(Reference Translation)

February 10, 2017

Summary of Financial Information and Business Results for the Fiscal Year 2016 Ended December 31, 2016 on a Consolidated Basis <under Japanese GAAP>

Company name:	**JUKI Corporation**
Listing:	First Section of the Tokyo Stock Exchange
Securities code:	6440
URL:	http://www.juki.co.jp/
Representative:	Akira Kiyohara, President
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Scheduled date of Ordinary General Meeting of Shareholders:	March 28, 2017
Scheduled date to commence dividend payments:	March 29, 2017
Scheduled date to file the securities report:	March 29, 2017
Preparation of supplementary material on financial results:	Yes
Holding of financial results presentation meeting:	Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year 2016 ended December 31, 2016 (January 1, 2016 to December 31, 2016)

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2016	97,724	(13.4)	4,651	(34.6)	3,022	(47.2)	1,883	(51.1)
December 31, 2015	112,865	4.9	7,110	(13.5)	5,728	(25.7)	3,853	(36.4)

Note: Comprehensive income Fiscal year ended December 31, 2016: 396 million yen [(87.9) %]
Fiscal year ended December 31, 2015: 3,273 million yen [(60.4) %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	yen	yen	%	%	%
December 31, 2016	63.94	–	6.9	2.6	4.8
December 31, 2015	129.14	–	14.6	4.6	6.3

Reference: Equity in earnings (losses) of affiliates Fiscal year ended December 31, 2016: – million yen
Fiscal year ended December 31, 2015: – million yen

* On July 1, 2015, the Company carried out a one-for-five common share consolidation. Basic earnings per share has been calculated as if the share consolidation had been carried out at the beginning of the fiscal year ended December 31, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2016	111,365	27,582	24.2	921.78
December 31, 2015	119,281	28,477	23.2	927.63

Reference: Equity As of December 31, 2016: 27,005 million yen
As of December 31, 2015: 27,678 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2016	9,818	(1,046)	(8,100)	7,892
December 31, 2015	8,924	(1,218)	(9,044)	7,671

2. Dividends

	Annual dividends					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended December 31, 2015	–	2.00	–	25.00	–	1,044	27.1	4.0
Fiscal year ended December 31, 2016	–	0.00	–	20.00	20.00	585	31.3	2.2
Fiscal year ending December 31, 2017 (Forecast)	–	–	–	20.00	–		–	

* On July 1, 2015, the Company carried out a one-for-five common share consolidation. Consequently, the interim dividend for the second quarter-end of the fiscal year ended December 31, 2015 are the actual amounts prior to the consolidation, and the total annual dividend for the fiscal year ended December 31, 2015 is presented as "–." If the share consolidation is taken into account, the interim dividend for the second quarter-end of the fiscal year ended December 31, 2015 was 10 yen per share, and the total annual dividend amounted to 35 yen per share.
* The dividend for the second quarter-end of the fiscal year ending December 31, 2017 is currently yet to be determined.

3. Consolidated earnings forecasts for the fiscal year 2017 ending December 31, 2017

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Six months ending June 30, 2017	–	–	–	–	–	–	–	–	–
Fiscal year ending December 31, 2017	101,000	3.4	4,800	3.2	3,700	22.4	2,200	16.8	74.69

* The consolidated earnings forecasts for the six months ending June 30, 2017 are yet to be determined.

* Notes

(1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None
d. Restatement of prior period financial statements after error corrections: None

Note: For a detailed description, please refer to "(5) Notes to consolidated financial statements (Changes in accounting policies) of 3. Consolidated financial statements" on page 16 of the [Attached Material].

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2016	29,874,179 shares
As of December 31, 2015	29,874,179 shares

b. Number of treasury shares at the end of the period

As of December 31, 2016	577,229 shares
As of December 31, 2015	36,089 shares

c. Average number of shares during the period

Fiscal year ended December 31, 2016	29,454,441 shares
Fiscal year ended December 31, 2015	29,839,414 shares

* On July 1, 2015, the Company carried out a one-for-five common share consolidation. The average number of shares during the period has been calculated as if the share consolidation had been carried out at the beginning of the fiscal year ended December 31, 2015.

(Reference) Summary of non-consolidated performance

Non-consolidated performance for the fiscal year 2016 ended December 31, 2016
(January 1, 2016 to December 31, 2016)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2016	54,128	(8.1)	1,849	(34.5)	2,531	(51.5)	(722)	–
December 31, 2015	58,870	4.4	2,825	(36.5)	5,222	(34.4)	3,563	(49.3)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	yen	yen
December 31, 2016	(24.53)	–
December 31, 2015	119.42	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2016	90,381	27,513	30.4	939.14
December 31, 2015	97,075	29,498	30.4	988.63

Reference: Equity As of December 31, 2016: 27,513 million yen
As of December 31, 2015: 29,498 million yen

* Indication regarding execution of audit procedures

This financial results report is not subject to the audit procedures under the Financial Instruments and Exchange Act, and at the time of disclosure hereof, the audit procedures for financial statements under the Financial Instruments and Exchange Act have not been completed.

* Disclaimer regarding forward-looking statements

This report 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. Significant factors that may have an impact on actual results include, but not limited to, the economic environment surrounding JUKI’s business, political situations in key markets, and foreign exchange rate fluctuations (primarily the yen to U.S. dollar rate). For the suppositions that form the assumptions for consolidated earnings forecasts and cautions concerning the use thereof, please refer to “(1) Analysis of operating results, c. Forecasts for the next fiscal year of 1. Analysis of operating results and financial position” on page 3 of the [Attached Material].

[Attached Material]

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1. Analysis of operating results and financial position

(1) Analysis of operating results

a. Operating results of the current fiscal year

In the current fiscal year, the Company has taken steps to construct a solid business foundation and expand areas of business, strengthening solution selling and widening the scope of activities for proposing automation and labor-saving solutions to our customers. Nevertheless, net sales were 97,724 million yen (down by 13.4% from the same period of the previous fiscal year). This was mainly because prolonged global economic stagnation coupled with the effects of yen appreciation compared to the previous fiscal year, amid deepening uncertainty over the global economy, generated by the slowdown in the Chinese economy and other factors.
With respect to profits, despite cost reduction effects in the area of production, operating income was 4,651 million yen (down by 34.6% from the same period of the previous fiscal year), due mainly to a drop in sales. Ordinary income was 3,022 million yen (down by 47.2% from the same period of the previous fiscal year) and profit attributable to owners of parent was 1,883 million yen (down by 51.1% from the same period of the previous fiscal year), owing to revaluation losses on foreign-currency-denominated receivables as non-operating expenses amid a shift toward appreciation of the yen against the U.S. dollar compared with the previous fiscal year.

b. Overview of each business segment

i) Sewing Machinery Business

In regard to geographic regions, sales increased in emerging economies of Bangladesh and Indonesia and in Europe and the U.S. but languished in China, etc. In terms of products, although sales of products for car seats and other non-apparel items were well, the yen was strong compared to the previous fiscal year. As a result, net sales of the Sewing Machinery Business as a whole were 75,866 million yen (down by 11.9% from the same period of the previous fiscal year), and segment profit was 6,503 million yen (down by 21.6% from the same period of the previous fiscal year). Looking ahead, we will aim to improve sales and earnings by further strengthening solution selling.

ii) Electronic Assembly Systems Business

In regard to geographic regions, sales decreased in China, our largest market, and in the Americas. In terms of products, increased sales of the new mounters, which were rolled out under our line solution strategy, did not make up for decreased sales of existing mounters. As a result, net sales of the Electronic Assembly Systems Business as a whole were 15,237 million yen (down by 25.7% from the same period of the previous fiscal year). Segment loss was 1,792 million yen (segment loss was 1,680 million yen in the same period of the previous fiscal year), due mainly to decreased sales and fierce competition, resulting in lower rates of return, although structural reform of overall businesses brought about certain effects in reducing costs. Going forward, the Company will continue to improve earnings by expanding the customer base through bolstering sales of items such as new products based on the solution proposals and products based on alliances, by making changes to the production framework, and by strengthening the Company’s fundamentals.

c. Forecasts for the next fiscal year

The forecasts for the next fiscal year, which take into consideration the conditions during the current fiscal year, are as follows. The assumed foreign exchange rate is 105 yen to one U.S. dollar.

Consolidated earnings forecasts for the fiscal year ending December 31, 2017

(million yen)

Item	Fiscal year ending December 31, 2017
Net sales	101,000
Operating income	4,800
Ordinary income	3,700
Profit attributable to owners of parent	2,200

Our forecasts for the first six months of the next fiscal year are yet to be determined, due to increased uncertainty regarding the global economy and the impact that the economic policies of various countries, including the U.S., will have on foreign exchange rates, which in turn have led to decreased visibility into capital investment trends. These will be announced promptly once it becomes possible to make a reasonable calculation.

(2) Analysis of financial position

(Analysis of assets, liabilities, net assets, and cash flows)

Total assets as of December 31, 2016 were 111,365 million yen, a decrease of 7,916 million yen compared to the previous fiscal year-end. This was mainly due to decreases in inventories and property, plant and equipment. Liabilities were 83,782 million yen, a decrease of 7,021 million yen compared to the previous fiscal year-end. This primarily reflected a decrease in short-term and long-term loans payable. Net assets were 27,582 million yen, a decrease of 895 million yen compared to the previous fiscal year-end. This was mainly due to purchases of treasury shares and a higher negative value in foreign currency translation adjustment due to the appreciation of the yen, despite an increase in retained earnings.

Consequently, the equity ratio was 24.2%, an increase of 1.0 percentage points over that of the previous fiscal year-end.

Net cash provided by operating activities was 9,818 million yen (8,924 million yen provided in the same period of the previous fiscal year). This mainly reflected the recording of profit before income taxes and a decrease in inventories.

Net cash used in investing activities was 1,046 million yen (1,218 million yen used in the same period of the previous fiscal year). This was mainly the result of purchase of property, plant and equipment.

Net cash used in investing activities was 8,100 million yen (9,044 million yen used in the same period of the previous fiscal year), mainly due to a decrease in interest-bearing debt.

As a result, cash and cash equivalents were 7,892 million yen, an increase of 221 million yen compared to the previous fiscal year-end.

(Reference) Transition of cash flow indicators

Transition of cash flow indicators of the Group is as follows.

	FY2012 ended December 31, 2012	FY2013 ended December 31, 2013	FY2014 ended December 31, 2014	FY2015 ended December 31, 2015	FY2016 ended December 31, 2016
Equity ratio (%)	4.2	10.1	18.4	23.2	24.2
Market value-based equity ratio (%)	14.5	26.1	49.4	27.2	27.8
Ratio of interest-bearing debt to cash flows (years)	–	11.8	21.6	7.5	6.1
Interest-coverage ratio (times)	–	3.9	2.5	6.8	8.7

(Notes) Equity ratio: Equity divided by total assets
Market value-based equity ratio: Aggregate market value of shares divided by total assets
Ratio of interest-bearing debt to cash flows: Interest-bearing debt divided by cash flows
Interest-coverage ratio: Cash flows divided by interest payment
*1 All of the above indicators are calculated based on consolidated financial figures.
*2 Aggregate market value of shares is calculated based on number of issued shares excluding treasury shares.
*3 Operating cash flow is used for cash flows.
*4 Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets for which interest is being paid.

(3) Fundamental corporate policy for distributing profits, and dividends for the current fiscal year and next fiscal year

With respect to distribution of profits, it is our basic policy to endeavor to return adequate profits to our shareholders, by seeking stable distribution of dividends, and concurrently, we take into account comprehensive issues such as the financial results of the current fiscal year, the necessity of retained earnings to prepare for future business operations, etc.
With respect to dividends for the current fiscal year, in light of the policy and financial position stated above, we plan to offer a year-end dividend of 20 yen per share.
For the fiscal year ending December 31, 2017, the Company plans to pay a year-end dividend of 20 yen per share, but since the earnings forecasts for the six months ending June 30, 2017, are yet to be determined, as stated above, the interim dividend is currently yet to be determined. This will be announced promptly once it becomes possible to make a reasonable calculation.

2. Management policies

(1) Basic management policy

By providing superior products and services to meet a wide range of market and customer needs worldwide, the Group will strive to meet the trust and expectations of all our stakeholders, including customers, shareholders, suppliers, employees and society, guided by our three basic management policies of “Promoting Total Quality Management,” “Nurturing Innovativeness and Activeness in our Organization and Personnel” and “Operating with Global Management Approach.”
Our basic aim for the execution of business is to contribute to society by expanding our business globally while creating new values based on the corporate philosophy and corporate slogan “Mind & Technology –Technology with heart-.”

(2) Targeted management benchmarks

Based on the long-term vision, “To thrive in the 21st century as a global, innovative Monodzukuri (manufacturing) enterprise,” the Company has formulated a Medium-Term Management Plan “Value Up 2022,” aiming at achieving JUKI Group’s continual growth. This Medium-Term Management Plan will serve as the basis for JUKI’s initiatives in becoming a “Monodzukuri enterprise also capable of elevating the corporate value of both JUKI and its clients through JUKI products and services” in 6 years. To meet these targets, the Company defined the vision, covering these three years of the Medium-Term Management Plan, as a period in which to become “an enterprise that consistently provides customer-preferred, high-quality products and services.” By growing both sales and profit every year over the three years to FY2019, we aim to achieve a ratio of ordinary income of 6% or more and an equity ratio of 30% by FY2019.

(3) Management strategies for the medium to long term and issues to address

The aforementioned Medium-Term Management Plan contains the following five basic policies.

a. **Developing globally competent and innovative personnel and deploying them to fulfill our visions**
   - We are committed to the promotion of diversity and the reinforcement of personnel training at every level — from management to our youngest employees.

b. **Constructing a smart business foundation**
   - We will further reform supply chain management, reduce manufacturing costs and streamline administrative operations.

c. **Strengthening our value-creation capabilities through solution sales**
   - In order to promote “provision of specific solutions,” we will develop and deliver products and services that match customers’ needs for labor-saving and manpower-saving results.

d. **Building capital through strengthening our financial structure**
   - We will reduce inventories and interest-bearing debts, as well as enhance our profit-earning capability and capital.

e. **Creating new business categories and reinforcing them, based on our vision of the future**
   - We will bolster our initiatives aimed at creating new businesses.

Based on these basic policies, in starting this Medium-Term Management Plan, we have revised managerial framework in order to build a business structure that allows us to accommodate dramatic business climate changes and that achieves consistently high earnings. Under this revision of managerial framework, we will achieve business growth through flexible use of common management resources among each business (customers, products, facilities, personnel, etc.) by a significant reorganization; strengthen smart solutions proposal that achieves labor- and manpower-saving results for customers; and streamline management structure.
With regard to business segments, the two existing divisions of “Sewing Machinery Business” and “Electronic Assembly Systems Business” are being reorganized into the new “Sewing Machinery and Systems Business” and “Industrial Equipment and Systems Business” in order to strengthen the growth of the solutions operation, including the area of systems.

We will take the following initiatives for each business in order to achieve the Medium-Term Management Plan.

<Sewing Machinery and Systems Business>

- Strengthen sales capabilities by proposing “Smart Solutions” for customers to achieve the creation of smart factories
- Expand product portfolios in automated machines, automation, robotics, and sawing machinery systems
- Strengthen sales capabilities to accommodate changes in growth markets and growth companies trends
- Expand sales with a focus on mid- to high-end household sewing machines for home sewers

<Industrial Equipment and Systems Business>

- Expand sales with a focus on line solution selling for such products as surface mount technology systems-related equipment and peripheral equipment (Electronic Assembly Systems Company)
- Leverage our proprietary manufacturing technologies to increase business entrusted by customers for precision casting, machining/processing, assembly, etc. and boost sales of related proprietary products (Group Business Company)
- Increase sales of parts and equipment, utilizing a website dedicated to parts sales and so on (Customer Business Company)

3. Basic Concept Regarding Selection of Accounting Standards

The Group has prepared the consolidated financial statements in accordance with Japanese GAAP, in order to facilitate comparison with previous year’s financial statements or comparability among companies.
The Company will examine the application of international financial reporting standards (IFRSs) in the future, giving consideration to the status of application of the system within Japan.

4. Consolidated financial statements

(1) Consolidated balance sheet

(million yen)

	As of December 31, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	7,906	8,048
Notes and accounts receivable - trade	31,263	30,741
Merchandise and finished goods	31,689	28,412
Work in process	3,532	3,257
Raw materials and supplies	7,424	5,945
Deferred tax assets	2,595	1,680
Other	2,945	2,378
Allowance for doubtful accounts	(400)	(399)
Total current assets	86,958	80,066
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,844	12,890
Machinery, equipment and vehicles, net	3,036	2,755
Tools, furniture and fixtures, net	1,047	967
Land	6,656	6,523
Leased assets, net	342	325
Construction in progress	97	49
Total property, plant and equipment	25,024	23,512
Intangible assets	1,797	1,711
Investments and other assets		
Investment securities	3,009	3,018
Long-term loans receivable	432	424
Long-term prepaid expenses	353	306
Deferred tax assets	202	1,021
Net defined benefit asset	982	874
Other	2,316	2,379
Allowance for doubtful accounts	(1,795)	(1,951)
Total investments and other assets	5,501	6,074
Total non-current assets	32,323	31,298
Total assets	119,281	111,365

(million yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	10,126	9,972
Short-term loans payable	46,870	43,144
Lease obligations	123	109
Accounts payable - other	1,718	1,400
Accrued expenses	3,473	3,297
Income taxes payable	745	409
Provision for bonuses	60	15
Notes payable - facilities	111	61
Forward exchange contracts	–	1,811
Other	1,205	1,031
Total current liabilities	64,436	61,254
Non-current liabilities		
Long-term loans payable	20,101	16,647
Lease obligations	281	256
Provision for directors’ retirement benefits	171	69
Net defined benefit liability	5,084	5,163
Other	728	390
Total non-current liabilities	26,367	22,528
Total liabilities	90,803	83,782
Net assets		
Shareholders’ equity		
Capital stock	18,044	18,044
Capital surplus	2,094	2,035
Retained earnings	7,800	8,937
Treasury shares	(66)	(605)
Total shareholders’ equity	27,873	28,412
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	817	839
Foreign currency translation adjustment	(1,148)	(2,274)
Remeasurements of defined benefit plans	136	28
Total accumulated other comprehensive income	(194)	(1,406)
Non-controlling interests	799	576
Total net assets	28,477	27,582
Total liabilities and net assets	119,281	111,365

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(million yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Net sales	112,865	97,724
Cost of sales	78,293	68,134
Gross profit	34,571	29,590
Selling, general and administrative expenses	27,461	24,938
Operating income	7,110	4,651
Non-operating income		
Interest income	127	64
Dividend income	147	131
Commission fee	193	261
Other	445	397
Total non-operating income	914	854
Non-operating expenses		
Interest expenses	1,321	1,153
Foreign exchange losses	819	1,185
Other	155	144
Total non-operating expenses	2,296	2,483
Ordinary income	5,728	3,022
Extraordinary income		
Gain on sales of non-current assets	50	441
Other	0	–
Total extraordinary income	51	441
Extraordinary losses		
Loss on sales and retirement of non-current assets	65	125
Loss on valuation of investment securities	34	6
Impairment loss	32	105
Loss on valuation of shares of subsidiaries and associates	–	55
Special retirement expenses	–	80
Other	4	–
Total extraordinary losses	137	373
Profit before income taxes	5,642	3,090
Income taxes - current	1,625	1,333
Income taxes for prior periods	–	84
Income taxes - deferred	364	34
Total income taxes	1,989	1,453
Profit	3,652	1,637
Loss attributable to non-controlling interests	(200)	(246)
Profit attributable to owners of parent	3,853	1,883

Consolidated statement of comprehensive income

(million yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Profit	3,652	1,637
Other comprehensive income		
Valuation difference on available-for-sale securities	0	21
Deferred gains or losses on hedges	3	–
Foreign currency translation adjustment	(471)	(1,156)
Remeasurements of defined benefit plans, net of tax	88	(105)
Total other comprehensive income	(379)	(1,240)
Comprehensive income	3,273	396
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,495	671
Comprehensive income attributable to non-controlling interests	(221)	(274)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2015

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,044	2,094	3,754	(62)	23,831
Cumulative effects of changes in accounting policies			1,087		1,087
Balance at the beginning of period reflecting the changes in accounting policies	18,044	2,094	4,841	(62)	24,918
Changes of items during period					
Dividends of surplus			(895)		(895)
Profit attributable to owners of parent			3,853		3,853
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		(0)		0	0
Transfer of loss on disposal of treasury shares		0	(0)		–
Capital increase of consolidated subsidiaries					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,958	(3)	2,954
Balance at end of current period	18,044	2,094	7,800	(66)	27,873

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	817	(3)	(695)	44	163	1,015	25,010
Cumulative effects of changes in accounting policies					–	7	1,094
Balance at the beginning of period reflecting the changes in accounting policies	817	(3)	(695)	44	163	1,022	26,104
Changes of items during period							
Dividends of surplus							(895)
Profit attributable to owners of parent							3,853
Purchase of treasury shares							(3)
Disposal of treasury shares							0
Transfer of loss on disposal of treasury shares							–
Capital increase of consolidated subsidiaries							–
Net changes of items other than shareholders' equity	0	3	(453)	91	(358)	(223)	(581)
Total changes of items during period	0	3	(453)	91	(358)	(223)	2,372
Balance at end of current period	817	–	(1,148)	136	(194)	799	28,477

Fiscal year ended December 31, 2016

(million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	18,044	2,094	7,800	(66)	27,873
Cumulative effects of changes in accounting policies					–
Balance at the beginning of period reflecting the changes in accounting policies	18,044	2,094	7,800	(66)	27,873
Changes of items during period					
Dividends of surplus			(745)		(745)
Profit attributable to owners of parent			1,883		1,883
Purchase of treasury shares				(539)	(539)
Disposal of treasury shares					–
Transfer of loss on disposal of treasury shares					–
Capital increase of consolidated subsidiaries		(59)			(59)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(59)	1,137	(539)	538
Balance at end of current period	18,044	2,035	8,937	(605)	28,412

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	817	–	(1,148)	136	(194)	799	28,477
Cumulative effects of changes in accounting policies					–		–
Balance at the beginning of period reflecting the changes in accounting policies	817	–	(1,148)	136	(194)	799	28,477
Changes of items during period							
Dividends of surplus							(745)
Profit attributable to owners of parent							1,883
Purchase of treasury shares							(539)
Disposal of treasury shares							–
Transfer of loss on disposal of treasury shares							–
Capital increase of consolidated subsidiaries							(59)
Net changes of items other than shareholders' equity	21	–	(1,126)	(107)	(1,212)	(222)	(1,434)
Total changes of items during period	21	–	(1,126)	(107)	(1,212)	(222)	(895)
Balance at end of current period	839	–	(2,274)	28	(1,406)	576	27,582

(4) Consolidated statement of cash flows

(million yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from operating activities		
Profit before income taxes	5,642	3,090
Depreciation	2,990	2,583
Impairment loss	32	105
Increase (decrease) in allowance for doubtful accounts	137	174
Increase (decrease) in provision for bonuses	(7)	(40)
Increase (decrease) in net defined benefit liability	163	2
Decrease (increase) in net defined benefit asset	(62)	(8)
Interest and dividend income	(275)	(195)
Interest expenses	1,321	1,153
Foreign exchange losses (gains)	259	(238)
Loss (gain) on sales and retirement of property, plant and equipment and intangible assets	15	(316)
Loss (gain) on valuation of investment securities	34	–
Loss on valuation of shares of subsidiaries and associates	–	55
Decrease (increase) in notes and accounts receivable - trade	(704)	(581)
Decrease (increase) in inventories	6,631	3,067
Increase (decrease) in notes and accounts payable - trade	(3,605)	128
Increase (decrease) in notes discounted	117	(161)
Other, net	(871)	3,570
Subtotal	11,820	12,388
Interest and dividend income received	274	195
Interest expenses paid	(1,331)	(1,154)
Income taxes (paid) refund	(1,838)	(1,611)
Net cash provided by (used in) operating activities	8,924	9,818
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,402)	(1,727)
Proceeds from sales of property, plant and equipment and intangible assets	205	750
Purchase of investment securities	(0)	(153)
Payments of loans receivable	(8)	–
Collection of loans receivable	21	8
Other, net	(33)	75
Net cash provided by (used in) investing activities	(1,218)	(1,046)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,866)	(1,417)
Proceeds from long-term loans payable	9,924	7,195
Repayments of long-term loans payable	(13,210)	(11,835)
Purchase of treasury shares	(3)	(539)
Cash dividends paid	(889)	(743)
Proceeds of sale and installment back	57	–
Repayments of sale and installment back payables	(638)	(526)
Other, net	(418)	(234)
Net cash provided by (used in) financing activities	(9,044)	(8,100)
Effect of exchange rate change on cash and cash equivalents	(275)	(450)
Net increase (decrease) in cash and cash equivalents	(1,613)	221
Cash and cash equivalents at beginning of period	9,285	7,671
Cash and cash equivalents at end of period	7,671	7,892

(5) Notes to consolidated financial statements
(Notes on premise of going concern)

No items to report.

(Changes in accounting policies)

(Application of Accounting Standard for Business Combinations, etc.)
Effective from the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013; hereinafter the “Accounting Standard for Business Divestitures”), etc. As a result, the method of recording has been changed; the amount of difference caused by changes in the Company’s ownership interests in the subsidiaries under ongoing control of the Company is recorded as capital surplus, and acquisition-related costs are recorded as expenses for the fiscal year in which they are incurred. Furthermore, the accounting method has been changed; for business combinations carried out on or after the beginning of the fiscal year ended December 31, 2016, the revision of the acquisition cost allocation according to the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of the business combination belongs. In addition, the presentation method has been changed; “Net income” has been changed to “Profit attributable to owners of parent,” “Income before minority interests” has been changed to “Profit,” and “Minority interests” has been changed to “Non-controlling interests.” To reflect these changes, the Company has reclassified its full-year consolidated financial statements for the previous fiscal year.
Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company applied the said standards prospectively from the beginning of the fiscal year ended December 31, 2016.
As a result, capital surplus as of December 31, 2016 decreased by 59 million yen.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)
Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the current fiscal year, and changed the depreciation method for building fixtures and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.
The impact from this change on operating income, ordinary income and profit before income taxes for the current fiscal year is immaterial.

(Segment information, etc.)

[Segment information]

1. Outline of reportable segments

The reportable segments of the Company are components of the Company that have separate financial information available and are periodically examined to enable the Board of Directors, etc. to make decisions on the allocation of management resources and evaluate the results of business performance.
The Company consists of segments by product and service, and the reportable segments are the "Sewing Machinery Business" (mainly, the production and sales of industrial sewing machines and household sewing machines) and the "Electronic Assembly Systems Business" (mainly, the production and sales of SMT systems).

2. Calculation method for the amounts of net sales, profit/loss, assets, liabilities and other items by reportable segment

The accounting method for reportable business segments is largely the same as the method for preparing consolidated financial statements.
For profit of reportable segments, the ordinary income base figure is used. Inter-segment sales and transfer amounts are decided in consideration of the market price and other factors.
As stated in changes in accounting policies, following the revision to the Corporation Tax Act, the Company changed the depreciation method for building fixtures and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. Therefore, the depreciation method used for business segments has been changed in the same way.
The impact from this change on operating income, ordinary income and profit before income taxes for the current fiscal year is immaterial.

3. Information regarding the amounts of net sales, profit/loss, assets, liabilities and other items by reportable segment

Fiscal year ended December 31, 2015 (January 1, 2015 to December 31, 2015) (million yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amounts reported in the consolidated financial statements (Note 3)
	Sewing Machinery Business	Electronic Assembly Systems Business	Total				
Net sales							
To external customers	86,147	20,518	106,665	6,199	112,865	–	112,865
Inter-segment sales or transfers	468	254	722	919	1,642	(1,642)	–
Total	86,615	20,772	107,387	7,119	114,507	(1,642)	112,865
Segment profit (loss)	8,290	(1,680)	6,610	96	6,706	(978)	5,728
Segment assets	74,875	26,499	101,374	9,430	110,804	8,476	119,281
Other items							
Depreciation (Note 4)	1,430	888	2,318	223	2,542	447	2,990
Interest income	118	19	138	35	174	(46)	127
Interest expenses	1,097	277	1,374	37	1,412	(91)	1,321
Increase in property, plant and equipment and intangible assets (Note 4)	787	190	977	117	1,094	315	1,410

(Notes) 1. The "Other Businesses" category refers to business segments not included in reportable segments under which businesses such as the precision casting business (the production and sale of lost-wax products, etc.), the precision processing and assembly business and the IT-related equipment business are classified.

2. Adjustments are as follows:

(1) Included in the 978 million yen deducted from segment profit (loss) as adjustment are a deduction of 3 million yen in inter-segment eliminations and a deduction of 974 million yen in corporate loss that cannot be allocated to any reportable segment. The corporate loss mainly consists of costs related to

the administrative functions of the Company that have not been attributed to a reportable segment and foreign exchange losses that have not been attributed to a reportable segment.

(2) The adjustment of 8,476 million yen for segment assets includes 11,818 million yen of corporate assets that cannot be allocated to any reportable segment, a deduction of 2,152 million yen in eliminations of inter-segment receivables, and a deduction of 1,152 million yen in eliminations of receivables owed to the administrative functions of the Company. Corporate assets primarily consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities) and assets and others related to the administrative functions that have not been attributed to a reportable segment.

(3) The adjustment of 447 million yen for depreciation is mainly an adjustment for depreciation related to the administrative functions of the Company that have not been attributed to a reportable segment.

(4) The adjustment of 315 million yen for increases in property, plant and equipment and intangible assets is mainly capital investments of the Company that have not been attributed to a reportable segment.

3. Segment profit (loss) is adjusted with ordinary income in the consolidated statement of income.
4. Depreciation includes the amortized amount of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016) (million yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amounts reported in the consolidated financial statements (Note 3)
	Sewing Machinery Business	Electronic Assembly Systems Business	Total				
Net sales							
To external customers	75,866	15,237	91,103	6,620	97,724	–	97,724
Inter-segment sales or transfers	77	138	216	937	1,154	(1,154)	–
Total	75,944	15,375	91,320	7,558	98,878	(1,154)	97,724
Segment profit (loss)	6,503	(1,792)	4,711	2	4,714	(1,691)	3,022
Segment assets	71,708	21,786	93,494	9,782	103,277	8,087	111,365
Other items							
Depreciation (Note 4)	1,212	674	1,886	221	2,108	475	2,583
Interest income	63	4	67	30	98	(34)	64
Interest expenses	971	204	1,176	45	1,221	(67)	1,153
Increase in property, plant and equipment and intangible assets (Note 4)	1,034	131	1,165	129	1,294	529	1,824

(Notes) 1. The "Other Businesses" category refers to business segments not included in reportable segments under which businesses such as the precision casting business (the production and sale of lost-wax products, etc.), the precision processing and assembly business and the IT-related equipment business are classified.

2. Adjustments are as follows:

(1) Included in the 1,691 million yen deducted from segment profit (loss) as adjustment are 10 million yen in inter-segment eliminations and a deduction of 1,702 million yen in corporate expenses that cannot be allocated to any reportable segment. The corporate loss mainly consists of costs related to the administrative functions of the Company that have not been attributed to a reportable segment and foreign exchange losses that have not been attributed to a reportable segment.

(2) The adjustment of 8,087 million yen for segment assets includes 11,480 million yen of corporate assets that cannot be allocated to any reportable segment, a deduction of 2,079 million yen in eliminations of inter-segment receivables, and a deduction of 1,286 million yen in eliminations of receivables owed to the administrative functions of the Company. Corporate assets primarily consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities) and assets and others related to the administrative functions that have not been attributed to a reportable segment.

(3) The adjustment of 475 million yen for depreciation is mainly an adjustment for depreciation related to the administrative functions of the Company that have not been attributed to a reportable segment.

(4) The adjustment of 529 million yen for increases in property, plant and equipment and intangible assets is mainly capital investments of the Company that have not been attributed to a reportable segment.

3. Segment profit (loss) is adjusted with ordinary income in the consolidated statement of income.
4. Depreciation includes the amortized amount of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

[Related information]

Fiscal year ended December 31, 2015 (January 1, 2015 to December 31, 2015)

1. Information by product and service

Information by product and service is omitted because similar information is disclosed in the Segment information.

2. Information by region

(1) Net sales

(million yen)

Japan	Asia	China	Americas	Europe	Others	Total
16,266	46,878	23,366	14,059	10,818	1,475	112,865

(Note) Net sales are categorized into countries or regions based on the location of customers.

(2) Property, plant and equipment

(million yen)

Japan	China	Others	Total
21,068	2,509	1,446	25,024

3. Information on major customers

Information on major customers is omitted because no external customer accounts for 10% or more of net sales in the consolidated statement of income.

Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016)

1. Information by product and service

Information by product and service is omitted because similar information is disclosed in the Segment information.

2. Information by region

(1) Net sales

(million yen)

Japan	Asia	China	Americas	Europe	Others	Total
15,927	41,970	17,682	11,394	9,431	1,318	97,724

(Note) Net sales are categorized into countries or regions based on the location of customers.

(2) Property, plant and equipment

(million yen)

Japan	China	Others	Total
20,223	2,004	1,283	23,512

3. Information on major customers

Information on major customers is omitted because no external customer accounts for 10% or more of net sales in the consolidated statement of income.

[Information regarding impairment loss of non-current assets and goodwill by reportable segment]

Fiscal year ended December 31, 2015 (January 1, 2015 to December 31, 2015) (million yen)

	Sewing Machinery Business	Electronic Assembly Systems Business	Other Businesses	Company-wide/Elimination	Total
Impairment loss	–	32	–	–	32

Fiscal year ended December 31, 2016 (January 1, 2016 to December 31, 2016) (million yen)

	Sewing Machinery Business	Electronic Assembly Systems Business	Other Businesses	Company-wide/Elimination	Total
Impairment loss	–	–	105	–	105

[Information on amortization and unamortized balance of goodwill by reportable segment]

No items to report.

[Information on gain on bargain purchase by reportable segment]

No items to report.

(Per share information)

	Fiscal year ended December 31, 2015 January 1, 2015 to December 31, 2015	Fiscal year ended December 31, 2016 January 1, 2016 to December 31, 2016
Net assets per share	927.63 yen	921.78 yen
Basic earnings per share	129.14 yen	63.94 yen

(Notes) 1. Diluted earnings per share is not presented since no potential shares exist.

2. The basis of the calculation of basic earnings per share is as follows.

	Fiscal year ended December 31, 2015 January 1, 2015 to December 31, 2015	Fiscal year ended December 31, 2016 January 1, 2016 to December 31, 2016
Profit attributable to owners of parent	3,853 million yen	1,883 million yen
Amount not attributable to outstanding common shares	–	–
Profit attributable to owners of parent related to outstanding common shares	3,853 million yen	1,883 million yen
Average number of outstanding common shares during the period	29,839,414 shares	29,454,441 shares

3. The basis of the calculation of net assets per share is as follows.

	As of December 31, 2015	As of December 31, 2016
Total net assets	28,477 million yen	27,582 million yen
Deduction	799 million yen	576 million yen
(Non-controlling interests)	799 million yen	576 million yen
Net assets at the end of period, related to common shares	27,678 million yen	27,005 million yen
Number of common shares used for the calculation of net assets per share	29,838,090 shares	29,296,950 shares

4. On July 1, 2015, the Company carried out a one-for-five common share consolidation. Basic earnings per share and net assets per share have been calculated as if the share consolidation had been carried out at the beginning of the fiscal year ended December 31, 2015.

(Material subsequent events)

No items to report.