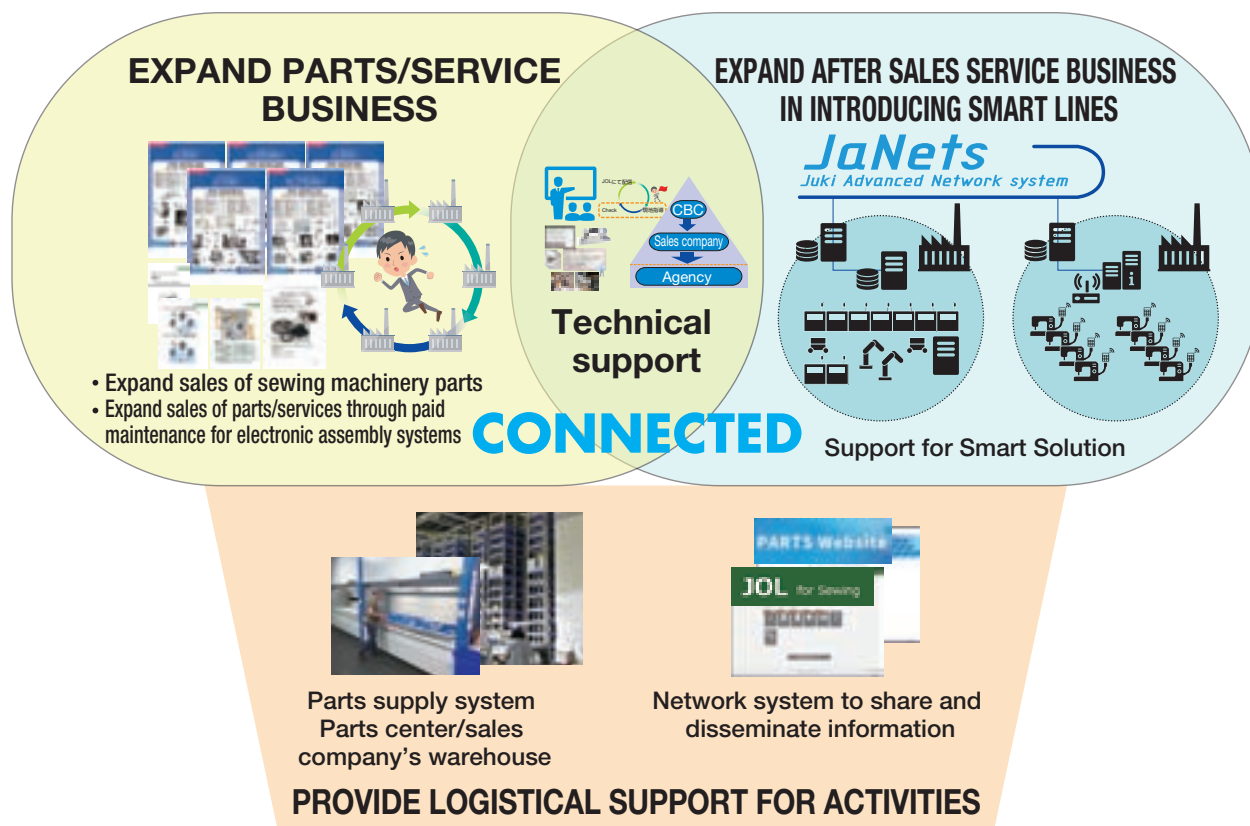
Use of accumulated leverage of JUKI's manufacturing capabilities and global network, utilizing the Group's manufacturing companies (7 companies in Japan, 1 company overseas) and alliance companies.

- ★ For needs of external customers
- ★ By expanding contract range through Group's collaboration
- ★ Supplement and complement manufacturing process of customers



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



Consolidated Financial Statements for the First Half (Summary)

Consolidated Balance Sheet

(Unit: million yen)

Item	FY2017 as of December 31, 2017	1st half FY2018 as of June 30, 2018	Change
Assets			
Current assets	79,102	82,817	3,715
Non-current assets	31,451	31,101	(350)
Total assets	110,554	113,919	3,365
Liabilities			
Current liabilities	55,589	58,787	3,198
Non-current liabilities	21,621	21,848	227
Total liabilities	77,211	80,635	3,424
Net assets			
Shareholders' equity	33,468	34,384	916
Accumulated other comprehensive profit	(742)	(1,739)	(997)
Non-controlling interests	617	639	22
Total net assets	33,343	33,284	(59)
Total liabilities and net assets	110,554	113,919	3,365

Consolidated Statement of Profit & Loss

(Unit: million yen)

Item	1st half FY2017 January 1, 2017 to June 30, 2017	1st half FY2018 January 1, 2018 to June 30, 2018	Change
Net sales	48,389	53,235	4,846
Cost of sales	32,949	37,177	4,228
Gross profit	15,439	16,057	618
Selling, general and administrative expenses	11,821	12,407	586
Operating profit	3,618	3,650	32
Non-operating profit	501	637	136
Non-operating expenses	531	1,109	578
Ordinary profit	3,589	3,178	(411)
Extraordinary profit	38	13	(25)
Extraordinary losses	51	16	(35)
Profit before income taxes	3,576	3,175	(401)
Income taxes	1,158	1,177	19
Profit	2,417	1,998	(419)
Profit attributable to non-controlling interests	12	55	43
Profit attributable to owners of parent	2,404	1,942	(462)

Note: Figures in parentheses () are negative values.

Corporate Information (as of June 30, 2018)

■ 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	5,978 (on a consolidated basis)
Number of consolidated subsidiaries	26

■ Stock Information

- Total number of authorized shares..... 80,000,000 shares
- Total number of issued shares 29,874,179 shares
- Total number of shareholders..... 12,223

JUKI CORPORATION

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http://www.juki.co.jp/index_e.html

■ Major Shareholders

Shareholder name	Number of shares (1,000 shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	3,298	11.04
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,208	4.04
Mizuho Bank, Ltd.	938	3.14
GOVERNMENT OF NORWAY	772	2.58
Nippon Life Insurance Company	732	2.45

■ Stock Distribution Status by Owner Type

