

Explanatory Meeting

# First Half Account Settlement FY2018 ending December 31, 2018 on a consolidated basis

August 7, 2018

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President, JUKI Corporation

*Mind & Technology*

*(This translation may be used for reference purposes only)*

**JUKI**  
*Mind & Technology*

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# Part 1

## Performance of the 1st Half of FY2018 (ending Dec. 2018)

# 1-1: Performance Trends and Dividends for the 1st Half of FY2018

Net sales increased 10.0% compared with the same period in the previous fiscal year despite some production delays, thanks to the successful promotion of solution sales and advances in building a customer base in the middle market centered on Asia.

Income, despite the increase in net sales, was affected by higher middle market strategy costs and development costs as well as the yuan's strengthening against the dollar, with operating income rising marginally compared with the same period of the previous fiscal year. Including additional effects from increased foreign exchange valuation loss, ordinary income fell 11.5% compared with the same period of the previous fiscal year. (Million yen)

	FY2017 ended December 31, 2017			FY2018 ending December 31, 2018			Year-on-year change <B-A> (%)	
	1st half			1st half				
	1Q Jan-Mar 2017	2Q Apr-Jun 2017	1st half <A> Jan-Jun 2017	1Q Jan-Mar 2018	2Q Apr-Jun 2018	1st half <B> Jan-Jun 2018		
Net Sales	23,717	24,672	48,389	25,650	27,585	53,235	4,845 10.0%	
Operating Income	2,138 [9.0%]	1,480 [6.0%]	3,618 [7.5%]	1,242 [4.8%]	2,408 [8.7%]	3,650 [6.9%]	31 0.9%	
Ordinary Income	2,241 [9.4%]	1,348 [5.5%]	3,589 [7.4%]	946 [3.7%]	2,232 [8.1%]	3,178 [6.0%]	(411) (11.5%)	
Net Income	1,527 [6.4%]	877 [3.6%]	2,404 [5.0%]	468 [1.8%]	1,474 [5.3%]	1,942 [3.6%]	(461) (19.2%)	
Exchange Rate	1 US\$ 1 Euro	¥114 ¥121	¥111 ¥124	¥113 ¥122	¥109 ¥133	¥109 ¥129	¥109 ¥131	(¥4) ¥9

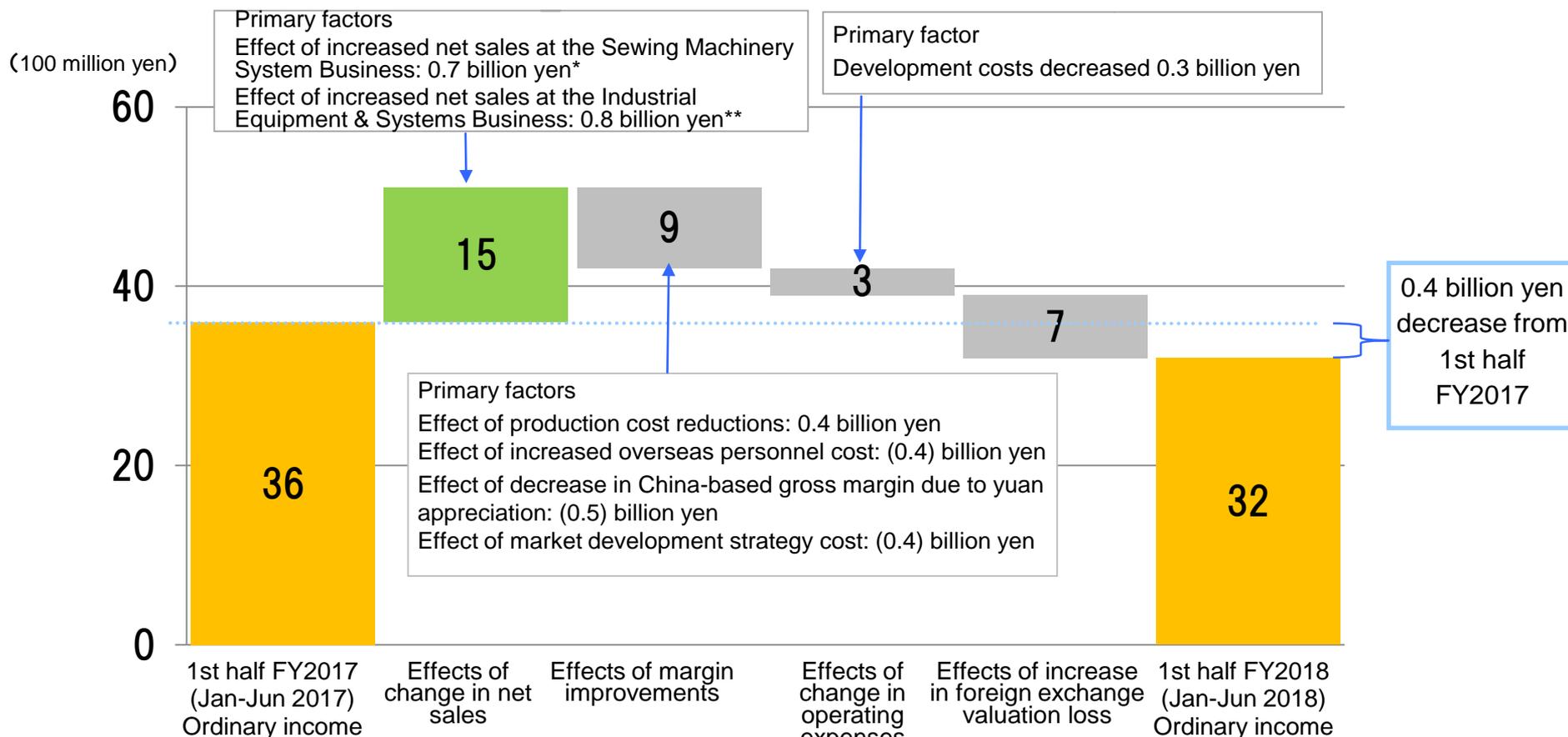
FY2017 full-year dividend (actual): ¥35 per share (including a commemorative dividend of ¥10 per share)

FY2018 full-year dividend (forecast): ¥25 per share

Notes: 1. Exchange rate is an average rate during the period; and such rate influences operating income. 2. Figures in brackets [ ] are ratios of income to net sales. 3. Figures in parentheses ( ) are negative values.

# 1-2: Factors for Ordinary Income Decrease/Increase for the 1st Half of FY2018

Despite the increase in net sales, operating income rose just marginally compared with the same period of the previous fiscal year due to higher middle market strategy costs and development costs as well as the yuan's strengthening against the dollar. With additional effects from the depreciation of the dollar and weakening currencies of emerging economies, ordinary income fell 0.4 billion yen compared with the same period of the previous fiscal year.



\* 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 marketing

Note: Figures in parentheses ( ) are negative values.

1st-half FY2017: 0 compared with 1st-half FY2018:( 0.7) billion yen

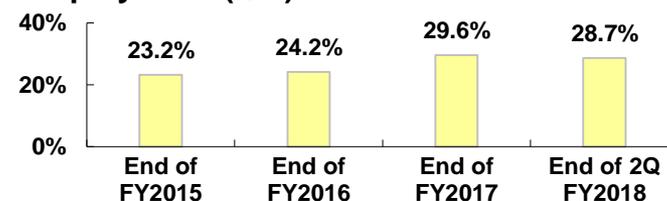
# 1-3: Changes in Major Financial Indices

The equity ratio decreased by 0.9% to 28.7% (reflecting an increased negative balance in the foreign currency translation adjustment account compared with the same period of the previous fiscal year, due to yen appreciation).

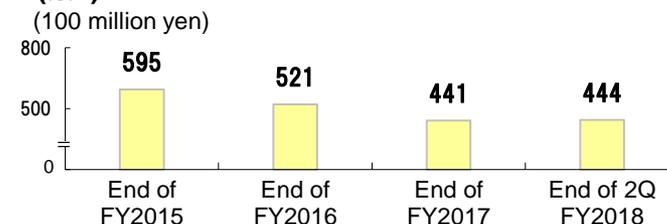
Interest-bearing debt (net of cash and deposits) was almost flat at 44.4 billion yen.  
(Million Yen)

	As of December 31, 2017 (FY2017) 〈A〉	As of June 30, 2018 (2Q FY2018) 〈B〉	Change 〈B-A〉	
Total Assets	110,554	113,919	3,364	
Net Assets [Foreign currency translation adjustment]	33,343 [(1,966)]	33,284 [(2,771)]	(59) [(804)]	
Net Assets Ratio	30.2%	29.2%	(1.0%)	
Equity Ratio	29.6%	28.7%	(0.9%) ※1	
Notes and accounts receivable-trade [Turnover period]	32,398 [3.8 months]	31,781 [3.6 months]	(617) [(0.2 months)]	
Inventories [Turnover period]	36,652 [4.2 months]	39,853 [4.5 months]	3,200 [0.3 months]	
Notes and accounts payable-trade [Turnover period]	14,049 [1.6 months]	15,574 [1.8 months]	1,524 [0.2 months]	
Interest-bearing debts	50,551	51,363	812	
Cash and deposits	6,407	6,983	576	
Exchange rate (period-end)	1US\$	¥ 113	¥111	(¥2)

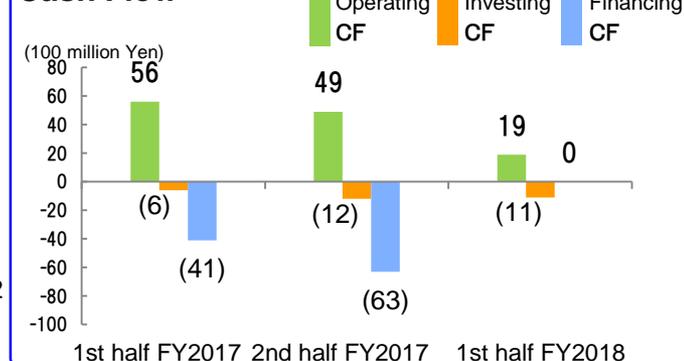
**Equity ratio (※1)**



**Interest-bearing debts (Net of cash and deposits) (※2)**



**Cash Flow**



Note: Figures in parentheses ( ) are negative values.

# 1-4-1: Performance by Business Segment

## Changes in Net Sales

The Sewing Machinery & Systems Business Unit achieved robust sales in high-end markets, including China, and posted also a year-on-year gain in middle-market sales. In the face of stiff competition, sales revenues increased 6.8% compared with the same period of the previous fiscal year.

The Industrial Equipment & Systems Business Unit saw higher sales of new mounters and labor-saving equipment on the back of voracious facility investment demand for industrial equipment, especially in China. In Group Business, with successful customer development for contracted processing operations, and taking into account the effects of some production delays, sales revenues increased 17.0% compared with the same period of the previous fiscal year.

(Million yen)

	FY2017 ended December 31, 2017			FY2018 ending December 31, 2018			Year-on-year change <B-A> (%)
	1st half			1st half			
	1Q	2Q	First half <A>	1Q	2Q	First half <B>	
	Jan-Mar 2017	Apr-Jun 2017	Jan-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Jan-Jun 2018	
<b>Sewing Machinery &amp; Systems</b>	15,989	16,573	32,562	17,065	17,704	34,769	2,207 6.8%
<b>Industrial Equipment &amp; Systems</b>	7,644	8,015	15,659	8,505	9,818	18,323	2,663 17.0%
<b>Other</b>	82	84	166	78	64	142	(24)
<b>Total</b>	23,717	24,672	48,389	25,650	27,585	53,235	4,845 10.0%
<b>Group Business</b>	2,495	2,723	5,218	2,645	2,638	5,283	65 1.2%

Note: Figures in parentheses ( ) are negative values.

# 1-4-2: Performance by Business Segment

## Changes in Ordinary Income

At the Sewing Machinery & Systems Business, segment income declined 28.0% compared with the same period of the previous fiscal year, as contributions from higher net sales were outstripped by the cost of investment in middle-market strategies and the effects (-0.5 billion yen) of the yuan's appreciation against the dollar.

At the Industrial Equipment & Systems Business, segment income rose 59.4% compared with the same period of the previous fiscal year, reflecting increased sales of industrial equipment and new products, with enhancing effects on the income margin.

(Million yen)

	FY2017 ended December 31, 2017			FY2018 ending December 31, 2018			Year-on-year change <B-A> (%)
	1st half			1st half			
	1Q	2Q	First half <A>	1Q	2Q	First half <B>	
	Jan-Mar 2017	Apr-Jun 2017	Jan-Jun 2017	Jan-Mar 2018	Apr-Jun 2018	Jan-Jun 2018	
<b>Sewing Machinery &amp; Systems</b>	1,815 [11.4%]	1,048 [6.3%]	2,863 [8.8%]	553 [3.2%]	1,509 [8.5%]	2,062 [5.9%]	(801) (28.0%)
<b>Industrial Equipment &amp; Systems</b>	593 [7.8%]	536 [6.7%]	1,129 [7.2%]	825 [9.7%]	976 [9.9%]	1,801 [9.8%]	671 59.4%
<b>Other</b>	10 [12.2%]	10 [11.9%]	20 [12.0%]	11 [14.1%]	20 [31.3%]	31 [21.8%]	10
<b>Adjustment</b>	(177)	(247)	(424)	(443)	(273)	(716)	(292)
<b>Total</b>	2,241 [9.4%]	1,348 [5.5%]	3,589 [7.4%]	946 [3.7%]	2,232 [8.1%]	3,178 [6.0%]	(411) (11.5%)

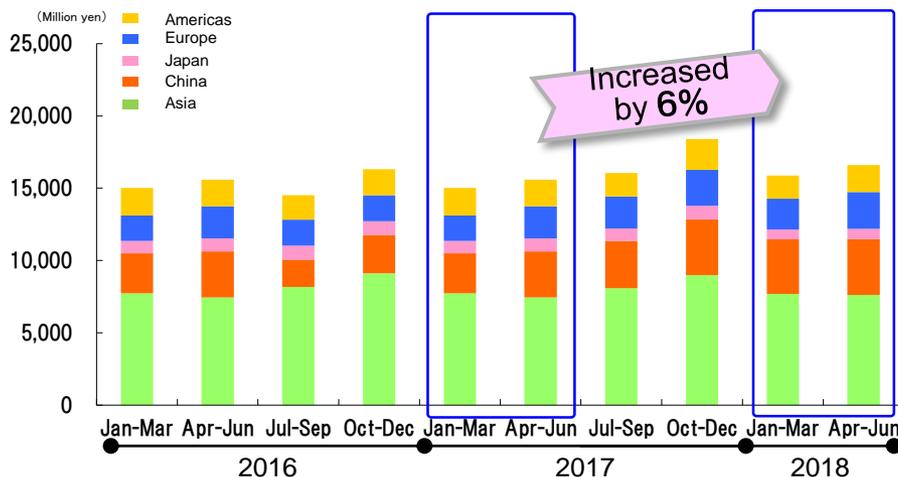
Note: Figures in parentheses ( ) are negative values.

# [Reference #1] Performance by Business Segment: Sewing Machinery & Systems Business

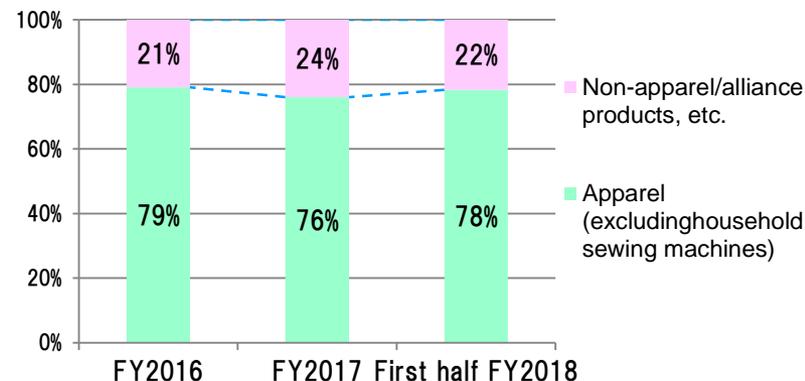
(6.8% sales increase compared with the same period of the previous fiscal year)

Industrial sewing machines posted 29.0% sales revenue growth compared with the same period of the previous fiscal year, centered on apparel-related demand in China.

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



## Change in Net Sales of Apparel/Non-Apparel Products (excluding household sewing machines)



## Net sales: Year-on-Year Comparison

(100 million yen)

	Jan-Jun 2017	Jan-Jun 2018	Amount of change	(% of change)
Asia	152	153	1	
China	59	76	17	+29%
Japan	18	14	(4)	
Europe	40	47	7	
Americas	38	35	(3)	
<b>Total</b>	<b>306</b>	<b>325</b>	<b>19</b>	<b>+6%</b>

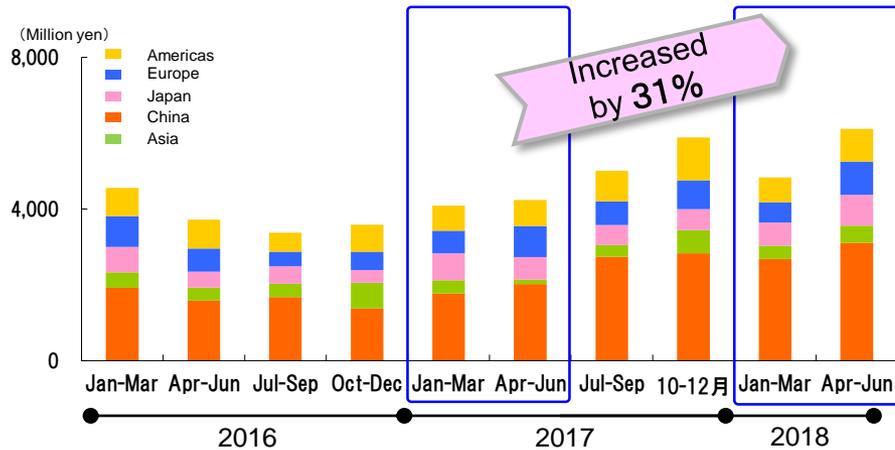
Note: Figures in parentheses ( ) are negative values.

# [Reference #2] Performance by Business Segment: Industrial Equipment & Systems Business

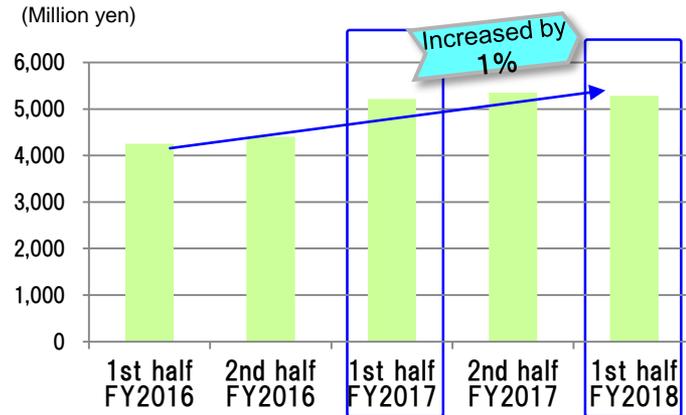
(17.0% sales increase compared with the same period of the previous fiscal year)

- Sales of industrial equipment increased 53% compared with the year-earlier period on the back of voracious facility investment demand in China.
- Both Group Business and Parts Business also posted steady sales growth.

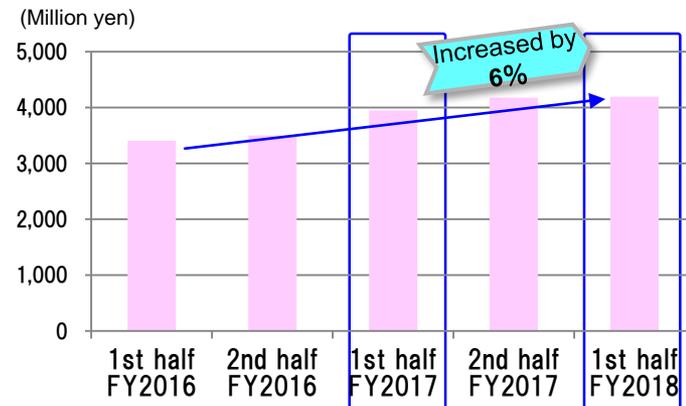
## 1. Changes in Net Sales of Electronic Assembly Systems by Region (monthly aggregation base) (Including parts/services)



## 2. Group Business: Changes in Net Sales



## 3. Parts Business: Changes in Net Sales



### Net sales: Year-on-Year Comparison

	Jan-Jun 2017	Jan-Jun 2018	Amount of change	(% of change)
China	38	58	20	+53%
Asia	5	8	3	
Japan	13	14	1	
Europe	14	14	0	
Americas	13	15	2	
<b>Total</b>	<b>83</b>	<b>109</b>	<b>26</b>	<b>+31%</b>

1-5:

## FY2018 Full-Year Results Forecasts

	First half FY2018 (Jan-Jun)	First half FY2018 (Jan-Jun)	Difference (B-A) (Rate of change)	(100 million yen)	[Reference] (100 million yen)
	Forecast (A)	Results (B)		Full year FY2018 (Jan-Dec) Forecast	Full year FY2017 (Jan-Dec) 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 Income	25	37	12 46.0%	55	82
Ordinary Income	22	32	10 44.5%	50	78
Net Income	14	19	5 38.7%	35	56
			Dividend per share	Full-year: ¥25	Full-year: ¥35 (including a commemorative dividend of ¥10 per share)
Exchange rate	1US\$= ¥107	1US\$= ¥109	¥2	1US\$= ¥105	1US\$= ¥112

Note: Given foreign exchange trends and uncertainties in the business environment of emerging economies which are 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 of February 9. The Company will continue to carefully examine results projections data, taking into consideration the operating environment and other factors influencing business performance.

## Part 2

# Measures for Achieving the Medium-Term Management Plan (2018-2020) and Priority Measures for the 2nd Half of FY2018

## 2-1-1: Measures for Achieving the Medium-Term Management Plan: 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

# 2-1-2: Measures for Achieving the Medium-Term Management Plan: Progress Status

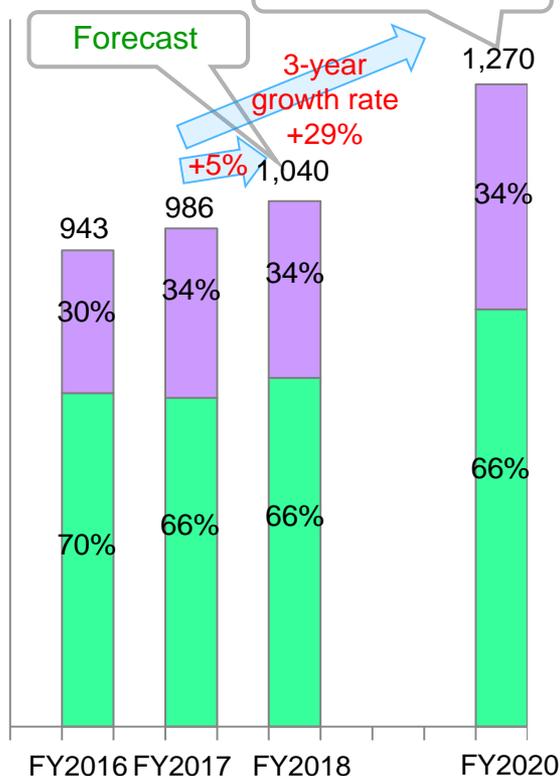
## Net Sales

(Target: annual growth rate of 9%)

FY2018 forecast 104.0 billion yen

(100 million yen)

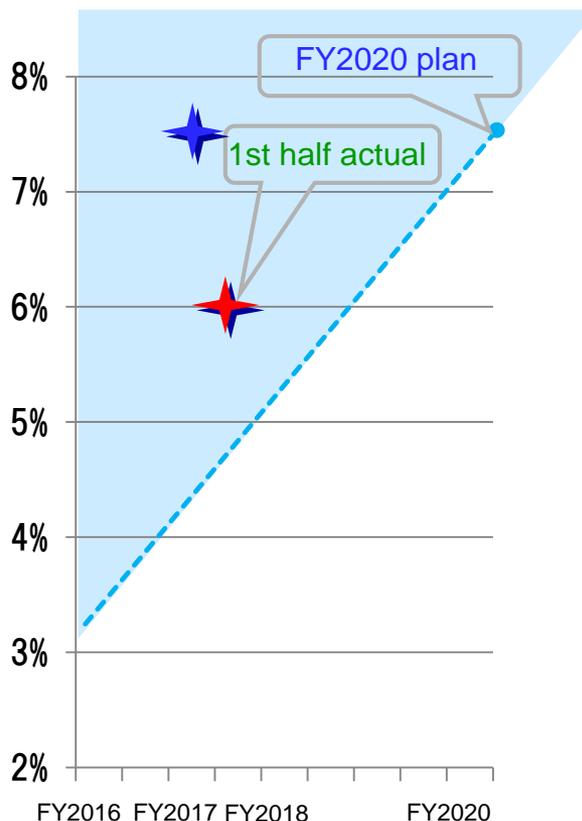
FY2020 plan



## Rate of Ordinary Profit to Net Sales

(Target: 7.6% or higher by FY2020)

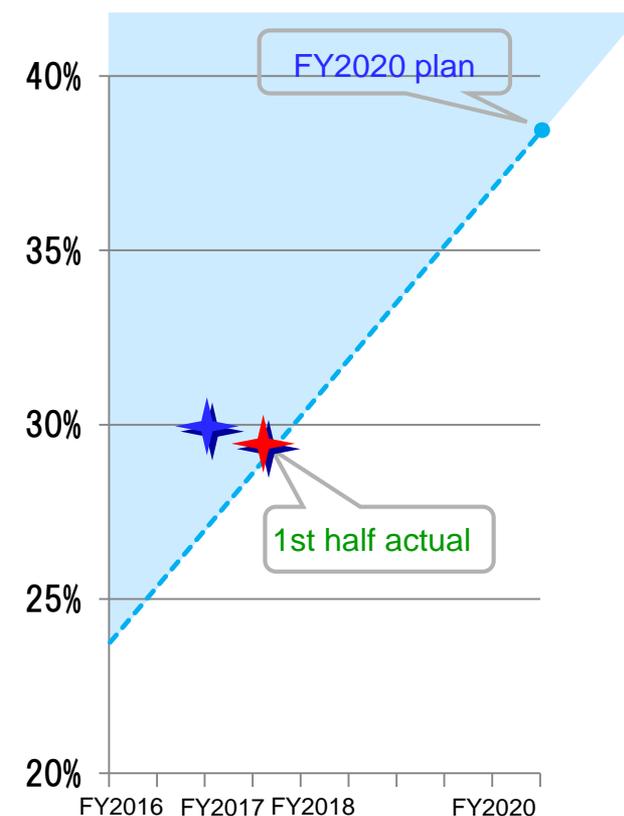
FY2018 1st half (actual) 6.0%



## Equity Ratio

(Target: 37% or higher by FY2020 year-end)

FY2018 1st half (actual) 28.7%



- Industrial Equipment & Systems Business
- Sewing Machinery & Systems Business

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

# 2-1-3: Measures for Achieving the Medium-Term Management Plan: 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!



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

Detailed by Business on the following pages

Basic Policies

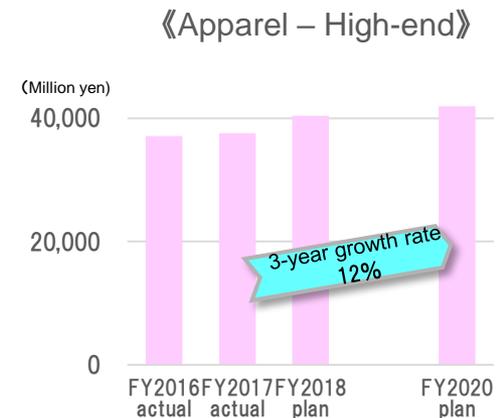
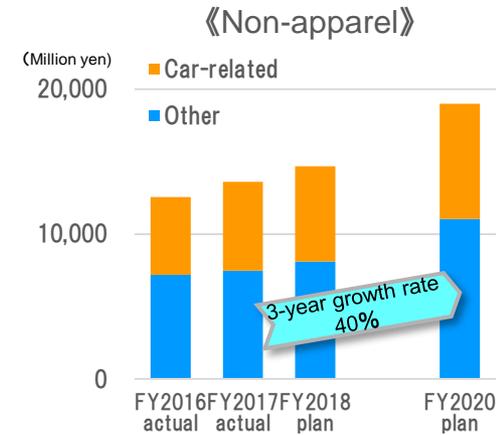
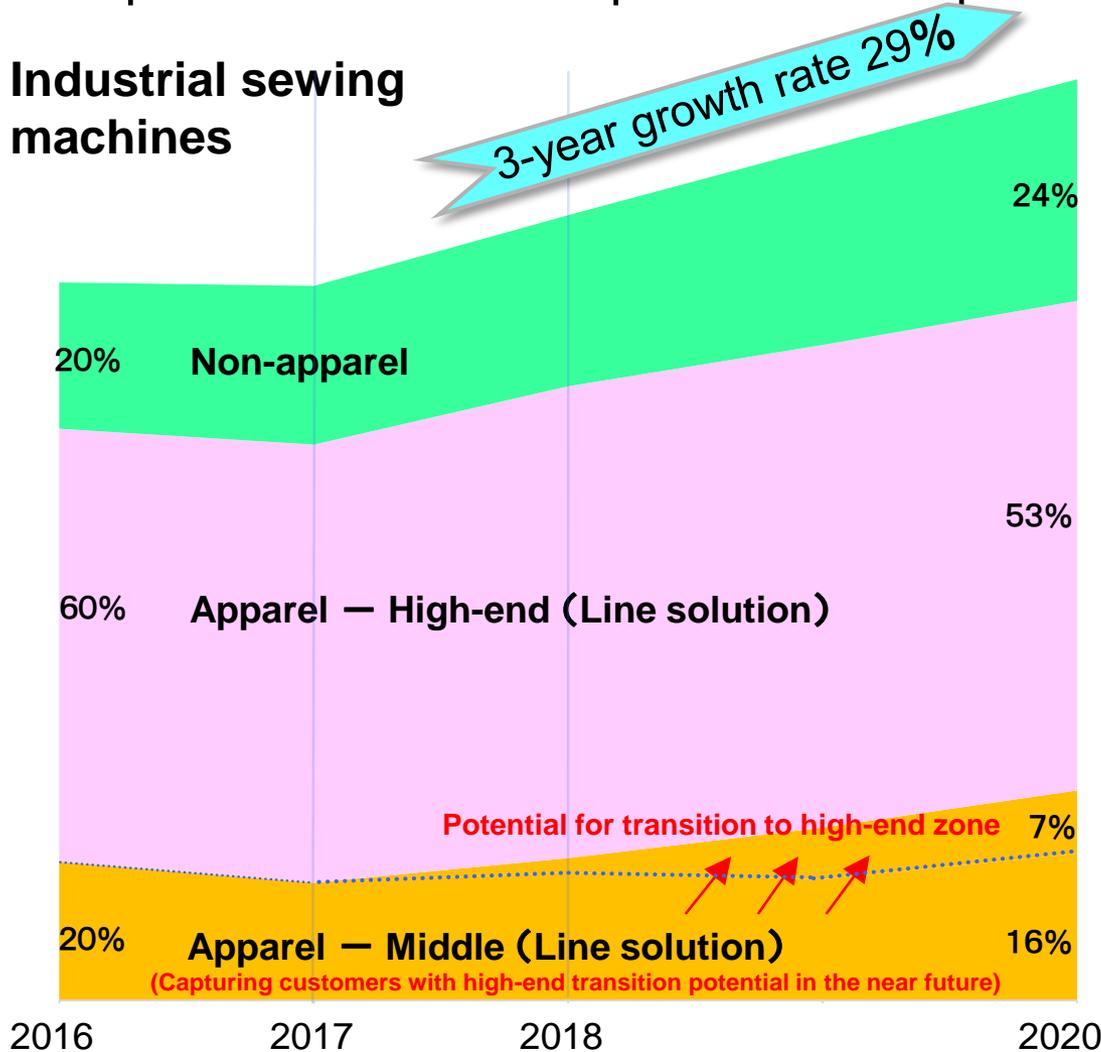
Organizational Strategies

- (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

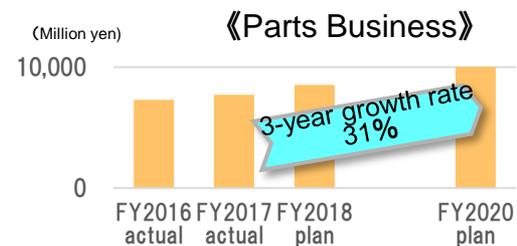
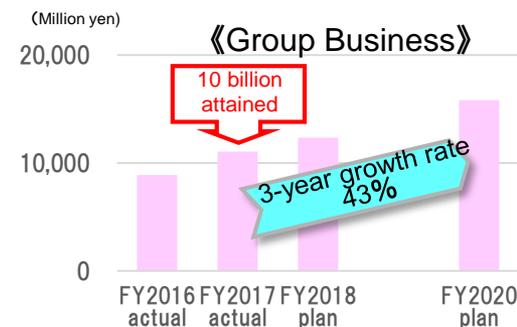
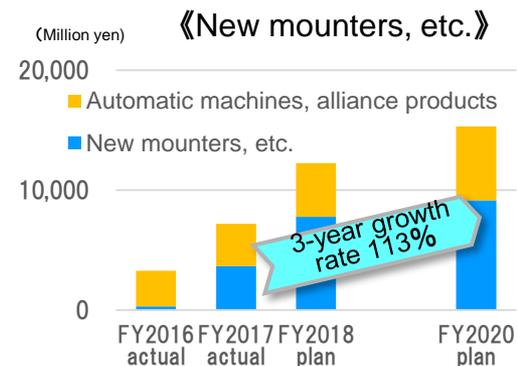
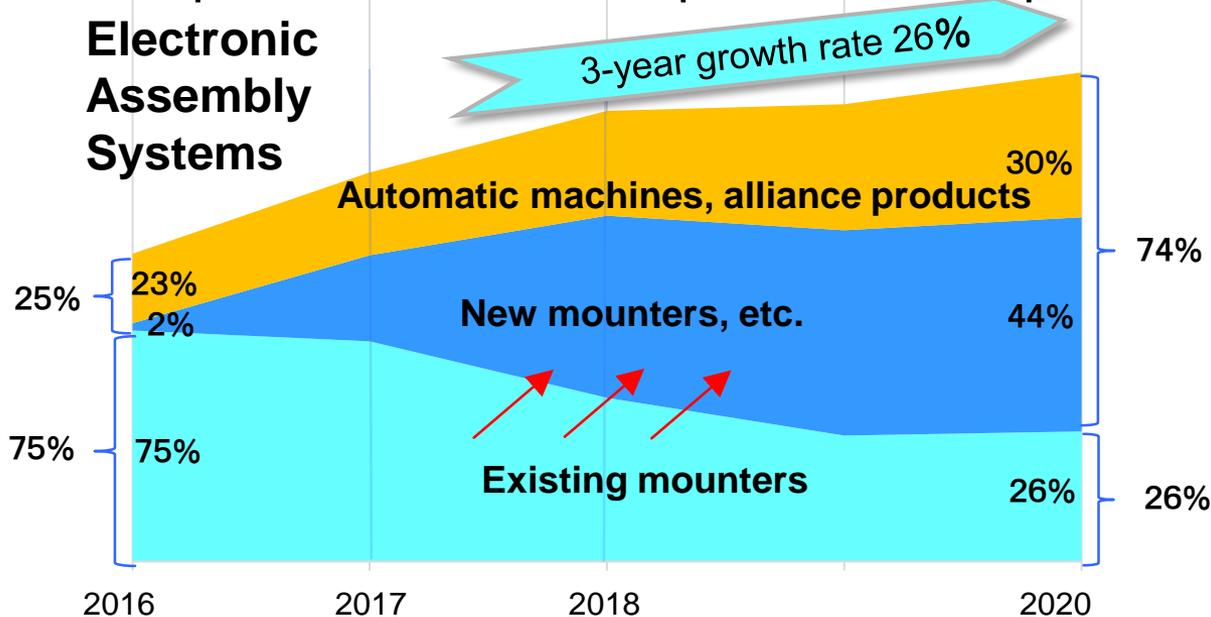
# 2-1-4: Measures for Achieving the Medium-Term Management Plan: Sewing Machinery & Systems Business

## Composition of business portfolio sales plan

### Industrial sewing machines



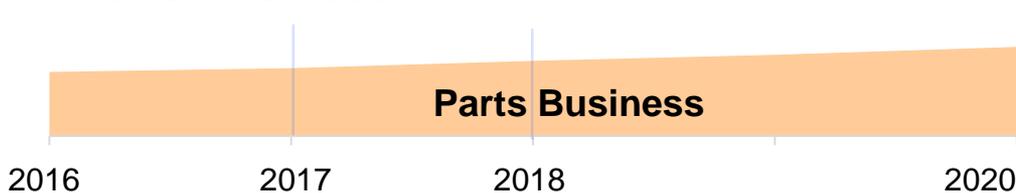
### Composition of business portfolio sales plan



### Group Business



### Parts Business



### Vision

**Contribute to customer innovation through innovative technology and system proposals based on JUKI Smart Solutions**

### Basic Policy

**Establish standards for smart factory** (sewing factory) and **strengthen proposals** tailored for each market (including the **middle market**)

### Priority Measures

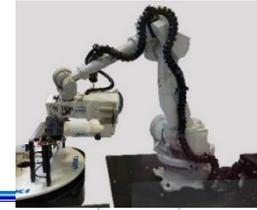
- Establish smart factory business model and enhance product portfolios
- Develop package-deals for sewing machinery network systems
- Restructure Asian business model and train site executives

# 2-2-1-2: Priority Measures: Sewing Machinery & Systems Business (Industrial Sewing Machines)

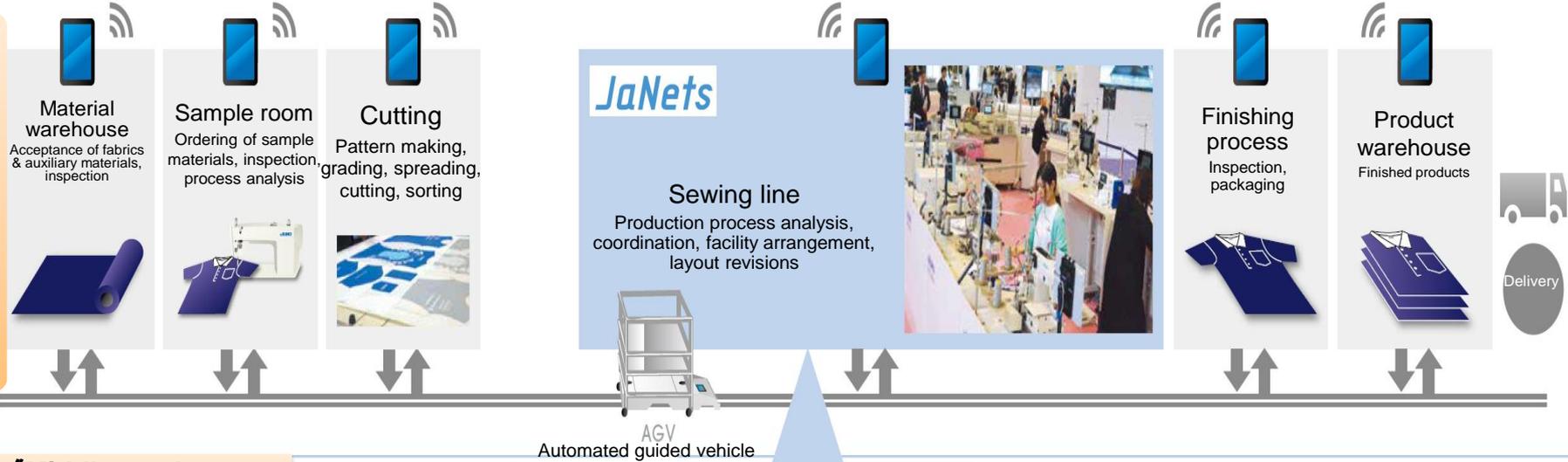
《High-end offerings》  
“Digital Series”-  
centered line solutions



《Productivity improving / Labor-saving》  
Automatic machines    Sewing robotics    Automated guided vehicles



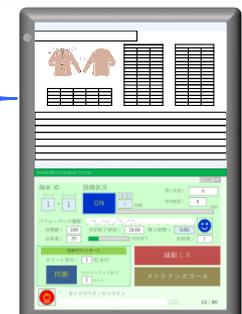
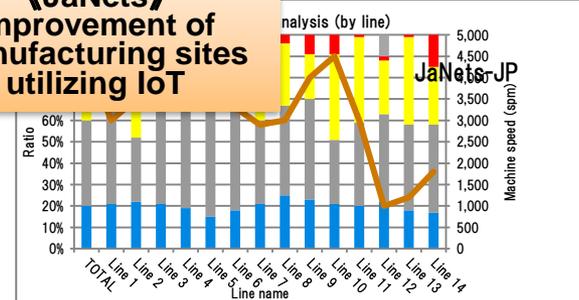
《Proposals for plants》



《Middle-market offerings》  
“Simple Series”-  
centered line solutions



《JaNets》  
Improvement of  
manufacturing sites  
utilizing IoT



### 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

- 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

# 2-2-2-2: Priority Measures: Sewing Machinery & Systems Business (Household Sewing Machines)

## Expand product lineup to better meet each market's characteristics

《Japan》  
Overlock machines

MO-1000ML



《Japan》  
High-end sewing machines for professionals



SL-700EX

Live Events & Digital Marketing



Customer development



&



《Europe》  
High-end household sewing machines

HZL-NX7



《U.S.》  
High-end household sewing machines  
Quilting machines  
Embroidery machines

Quilt Virtuoso Pro (QVP)  
(Manufactured by Tajima Industries, Ltd.)



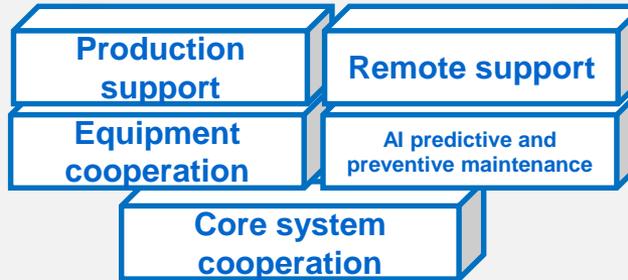
J-350QVP

Vision	<p><b>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</b></p> <p>- Achieve <b><u>top market share in general-purpose mounters</u></b> in 2020</p>
Basic Policy	<p><b><u>Establish a strong business base</u></b> with expansion of multi-function mounter and non-mounter fields</p>
Priority Measures	<ul style="list-style-type: none"><li>• Promote customer segment-specific sales strategy and product strategy</li><li>• Expand sales and improve gross margin by launching new products</li><li>• Expand sales of MI, ISM, and alliance products through solution sales activities</li></ul>

# JUKI Smart Solutions

実装統合システムソフトウェア

**JaNets**  
Juki Advanced Network system



Storage system solutions

High-speed moulder system solutions

Measurement system solutions

Robotic insertion system solutions



## 2-2-4-1: Priority Measures: Industrial Equipment & Systems Business (Group Business)

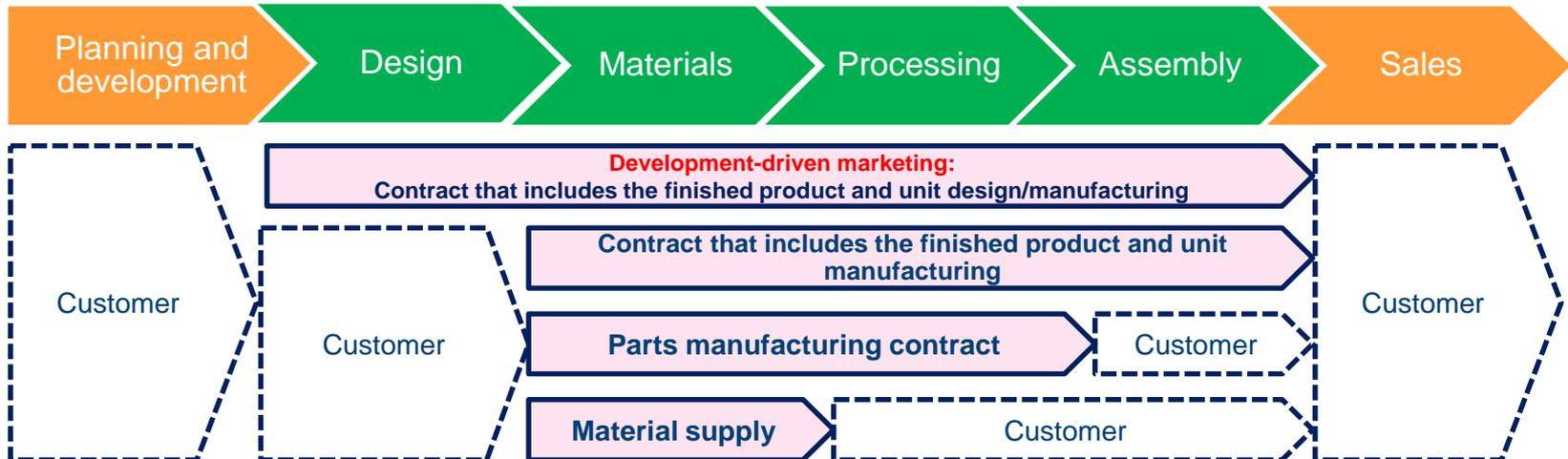
<b>Vision</b>	<b>Grow into JUKI's third pillar business leveraging JUKI Group management resources (including manufacturing technologies)</b>
<b>Basic Policy</b>	Increase sales to create the third pillar business by acquiring new customers and expanding scope of business with important business customers - Achieve sales target of 15.0 billion yen in 2020
<b>Priority Measures</b>	<ul style="list-style-type: none"><li>• Sales expansion through development-driven marketing (commercializing proprietary manufacturing technologies and products)</li><li>• Increase sales by expanding scope of business with important business customers</li></ul>

## 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



## 2-2-5-1: Priority Measures: Industrial Equipment & Systems Business (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

(Sewing machinery) Secure customers through online sales, utilizing a website dedicated to parts sales

(Electronic assembly systems) Stimulate demand for parts through paid maintenance service

(Common) Expand after sales service business in introducing smart lines and create synergistic value-added parts/services

# 2-2-5-2: Priority Measures: Industrial Equipment & Systems Business (Customer Business)

## EXPAND PARTS/SERVICE BUSINESS



とにかく  
お客さんのもとへ

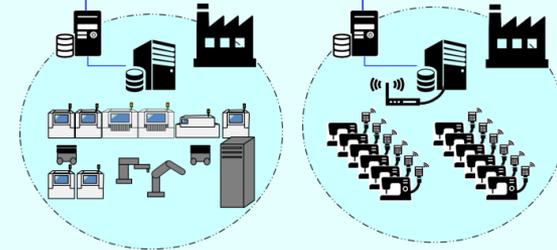
- Expand sales of sewing machinery parts
- Expand sales of parts/services through paid maintenance for electronic assembly systems

## EXPAND AFTER SALES SERVICE BUSINESS IN INTRODUCING SMART LINES



Technical support

**JaNets**  
Juki advanced Network system



Support for Smart Solution

**CONNECTED**



Parts supply system  
Parts center/sales company's warehouse



Network system to share and disseminate information

**PROVIDE LOGISTICAL SUPPORT FOR ACTIVITIES**

## 80 years of partnership with you

Thanks to you, JUKI will celebrate its 80th anniversary on December 15, 2018.

We offer our deep gratitude for the support provided by all stakeholders, including customers, business partners, shareholders, and the local community.

*- Be your solution partner -*

**80<sup>th</sup>**  
*Global & Innovative*

## 《Strengthening of relationships》

Showing gratitude to our customers, business partners and shareholders

- Anniversary website
- Hold “thank you” meetings: Texprocess Show [U.S.], Jisso Process Technology Exhibition (JISSO PROTEC) [Japan], etc.
- JUKI Sewing Festival (planned), and other events

80th anniversary activities

**As 80 years corporation, we will continue to be proud of operating in our main business and satisfy customers**

## 《Strengthening of capability to implement MTMP》

Achieving the plan by providing products and services that contribute to boosting the competitiveness of our customers

- Establishment of JUKI History Museum
- Installation of smart factory model line at J-TEC CORPORATION (Akita)

## 《Reforming of employee awareness and corporate culture》

Promoting global and innovative human resources development and organization building to lay the foundation for becoming a 100-year-old company

- Publishing of 80-year history
- Introduction of new groupware, etc.

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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