

**To Our Shareholders**



**Business Report for the First Half of the 103rd Business Term**

(From January 1, 2017 through June 30, 2017)

**JUKI CORPORATION**

Securities code: 6440

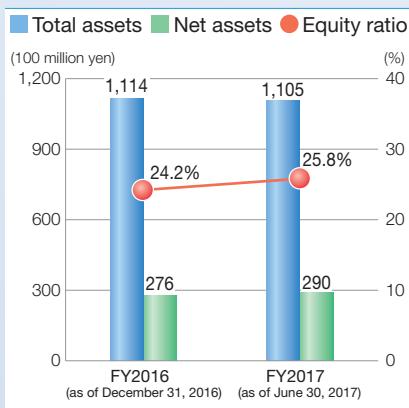
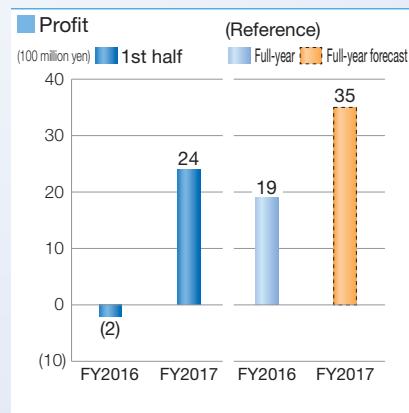
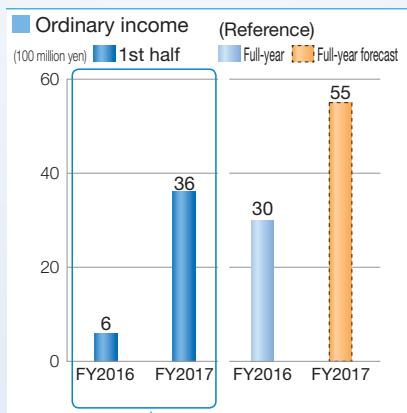
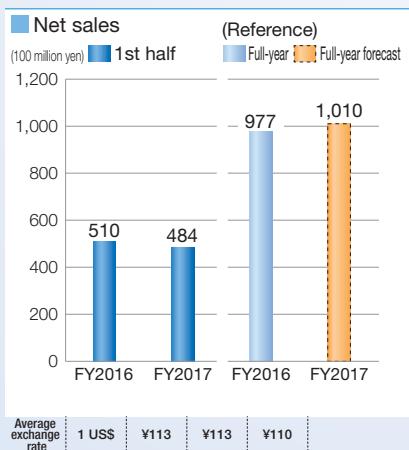
## Overview of Business Performance

Net sales: 48.4 billion yen  
(down by 2.6 billion yen year-on-year)

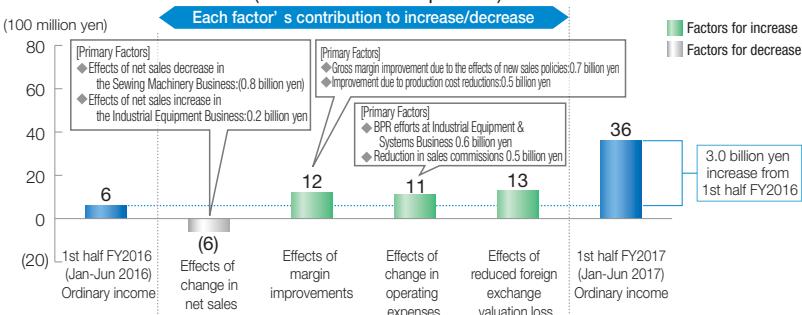
Ordinary income: 3.6 billion yen  
(up by 3.0 billion yen year-on-year)

Profit: 2.4 billion yen  
(up by 2.6 billion yen year-on-year)

Net sales decreased 5.1% compared with the same period in the previous year, despite stable solution sales, as the Company promoted sales activities with the focus on overall profitability, including reviews of individual transaction profitability. Profits marked a 78.4% rise in operating income from the same period in the previous year, overriding the effects of lower net sales. This increase was mainly due to margin improvements from the sales policies mentioned above, along with cost reductions and the effects of cuts in operating expenses. Additionally, exchange losses incurred in the year-earlier period due to the revaluation of foreign-denominated receivables decreased, contributing to significant increases year-on-year in ordinary income, and a profit for the period.



### Factors Leading to an Increase/Decrease in Ordinary Income in the First Half of FY2017 (Year-on-Year Comparison)



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

Associated with the release of the interim financial statements, we are pleased to present the business results for the first half of the 103rd business year of the Company (January 1 to June 30, 2017).

In the period under review, net sales reached 48,389 million yen, reflecting solution sales activities surrounding goods and services to resolve customers' power-saving and labor-saving needs as well as smart-factory proposals to increase overall factory production efficiency. Additional contributions came from the promotion of sales activities with a focus on overall profitability, including reviews of the profitability of individual transactions.

With respect to profits, operating income amounted to 3,618 million yen, overriding the effects of lower net sales. This increase was mainly due to margin improvements from the new sales policies mentioned above, along with reductions in costs and operating expenses. Moreover, diminished foreign exchange valuation losses charged in the year-earlier period, due to the revaluation of foreign-denominated receivables, contributed to ordinary income of 3,589 million yen and a profit of 2,404 million yen.

As to forecasts for the full year, to December 2017, although trends in foreign exchange markets remain unpredictable, based on the first-half performance and business prospects, forecasts call for net sales of 101.0 billion yen with operating income at 6.0 billion yen, ordinary income at 5.5 billion yen, and 3.5 billion yen in profit attributable to owners of parent.

The forecast for the year-end dividend remains unchanged at 20 yen per share as previously announced.

The Company has recently formulated its medium-term management plan "Value Up 2022," which is based on the Company's long-term vision of "thriving in the 21st century as a global, innovative *Monodzukuri* (manufacturing) enterprise". The plan, which is designed to ensure the steady future growth of the Group, formulates for the FY2017-FY2019 period a three-year medium-term vision calling upon the Company "to be an enterprise that consistently provides customer-preferred, high-quality products and services".

In order to realize our vision, we will make efforts in multiple areas. Specifically, we will train creative, innovative personnel fit for global deployment and business, build smart business platforms, and strengthen our value creation capabilities in solution sales.

On behalf of these efforts, I sincerely request your continued goodwill and support.



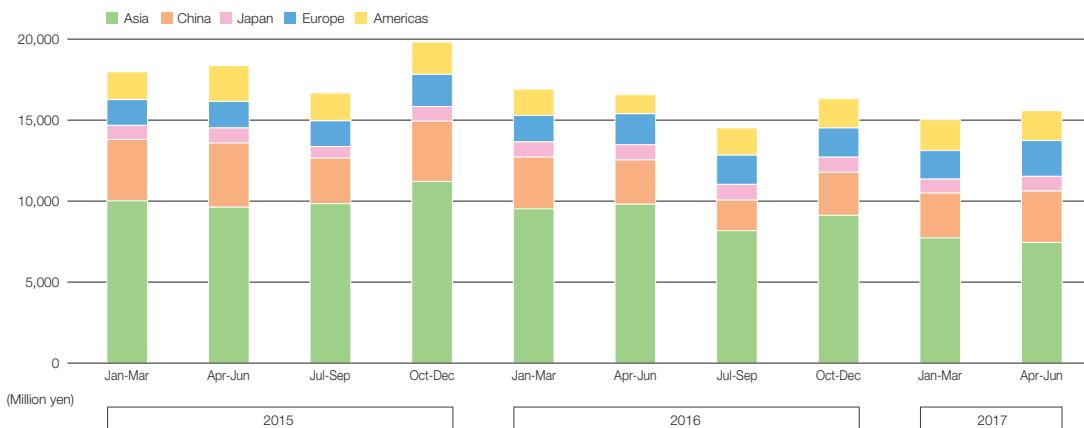
**Akira Kiyohara**  
Representative Director

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

Sales by geographic region developed favorably in the U.S. and Europe but struggled in parts of Asia, despite a recovery in China. Viewed by product, sales of non-apparel applications such as equipment for car seat manufacturers

increased, but products for apparel manufacturers suffered declines. As a result, net sales for the Sewing Machinery and Systems Business amounted to 32,562 million yen (down by 9.8% from the same period in the previous year).

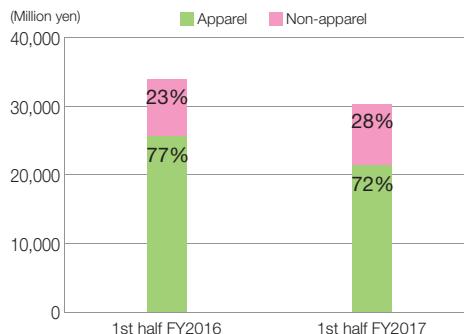
### ● Change in Net Sales of Industrial Sewing Machines by Region (monthly aggregation base)



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

	Jan-Jun 2016	Jan-Jun 2017	Amount of change
Asia	194	152	(42)
China	59	59	0
Japan	19	18	(1)
Europe	35	40	5
Americas	28	38	10
<b>Total</b>	<b>335</b>	<b>306</b>	<b>(29)</b>

### ● Change in Net Sales of Apparel/Non-Apparel Products (Industrial Sewing Machines)

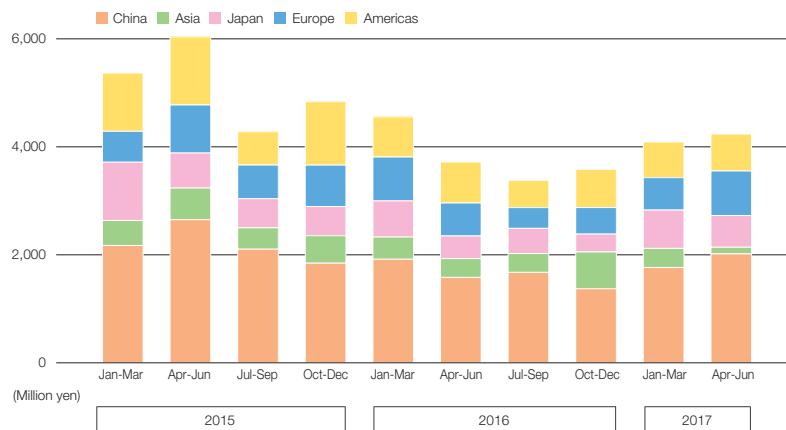


## Industrial Equipment & Systems Business (Electronic Assembly Systems, Group Business, Customer Business)

Sales by geographic region were strong in China, the largest market, on the back of higher facility investment demand. Viewed by product, the Group business marked increased sales of labor-saving equipment tied to smart-factory

proposals, as well as higher revenues at contracted processing operations. As a result, net sales of the Industrial Equipment and Systems Business were 15,659 million yen (up by 6.3% from the same period in the previous year).

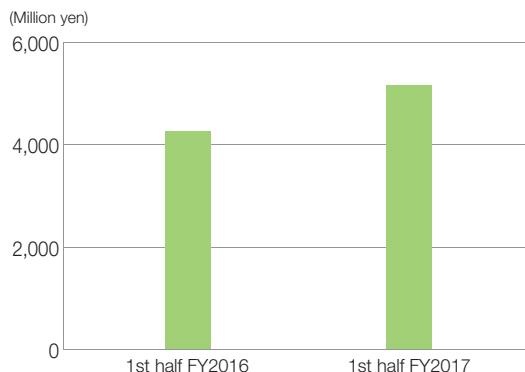
### ● Changes in Net Sales of Electronic Assembly Systems by Region (monthly aggregation base) (Including parts/services)



### Net sales of Electronic Assembly Systems: Year-on-Year Comparison (100 million yen)

	Jan-Jun 2016	Jan-Jun 2017	Amount of change
China	35	38	3
Asia	8	5	(3)
Japan	11	13	2
Europe	14	14	0
Americas	15	13	(2)
Total	83	83	0

### ● Changes in Net Sales of Group Business



### ● Changes in Net Sales of Parts Business



## 1. Business Climate

### The Economy

- **Prolonged lack of transparency and uncertainty in the global economy**
  - TPP non-participation (U.S.), EU exit (U.K.)
- **Increased facility investment demand from electronic parts and machine tool industries**
  - Technological innovation in information and communication (IoT) fields, insufficient labor pool

### Customer Needs

- **Aggressive investment in smart company / smart factory concepts**
  - Introduction of digitization, systematization, and factory automation solutions
- **High expectations for technological innovation**
  - Mounting interest in AI, robotics, and cloud-technology applications

### 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 shareholders' equity

## 2. Management Policies for the 2nd Half of FY2017 and Full-Year Results Forecasts

### Management Policies for 2nd half

#### Sewing Machinery & Systems Business

Development of new customers, sales expansion of new products, strengthening of solution proposal capabilities, re-allocation of resources to high added-value fields

#### Industrial Equipment & Systems Business

Sales expansion of new products, strengthening of solution proposal capabilities, realization of synergies within business units

#### Strengthening of the Financial Base

Maximum reduction of inventories and interest-bearing debt

### Establishment of Platforms for Sustained Growth in Sales and Profits

	(100 million yen)			[Reference]	
	FY2016 Results	Forecast for FY2017 (Previous)	Forecast for FY2017 (Current)	FY2017	FY2017
	Full-year (Jan-Dec)	Full-year (Jan-Dec)	Full-year (Jan-Dec)	Results for 1st half (Jan-Jun)	Forecast for 2nd half (Jul-Dec)
<b>Net sales</b>	977	1,010	1,010	484	526
Sewing Machinery & Systems Business	682	700	680	325	355
Industrial Equipment & Systems Business	295	310	330	157	173
<b>Operating income</b>	47	48	60	36	24
<b>Ordinary income</b>	30	37	55	36	19
<b>Profit</b>	19	22	35	24	11
<b>Dividend per share</b>	Full-year: ¥20	Full-year: ¥20	Full-year: ¥20	—	Year-end: ¥20
Exchange rate	1US\$=¥110	1US\$=¥105		1US\$=¥113	1US\$=¥105

## 1. Key Initiatives for Industrial Sewing Machines

### Strategies by Product

Woven machinery/  
automatic machines

Propose introduction of “smart” factories, achieved through digitized sewing systems

Knitwear machines

Devise solution proposals targeted at high-end users

Non-apparel machinery

Capitalize on the growing automobile-related sectors’ demands

Alliance products

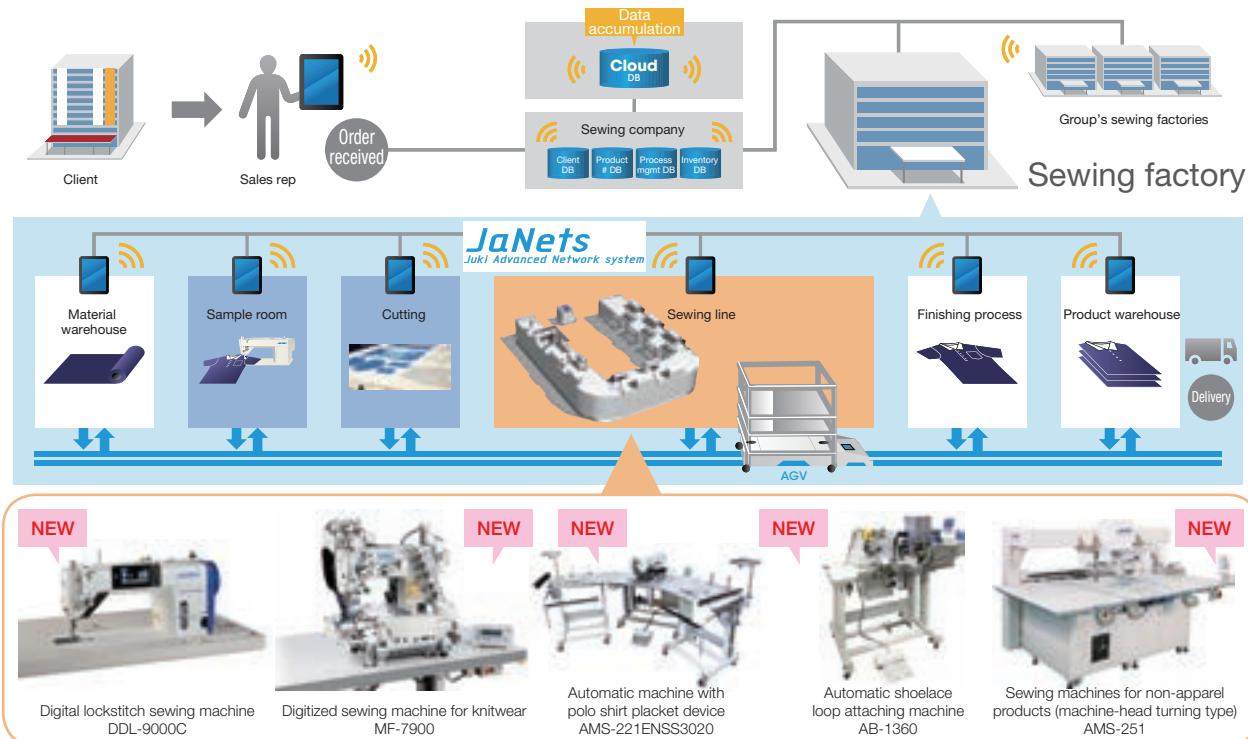
Become a provider of “one-stop solutions,” utilizing JUKI’s package-deal products

### Strategies by Market

Reinforce marketing activities to profit from demand in Asia

- Developing new customers, reinforcing marketing activity for new products, proposing “smart solutions”
- Apply marketing know-how gained in the U.S. and Europe, and focused on the automobile sector, to the Chinese and other Asian markets

## 2. Sample JUKI Smart Factory (Sewing Factory) Proposal



## 1. Key Initiatives for Household Sewing Machines

### Strategies by Product

Household sewing machines

Increase sales of new products  
Improve sales at both mass retailers and stand-alone retailers

Overlock machines

Increase sales of overlock machines for heavy users

Quilting machines & sewing machines for professionals

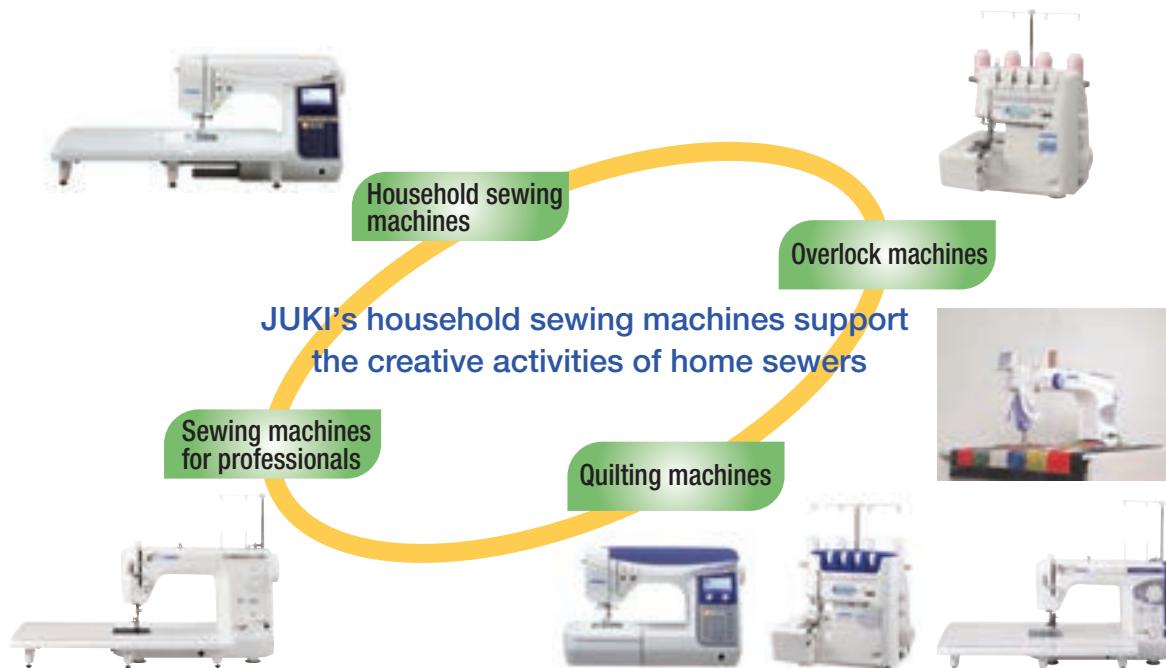
Increase sales of new products  
Increase sales and expand sales channels by offering more products in the QVP series quilting machines

### Strategies by Market

Japan, U.S., Europe

- Increase sales of new products, especially quilting machines and other high-value-added products
- Improve communication of JUKI information at trade shows and workshops

Build up and expand sales networks in Asia



## 1. Key Initiatives for Electronic Assembly Systems

### Strategies by Product

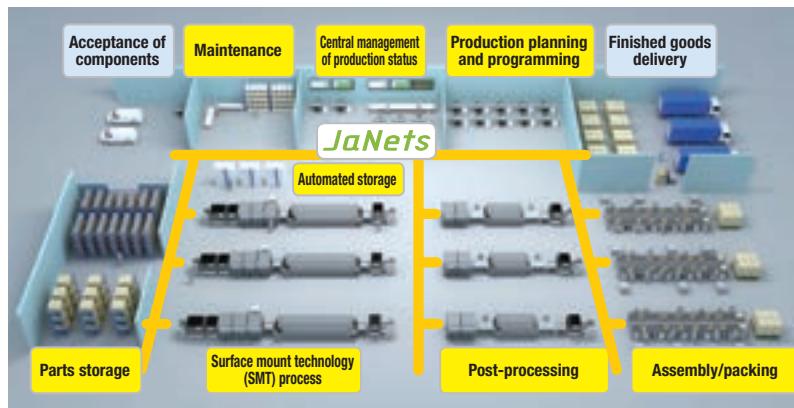
Mounters	Increase sales of the RS-1 (new product)
Inspection equipment	Increase sales of the RV-2-3D (new product)
Labor-saving equipment	Propose line solutions focused on the JM Series
Automated warehousing	Propose automation solutions involving automated transport equipment

### Strategies by Market

- Increase cross-border projects
- Expand target segments from small- to medium-sized electronics manufacturing services (EMS) to other manufacturing companies, vehicle-mounted-product makers, and large-sized EMS
- Develop new customers by marketing labor-saving equipment, automated warehousing systems, and inspection equipment

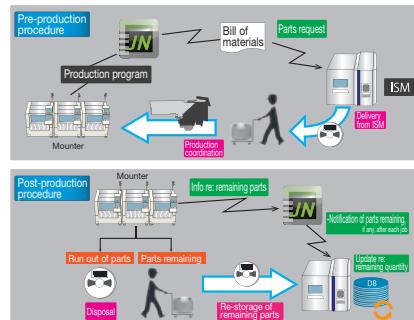
## 2. Sample JUKI Smart Factory Proposal

### JUKI's Smart Solutions coverage



### JaNets Juki Advanced Network system

SMT [surface mount technology] Total System Software that contributes to improving overall productivity of customers' factories



High-speed mounter  
RX-7

General-purpose mounter  
RS-1

PWB visual inspection machine  
RV-2-3D

Moulder for post-processing  
JM-20

Automated storage system  
ISM  
(Intelligent Storage Management)

## 1. Key Initiatives for Group Business

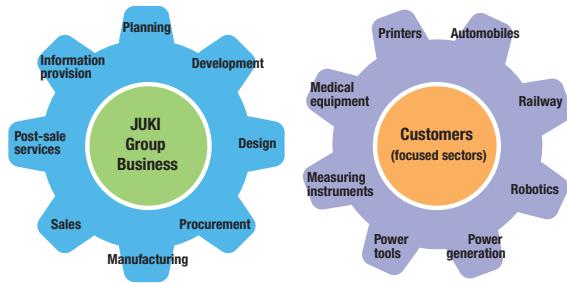


### Increase sales by expanding business with key existing customers

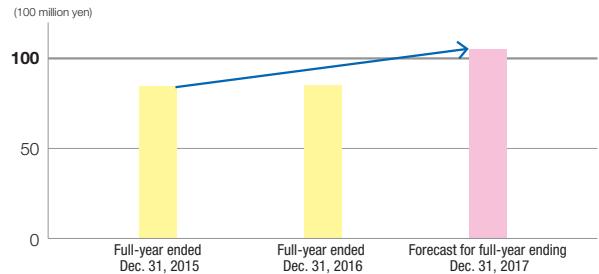
- Increase sales leads by exhibiting at trade shows, seeking more business negotiation opportunities, and through consulting services
- Increase orders of products which use proprietary manufacturing technologies (precision casting, machining/processing, assembly, etc.) and boost sales of proprietary products

- Increase orders for contracted manufacturing/assembly of finished products and electronic units

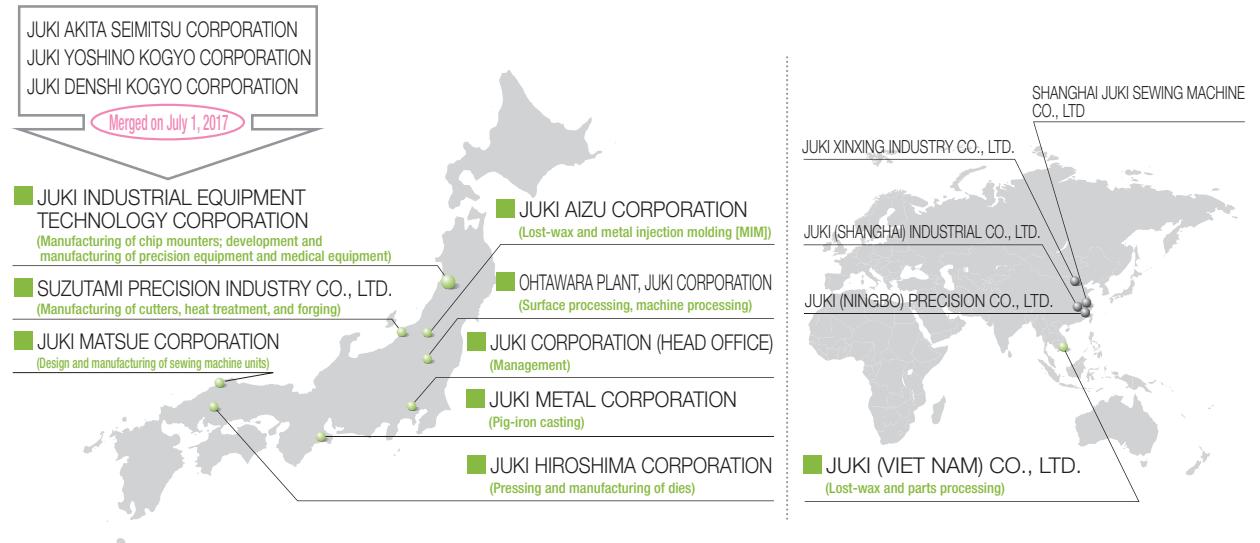
JUKI DENSHI KOGYO, JUKI YOSHINO KOGYO, and JUKI AKITA SEIMITSU ⇒ Merged on July 1 Became JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION, resulting in effective re-allocation of manufacturing facilities and reduction in indirect/overhead costs



### Changes in Net Sales (Results & Forecast)



Leverage JUKI's manufacturing capabilities and global network, utilizing the Group's manufacturing companies (7 in Japan and 1 overseas)



## 1. Key Initiatives for Customer Business

### Key Initiatives

Increase sales of parts and equipment through online sales, utilizing a website dedicated to parts sales

- Promote existing customers' use of JUKI's website, improve promotional activities at trade shows

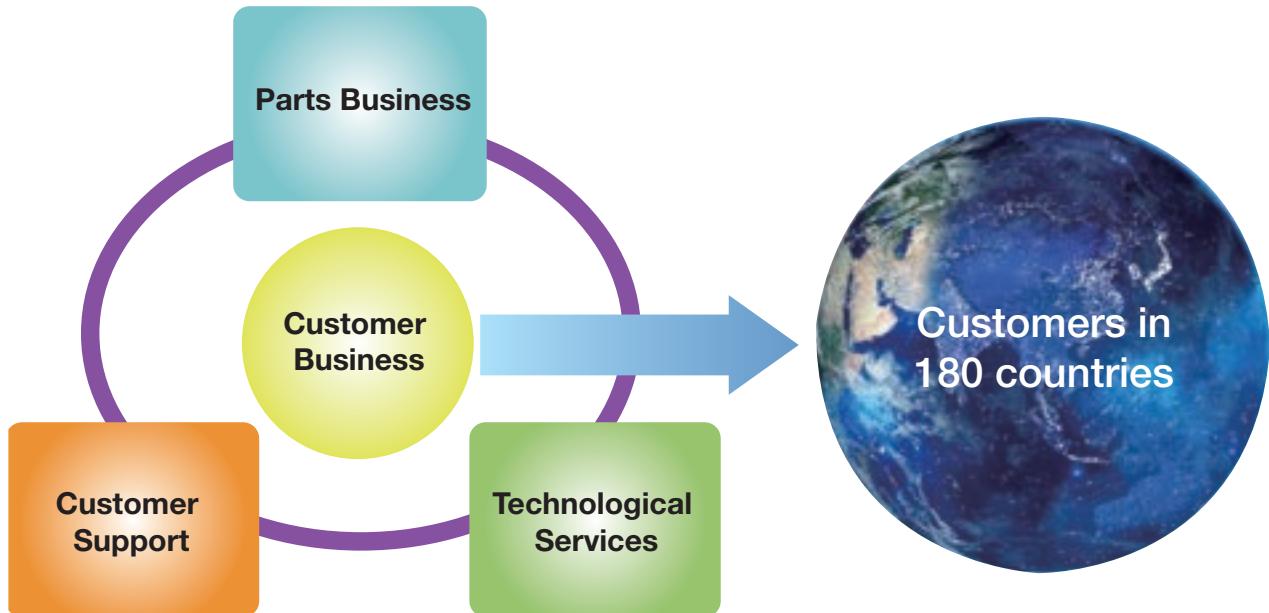
Strengthen the delivery system for parts associated with JUKI's products

- Collaborate with production divisions to improve product supply capabilities

Further utilize JUKI's worldwide distribution channel

- Improve promotional tools and items, strengthen coordination with product marketing activities

Become a responsive one-stop provider of parts, customer support, and technological services for customers who have purchased JUKI's sewing machines and industrial equipment, and expand our range of service offerings



## Consolidated Financial Statements for the First Half (Summary)

### Consolidated Balance Sheet

(Million yen)

Item	FY2016 as of December 31, 2016	1st half FY2017 as of June 30, 2017	Change
<b>Assets</b>			
Current assets	80,066	79,630	(436)
Non-current assets	31,298	30,855	(443)
Total assets	111,365	110,486	(879)
<b>Liabilities</b>			
Current liabilities	61,254	58,849	(2,405)
Non-current liabilities	22,528	22,622	94
Total liabilities	83,782	81,472	(2,310)
<b>Net assets</b>			
Shareholders' equity	28,412	30,230	1,818
Accumulated other comprehensive income	(1,406)	(1,775)	(369)
Non-controlling interests	576	559	(17)
Total net assets	27,582	29,013	1,431
Total liabilities and net assets	111,365	110,486	(879)

### Consolidated Statement of Income

(Million yen)

Item	1st half FY2016 January 1, 2016 to June 30, 2016	1st half FY2017 January 1, 2017 to June 30, 2017	Change
Net sales	50,991	48,389	(2,602)
Cost of sales	35,995	32,949	(3,046)
Gross profit	14,996	15,439	443
Selling, general and administrative expenses	12,967	11,821	(1,146)
Operating income	2,028	3,618	1,590
Non-operating income	551	501	(50)
Non-operating expenses	1,973	531	(1,442)
Ordinary income	606	3,589	2,983
Extraordinary income	367	38	(329)
Extraordinary losses	230	51	(179)
Profit before income taxes	744	3,576	2,832
Income taxes	1,169	1,158	(11)
Profit (loss)	(425)	2,417	2,842
Profit (loss) attributable to non-controlling interests	(193)	12	205
Profit (loss) attributable to owners of parent	(232)	2,404	2,636

## Corporate Information (as of June 30, 2017)

### ■ 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	5,858 (on a consolidated basis)
Number of consolidated subsidiaries	30

### ■ Stock Information

- Total number of authorized shares..... 80,000,000 shares
- Total number of issued shares ..... 29,874,179 shares
- Total number of shareholders..... 10,790

## JUKI CORPORATION

2-11-1, Tsurumaki, Tama-shi, Tokyo 206-8551, Japan  
Tel: +81-42-357-2211

[http://www.juki.co.jp/index\\_e.html](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)	2,340	7.83
Mizuho Bank, Ltd.	938	3.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	762	2.55
Nippon Life Insurance Company	732	2.45
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	708	2.37

### ■ Stock Distribution Status by Owner Type

