

*(Reference translation)*

Explanatory Meeting

First Half Account Settlement  
FY2014 ending December 31, 2014  
on a consolidated basis

August 8, 2014  
Akira Kiyohara, President  
JUKI Corporation

*Mind & Technology*

**JUKI**  
*Mind & Technology*

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Part 1  
Performance of 1st Half  
FY2014 (ending Dec 2014)

# 1-1-1: Performance Trends and Dividends for 1st Half FY2014



Net sales increased by 8% year on year mainly because of a firm performance for the Sewing Machinery Business in Asia's emerging markets, continuing on from the previous fiscal year, and the effect of yen depreciation.

Operating income, ordinary income and net income all increased substantially, boosted by positive effects from group-wide structural reforms implemented since the previous fiscal year. (Million Yen)

	FY2013 ended December 31, 2013						FY2014 ending December 31, 2014			Year-on- year change <B-A> (%)
	1st half			2nd half			1st half			
	1Q	2Q	1st half <A>	3Q	4Q	2nd half	1Q	2Q	1st half <B>	
	Jan-Mar 2013	Apr-Jun 2013	Jan-Jun 2013	Jul-Sep 2013	Oct-Dec 2013	Jul-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jan-Jun 2014	
Net Sales	22,624	24,298	46,922	22,602	24,861	47,463	25,201	25,533	50,734	3,812 (8.1%)
Operating Income	255 [1.1%]	1,247 [5.1%]	1,503 [3.2%]	1,841 [8.1%]	1,808 [7.3%]	3,648 [7.7%]	1,867 [7.4%]	1,814 [7.1%]	3,681 [7.3%]	2,178 (145%)
Ordinary Income	Δ531 [Δ2.3%]	902 [3.7%]	370 [0.8%]	1,718 [7.6%]	1,789 [7.2%]	3,508 [7.4%]	1,734 [6.9%]	1,775 [7.0%]	3,509 [6.9%]	3,139 (848%)
Net Income	*Δ2,128 [Δ9.4%]	758 [3.1%]	Δ1,369 [Δ2.9%]	1,516 [6.7%]	2,860 [11.5%]	4,375 [9.2%]	1,113 [4.4%]	1,455 [5.7%]	2,568 [5.1%]	3,937
Dividend per Share	—	—	¥0	—	—	¥0	—	—	¥0	—
Exchange Rate	1 US\$ ¥91	1 Euro ¥98	1 US\$ ¥95	1 Euro ¥130	1 US\$ ¥102	1 Euro ¥135	1 US\$ ¥103	1 Euro ¥102	1 US\$ ¥103	1 Euro ¥8
	1 US\$ ¥120	1 Euro ¥127	1 US\$ ¥124	1 Euro ¥130	1 US\$ ¥140	1 Euro ¥135	1 US\$ ¥141	1 Euro ¥140	1 US\$ ¥141	1 Euro ¥17

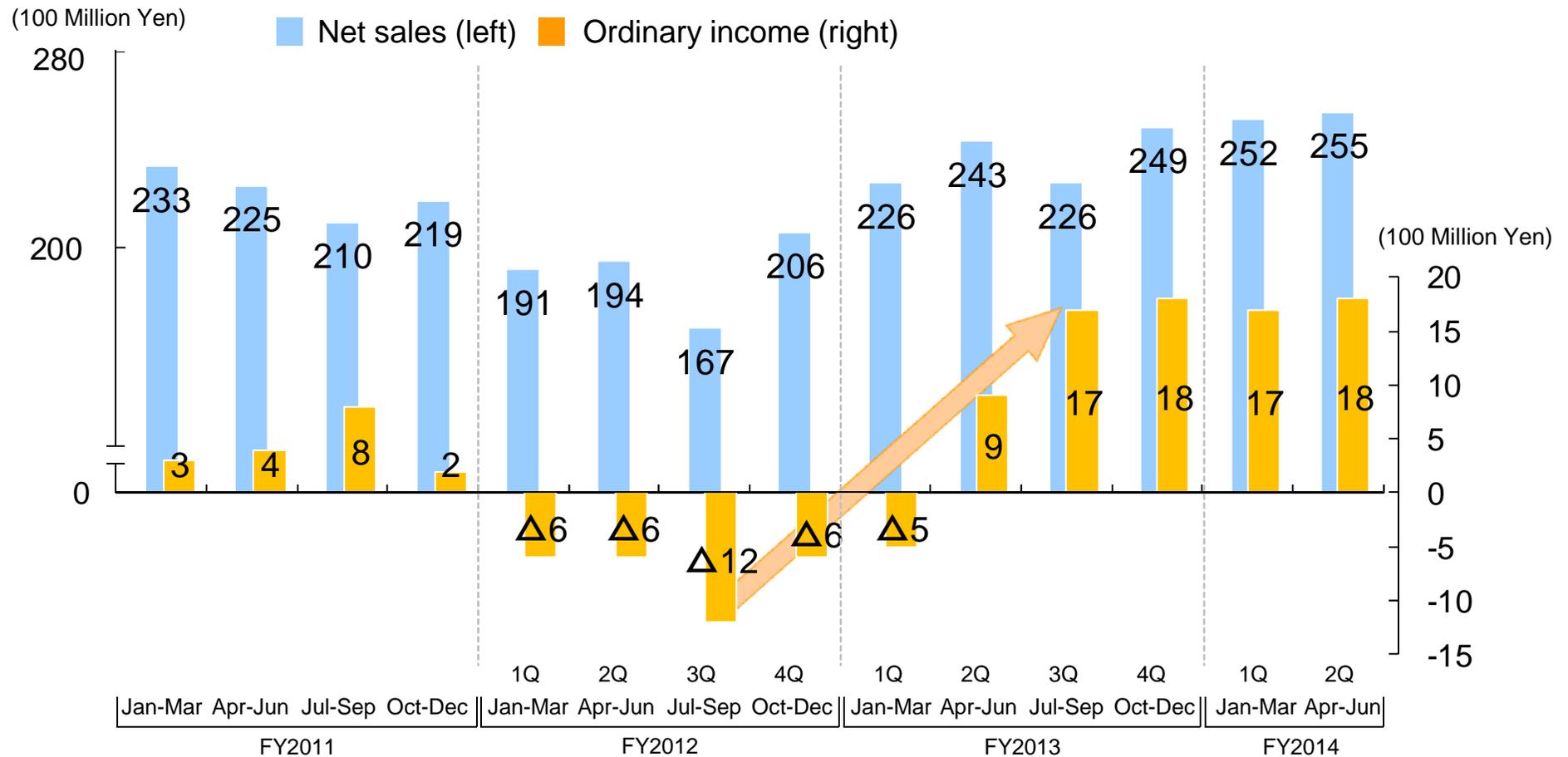
Notes: 1. Exchange rate is an average rate during the period, and such rate influences operating income. 2. Figures in [ ] are ratios of income to net sales.

\*Breakdown of 1.54 billion yen of extraordinary losses in 1Q FY2013: special retirement expenses from solicitation of applicants for voluntary retirement of 1.46 billion yen and other 0.08 billion yen.

# 1-1-2: Performance Trends for 1st Half FY2014



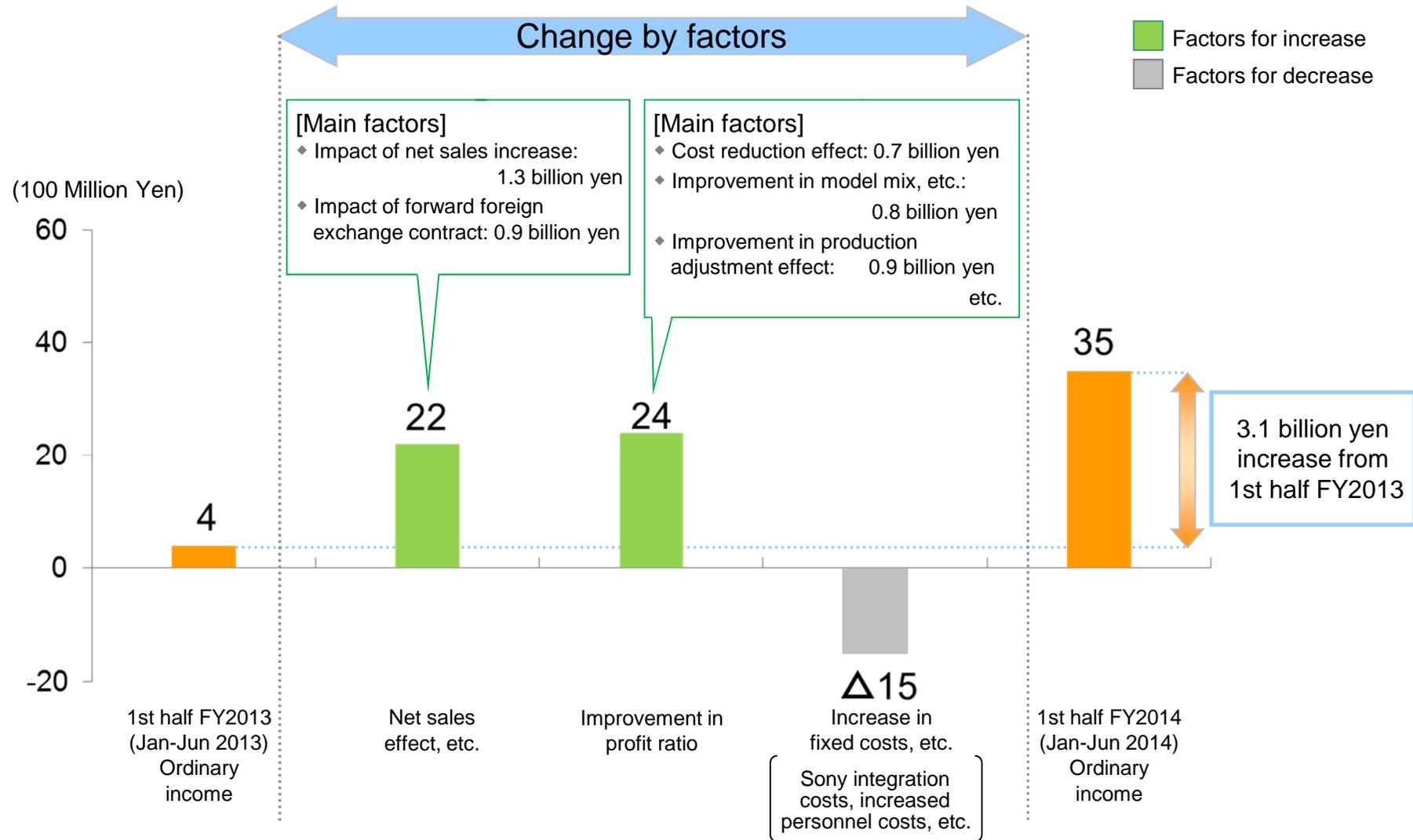
- Net sales and ordinary income both bottomed out in 3Q FY2012 and then recovered considerably.
- In FY2013, profitability improved substantially as a result of structural reforms. In FY2014, these benefits absorbed factors that increased costs, firmly maintaining the ratio of ordinary income to net sales at the 7% level.



Exchange rate (1 US\$) ⇒ (¥82) (¥81) (¥77) (¥77) (¥79) (¥80) (¥78) (¥83) (¥91) (¥98) (¥98) (¥102) (¥103) (¥102)

# 1-2: Factors for Ordinary Income Increase/Decrease for 1st Half FY2014

Although increase in fixed costs, etc. decreased ordinary income by 1.5 billion yen, this was offset by the effect of net sales, etc. (2.2 billion yen) and improvement in the profit ratio (2.4 billion yen), leading to a 3.1 billion yen increase year on year.



## 1-3: Changes in Major Financial Indices

- Equity ratio rose to 11.5%. Retained earnings moved into positive territory by 0.3 billion yen.
- 2.4 billion yen decline in interest-bearing debts.

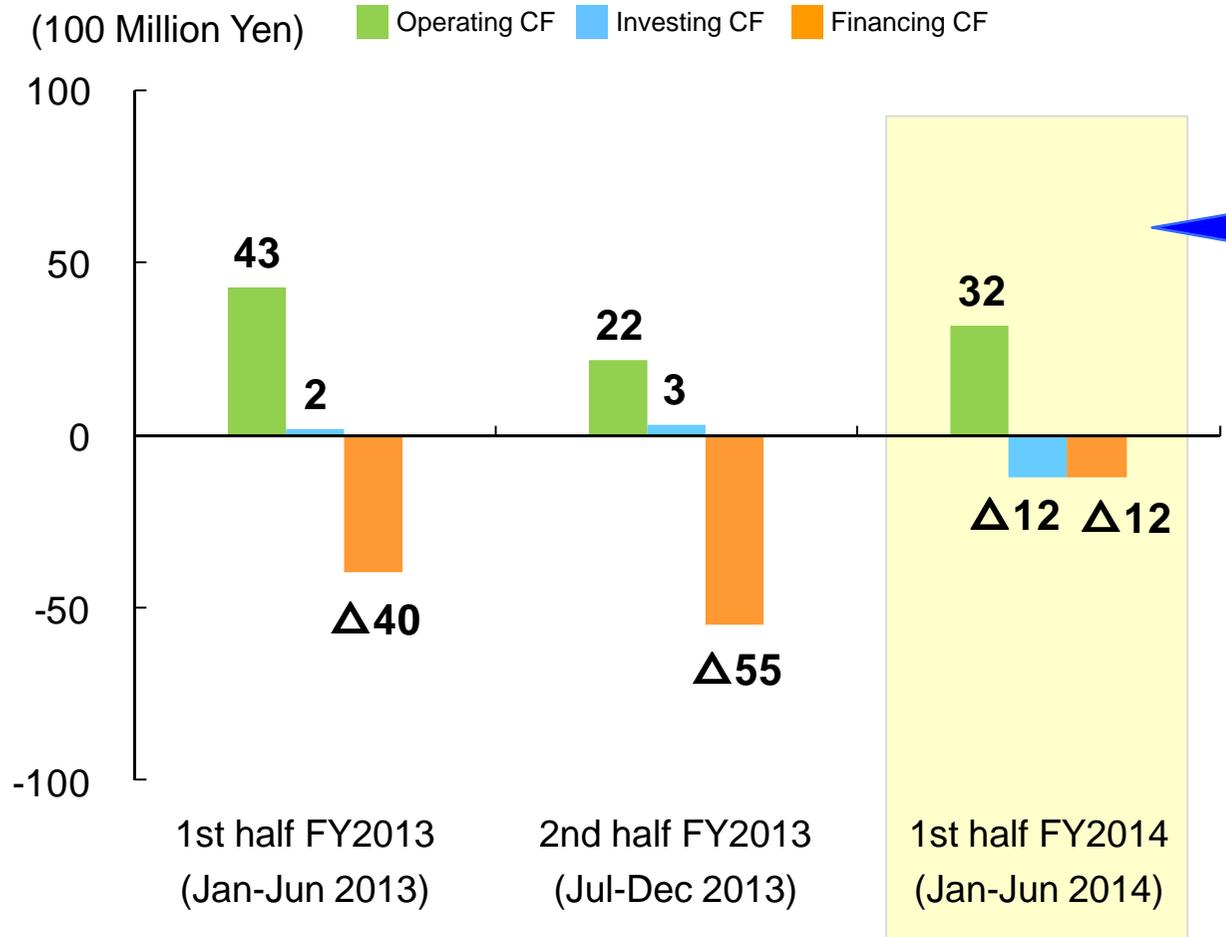
	(Million Yen)			
	As of December 31, 2013 (FY2013) 〈A〉	As of June 30, 2014 (2Q FY2014) 〈B〉	Change 〈B-A〉	
Total Assets	113,189	114,003	814	
Net Assets [retained earnings]	11,806 [Δ2,304]	14,159 [264]	*1 2,353 [2,568]	
Net Assets Ratio	10.4%	12.4%	2.0%	
Equity Ratio	10.1%	11.5%	1.4%	
Notes and accounts receivable - trade	24,879	24,221	Δ657	
Inventories [turnover period]	44,328 [5.6 months]	44,355 [5.2 months]	26 [Δ0.4 months]	
Notes and accounts payable - trade	11,875	12,381	506	
Interest-bearing debts	75,508	73,094	Δ2,415	
Cash and deposits	6,254	6,997	742	
Exchange rate (period-end)	1 US\$	¥105	¥101	Δ ¥4

\*1 [Breakdown of 2.4 billion yen net asset increase]

- 1) Increase of 2.6 billion yen in retained earnings
- 2) Increase of 0.6 billion yen in minority interests
- 3) Increase of 0.1 billion yen in valuation difference on available-for-sale securities, etc.
- 4) Decrease of 0.9 billion yen in foreign currency translation adjustment

# 1-4: Cash Flows

Operating CF was in positive territory for three consecutive halves.



Cash Flows for 1st Half FY2014 (Summary)	
(100 Million Yen)	
<b>Operating CF</b>	<b>32</b>
Income before income taxes and minority interests	35
Depreciation	15
Inventories	Δ16
Other	Δ2
<b>Investing CF</b>	<b>Δ12</b>
Capital investment	Δ9
Other	Δ3
<b>Financing CF</b>	<b>Δ12</b>

# 1-5-1: Performance by Segments

## Changes in Net Sales



The Sewing Machinery Business had firm sales in emerging Asian regions. In addition, sales to manufacturers of non-apparel sewn products (car seats, sports shoes, etc.) increased.

In the Electronic Assembly Systems Business, although sales of labor-saving equipment increased, the sales contribution from new products (mounters, printing equipment and inspection equipment) added in the business integration with Sony Group is still to be fully realized. As a result, sales increased slightly in this business.

(Million Yen)

	FY2013 ended December 31, 2013						FY2014 ending December 31, 2014			Year-on- year change <B-A> (%)
	1st half			2nd half			1st half			
	1Q	2Q	1st half <A>	3Q	4Q	2nd half	1Q	2Q	1st half <B>	
	Jan-Mar 2013	Apr-Jun 2013	Jan-Jun 2013	Jul-Sep 2013	Oct-Dec 2013	Jul-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jan-Jun 2014	
Sewing Machinery	16,492	17,177	33,669	16,423	18,744	35,167	18,657	18,494	37,151	3,482 (10.3%)
Electronic Assembly Systems	4,414	5,383	9,797	4,527	4,502	9,029	4,792	5,269	10,061	264 (2.7%)
Others	1,717	1,738	3,455	1,652	1,616	3,268	1,751	1,770	3,521	66 (1.9%)
Total	22,624	24,298	46,922	22,602	24,861	47,463	25,201	25,533	50,734	3,812 (8.1%)

## 1-5-2: Performance by Segments

### Changes in Ordinary Income



In the Sewing Machinery Business, profitability improved substantially reflecting reduced production costs and increased sales of products including non-apparel, which are highly profitable.

The Electronic Assembly Systems Business invested in enhancement of functionality and development of peripheral equipment in readiness for full-scale launch of new products added in the business integration with Sony Group.

(Million Yen)

	FY2013 ended December 31, 2013						FY2014 ending December 31, 2014			Year-on-year change <B-A> [Change in profit ratio]
	1st half			2nd half			1st half			
	1Q	2Q	1st half <A>	3Q	4Q	2nd half	1Q	2Q	1st half <B>	
	Jan-Mar 2013	Apr-Jun 2013	Jan-Jun 2013	Jul-Sep 2013	Oct-Dec 2013	Jul-Dec 2013	Jan-Mar 2014	Apr-Jun 2014	Jan-Jun 2014	
Sewing Machinery	Δ104 [Δ0.6%]	566 [3.3%]	462 [1.4%]	1,649 [10.0%]	1,729 [9.2%]	3,378 [9.6%]	1,735 [9.3%]	1,964 [10.6%]	3,699 [10.0%]	3,237 [8.6%]
Electronic Assembly Systems	Δ144 [Δ3.3%]	314 [5.8%]	170 [1.7%]	123 [2.7%]	126 [2.8%]	249 [2.8%]	68 [1.4%]	Δ230 [Δ4.4%]	Δ162 [Δ1.6%]	Δ332 [Δ3.3%]
Others	90 [5.2%]	103 [5.9%]	193 [5.6%]	74 [4.5%]	2 [0.1%]	76 [2.3%]	49 [2.8%]	119 [6.7%]	168 [4.8%]	Δ25 [Δ0.8%]
Adjustment	Δ373	Δ82	Δ455	Δ129	Δ67	Δ196	Δ119	Δ76	Δ195	260
Total	Δ531 [Δ2.3%]	902 [3.7%]	370 [0.8%]	1,718 [7.6%]	1,789 [7.2%]	3,508 [7.4%]	1,734 [6.9%]	1,775 [7.0%]	3,509 [6.9%]	3,139 [6.1%]

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

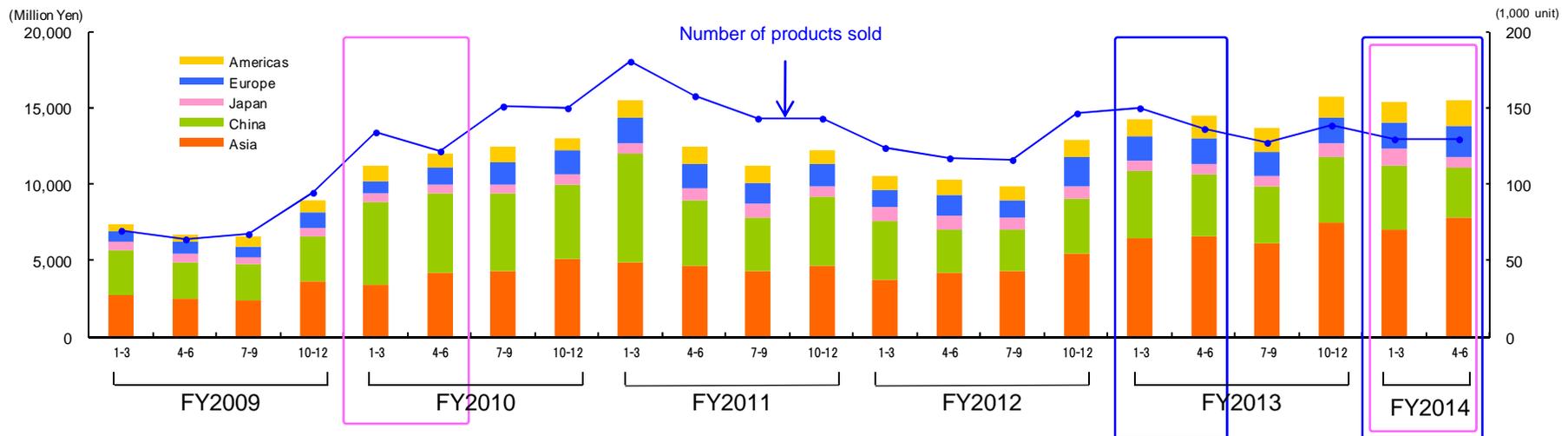
# (Reference 1) Performance by Segments Sales by Region (Sewing Machinery Business)



In the apparel sewing industry, the shift in clothing production bases from China into emerging Asian regions continued to grow, and sales in these regions proceeded firmly.

[Sewing Machinery Business:

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

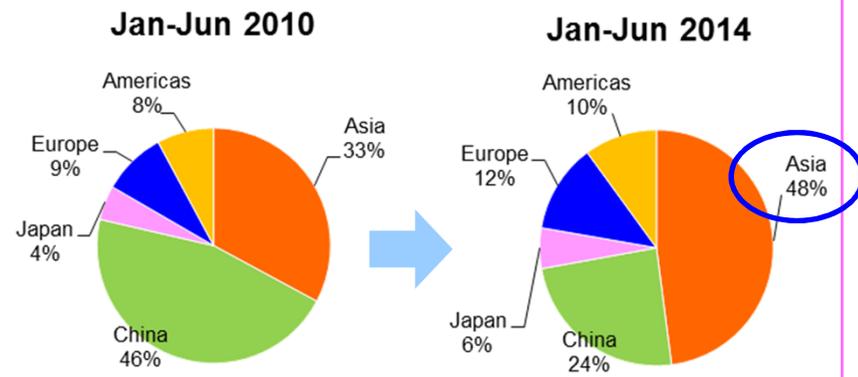


[Net sales: year-on-year comparison]

(100 Million Yen)

	Jan-Jun 2013	Jan-Jun 2014	Amount of change	% of change
Asia	130	149	19	14.6%
China	85	75	△10	△11.8%
Japan	14	17	3	21.4%
Europe	33	38	5	15.2%
Americas	27	31	4	14.8%
Total	289	310	21	7.3%

[Net sales composition ratio: comparison with Jan-Jun 2010]



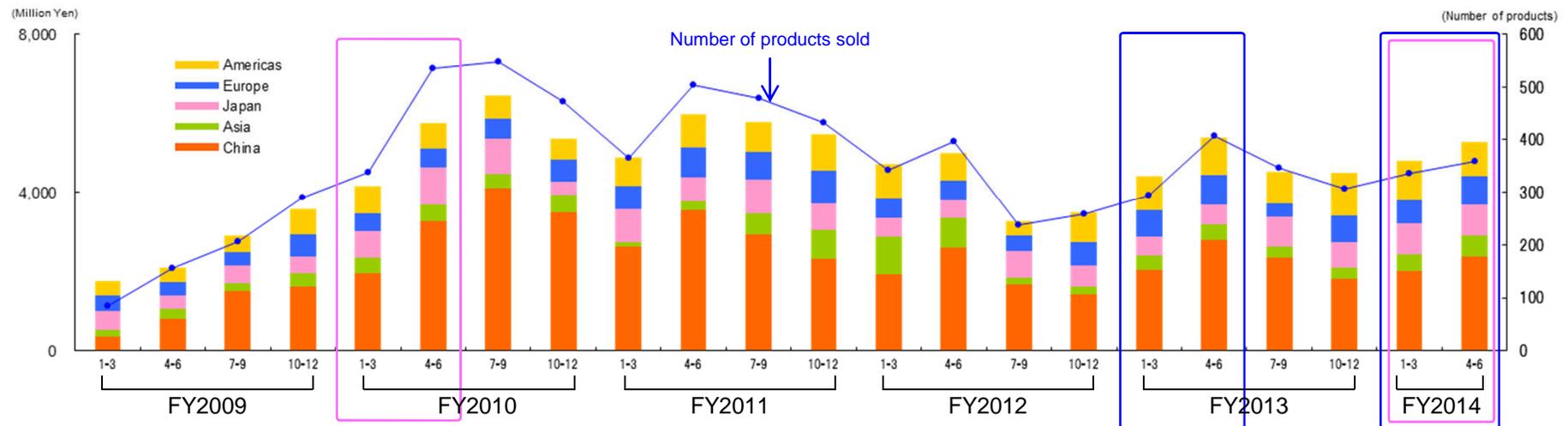
Note: The numbers for industrial sewing machines (excluding parts, etc.) are the aggregated monthly sales and do not match the figures of final settlement of account.

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



Although sales didn't grow in China, the biggest market, overall sales increased due to a rise in sales in Japan and other factors.

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

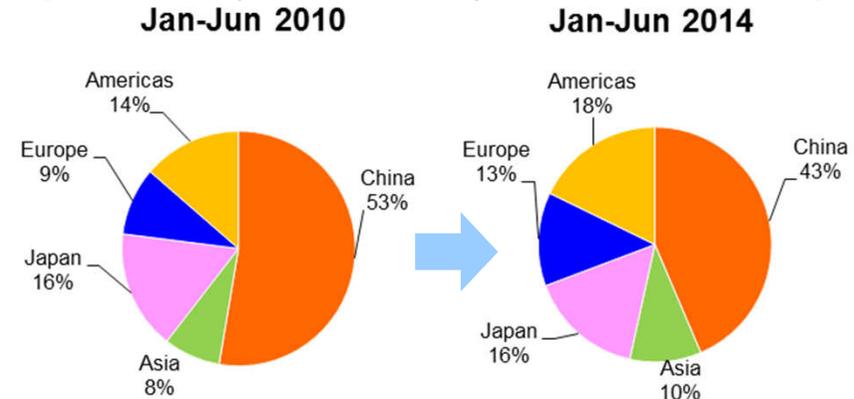


[Net sales: year-on-year comparison]

(100 Million Yen)

	Jan-Jun 2013	Jan-Jun 2014	Amount of change	% of change
China	48	44	Δ4	Δ8.3%
Asia	8	10	2	25.0%
Japan	10	16	6	60.0%
Europe	14	13	Δ1	Δ7.1%
Americas	18	18	0	0%
Total	98	101	3	2.7%

[Net sales composition ratio: comparison with Jan-Jun 2010]



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

# 1-6-1: Strengthening Financial Structure

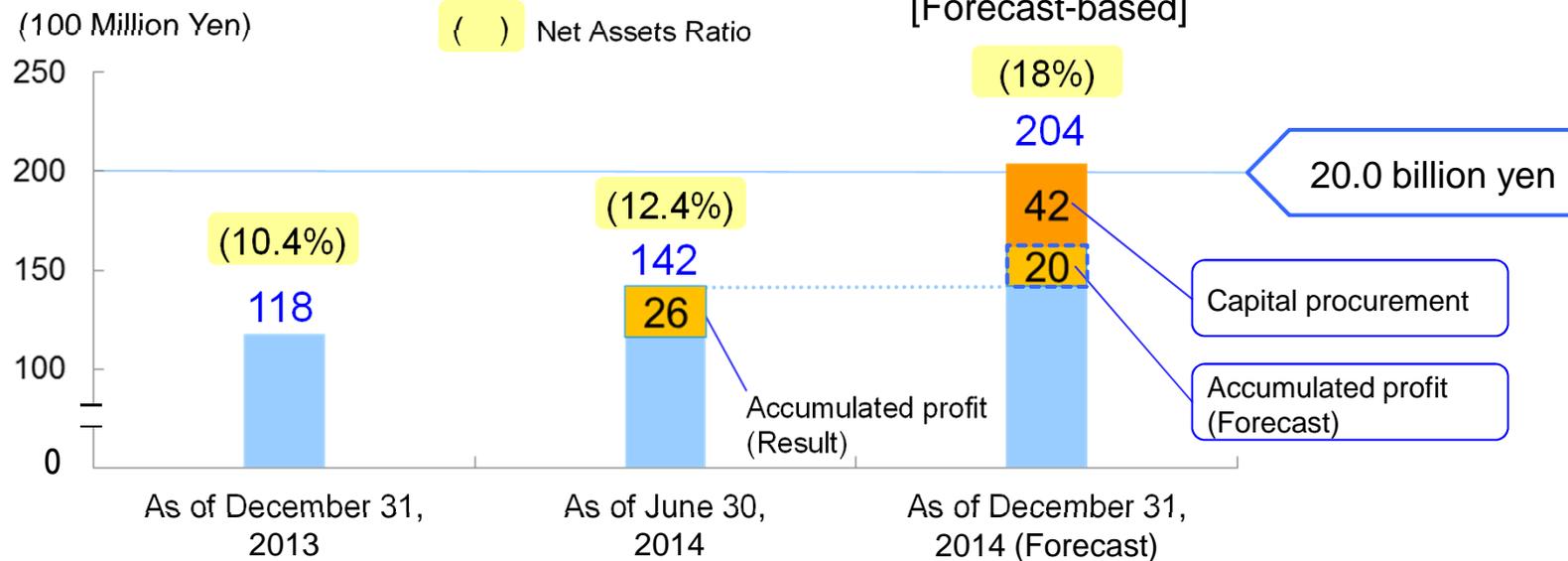
## 1. Enhancement of Equity Capital

- Purpose**
- 1) Growth investment to construct a “solid business foundation”
  - 2) Strengthening capacity to address risks

- Strategy**
- 1) Steady accumulated profit for each FY
  - 2) Capital procurement

[Capital increase through the issuance of subscription rights to shares]  
 June 17 Issuance resolved  
 August 4 Capital increase completed  
 The amount procured is 4.2 billion yen

### [Changes in net assets]



### 2. Growth investment to construct a “solid business foundation”

**Growth investment ⇒ 3.5 billion yen**

#### Sewing Machinery Business

- |   |                 |
|---|-----------------|
| 1) Renewal of existing facilities such as the Ohtawara Plant and our plant in Vietnam, and investment in new production equipment | 1.6 billion yen |
| 2) Investment in the product development in growth fields (non-apparel, knitwear machinery, automated machines, etc.)             | 0.7 billion yen |
| 3) Expansion of sales and marketing network for emerging markets  | 0.2 billion yen |

#### Electronic Assembly Systems Business

Investment in development of the line solution business and automation and labor-saving equipment, etc.	0.5 billion yen
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#### Group Business

Investment in production equipment to expand contracted processing business	0.5 billion yen
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## Part 2

# Full-year Forecasts for FY2014 and Key Initiatives for 2nd Half FY2014

## 2-1-1: Full-year Forecasts for FY2014



	Full-year forecasts for FY2014 [Current]	Full-year forecasts for FY2014 [Previous]	Increase	Result for 1st Half FY2014 (Jan-Jun)
Net Sales	1,040	1,020	20	507
Operating Income	69	63	6	37
Ordinary Income	63	50	13	35
Net Income	46	37	9	26
[Forecast for the fiscal year-end] Dividend per share	¥3	¥2	¥1	[Interim dividend] ¥0
Exchange Rate (1 US\$)	* The exchange rate for the 2nd half is 1 US\$ = ¥97			¥103

(100 Million Yen) [Reference] (100 Million Yen)

### Understanding of Environment

- US is moving toward tapering of monetary easing  
⇒ Attention on impact on emerging economies
- Global economy is on a gradual growth trajectory
- However, the global competitive environment is getting harsher

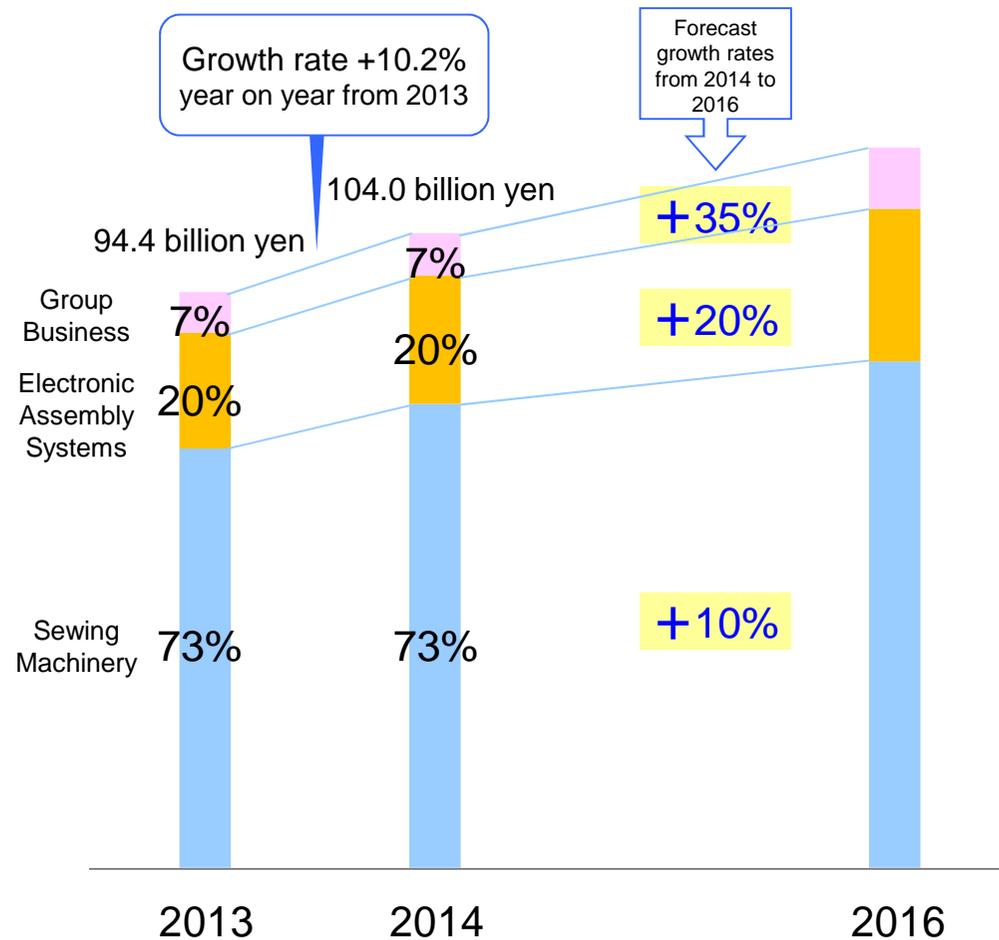
- ◆ Capital investment among customers is healthy
- ◆ Heightened need for automation due to soaring personnel costs  
⇒ Ongoing scenario of good opportunities arising to extend positive results by bringing in a large number of customers

Accelerate creation of business structure that can sustainably generate revenues and construction of a solid business foundation

## Construction of a solid business foundation

### Establishment of business structure that can sustainably generate revenues

[Illustration of sales composition of each business]



#### Group Business

Expand contracted processing business

#### Electronic Assembly Systems Business

Focus market growth areas

Communication devices  
(smartphones, etc.)

Home appliances, lighting, etc.

In-car devices, etc.

#### Sewing Machinery Business

Expansion areas among business fields

Non-apparel  
(automobiles, shoes, etc.)

Knitwear machinery

Automated machines

Household sewing machines

## 2-2-1: Key Initiatives for 2nd Half FY2014 (Sewing Machinery Business)

### Sewing Machinery Business [Industrial sewing machines]

#### [Regional strategy]

- Expand new business opportunities by continuing to accurately keep track of trends in relocation of production bases to emerging countries in regions like Southeast Asia and South Asia
- Also concentrate on sales expansion in “new emerging countries” in areas including Middle East, Africa and Central/South America

#### [Strategies by business sector]

- Firmly maintain strength in woven machinery field, an area of expertise
- Expand business fields in areas of non-apparel, knitwear machinery and automated machines, which have growth potential

##### Non-apparel

Through new products, gain presences in markets for automobiles, sports shoes, furniture and others

##### Knitwear machinery

Expand sales of new products and utilize alliance with SIRUBA

##### Automated machines

Respond to customization orders and strengthen line solution sales using strength in woven machinery field

##### Spare parts

Expand spare parts sales through global network



DU-1281 Series  
(New product)



MF-7500(D) Series  
(New product)

## 2-2-2: Key Initiatives for 2nd Half FY2014 (Sewing Machinery Business)

### Sewing Machinery Business [Household sewing machines]

#### [Regional strategy]

- Operation of sales strategy in accordance with characteristics of overseas markets
  - Expand sales mainly focusing on quilt virtuoso pro long arm quilting machine in US and overlock with air-supported threading in Europe

#### [Product strategy and alliance strategy]

- Sales expansion through new products (MO-1000, TL-2200QVP, HZL-350Z)



Overlock  
with air-supported threading  
MO-1000



Quilt virtuoso pro long arm  
quilting machine  
TL-2200QVP



Electric sewing machine  
HZL-350Z

## 2-2-3: Key Initiatives for 2nd Half FY2014 (Electronic Assembly Systems Business)

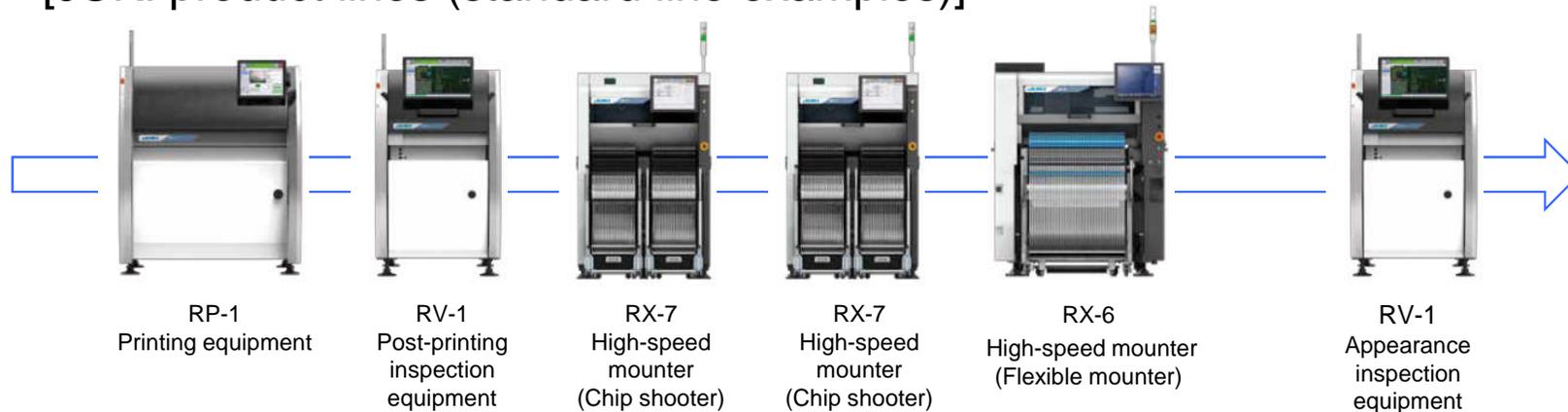
### Electronic Assembly Systems Business

Enhance functionality and develop peripheral equipment of new products added in business integration and have full-scale launch of sales

Vigorously develop sales of line solution that include printing equipment, inspection equipment and others with mounters

- Vigorously pursue alliances and accelerate efforts to acquire customers in markets where JUKI is yet to gain a presence

[JUKI product lines (standard line examples)]



Expand sales of labor-saving equipment

Aim for further sales expansion of labor-saving equipment as means of opening doors to potential solutions business

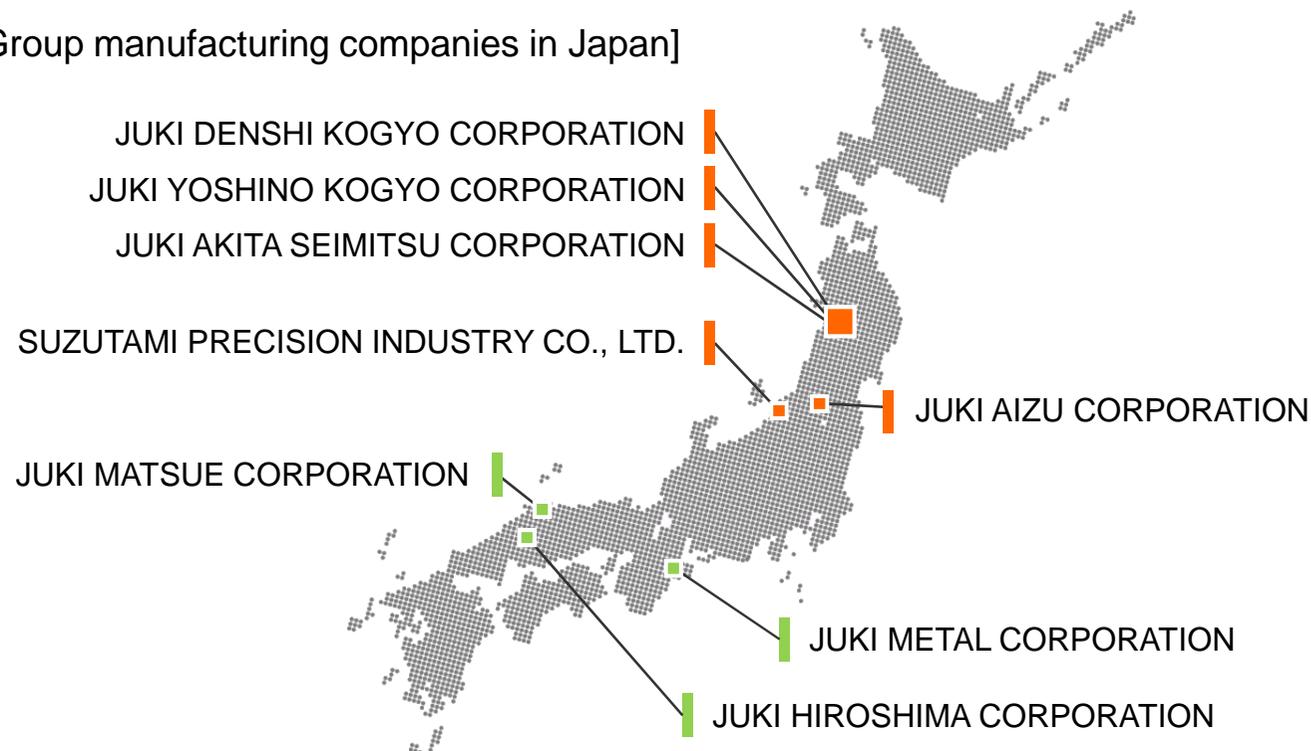
## 2-2-4: Key Initiatives for 2nd Half FY2014 (Group Business)

### Group Business

Expand contracted processing business as third business segment  
⇒ Cultivate as a new business

- With JUKI DENSHI KOGYO taking the lead, make use of precision processing and precision casting technology of JUKI Group companies and strengthen cooperation among companies, thus achieving business expansion

[Group manufacturing companies in Japan]



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.

## JUKI CORPORATION

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