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**The 108th Ordinary General Meeting of Shareholders
Other Items Disclosed on the Internet
(Items Omitted in Documents Delivered to Shareholders)**

**Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(January 1, 2022 - December 31, 2022)**

JUKI CORPORATION

Notes to Consolidated Financial Statements

1. Notes on the Basis for the Preparation of Consolidated Financial Statements, etc.

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 27

Names of major consolidated subsidiaries:

JUKI AUTOMATION SYSTEMS CORPORATION, JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION, JUKI SINGAPORE PTE. LTD., JUKI (CHINA) CO., LTD., JUKI (SHANGHAI) INDUSTRIAL CO., LTD., and 22 other subsidiaries.

2) Names of major non-consolidated subsidiaries:

Six non-consolidated subsidiaries, including JUKI MACHINERY VIETNAM CO., LTD., are excluded from the scope of consolidation because their exclusion does not preclude reasonable judgment on the Group's financial situation and management results as a whole.

(2) Application of equity method

Number of associates accounted for using the equity method: 2

Company name: AIMECHATEC, Ltd., ESSEGI AUTOMATION S.r.l.

The six non-consolidated subsidiaries and NISSEN Co., Ltd. and two other associates are excluded from the scope of application of the equity method because their exclusion does not preclude reasonable judgment on the Group's financial situation and management results as a whole.

(3) Changes in the scope of consolidation or the scope of application of equity method

1) Changes in the scope of consolidation

Effective from the fiscal year ended December 31, 2022, JUKI TECHNOSOLUTIONS CORPORATION, a newly established company, and JUKI SMT ASIA CO., LTD., whose significance increased, are included in the scope of consolidation.

2) Changes in the scope of application of equity method

Effective the fiscal year ended December 31, 2022, AIMECHATEC, Ltd. is included in the scope of application of the equity method because the Company newly acquired shares of the firm.

(4) Accounting periods of consolidated subsidiaries

The year-end balance sheet dates for all consolidated subsidiaries, other than JUKI INDIA PVT. LTD. whose balance sheet date is March 31, are the same as the consolidated balance sheet date. The financial statements of JUKI INDIA PVT. LTD. prepared on the basis of a provisional closing of accounts as of the consolidated balance sheet date are used in preparing the consolidated financial statements.

(5) Accounting policies

1) Standards and methods for valuation of important assets

A. Securities

Available-for-sale securities other than shares that do not have a market value

Stated based on the market price, etc. on the consolidated balance sheet date

(Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities that have no market value

Stated at cost using the moving-average method

B. Derivatives

Stated mainly at market

C. Inventories

Stated at the lower of cost or market

Merchandise and finished goods and work in process

Mainly by the average method or first-in first-out method

Raw materials and supplies

Mainly by the average method or last cost method

2) Depreciation & amortization method for important depreciable assets

A. Property, plant, and equipment (excluding leased assets)

The declining-balance method is applied for the Company and its domestic consolidated subsidiaries. However, the straight-line method is applied for buildings acquired on and after April 1, 1998 (excluding any facilities attached to buildings) and facilities attached to buildings and structures acquired on and after April 1, 2016. Overseas consolidated subsidiaries are mainly subject to the straight-line method.

The main economic useful lives are as follows:

Buildings and structures	10 - 50 years
Machinery, equipment, and vehicles	3 - 17 years
Tools, furniture, and fixtures	2 - 20 years

B. Intangible assets (excluding leased assets) and long-term prepaid expenses

The Company and its domestic consolidated subsidiaries use the straight-line method. Software bundled with a device sold is amortized every fiscal year at no less than an amount equally divided over the effective period (three years), and software used in-house is amortized using the straight-line method over a useful life of five years. Overseas consolidated subsidiaries are subject to the straight-line method.

C. Leased assets

Leased assets pertaining to finance leases without ownership transfer of the leased assets to the lessee

The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.

3) Standards for recognition of important reserves

A. Allowance for doubtful accounts

For loss caused by uncollectible debt to the Company and its domestic consolidated subsidiaries, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on the recoverability of individual cases for specified receivables such as debt with a possibility of default. For overseas consolidated subsidiaries, the estimated write-off amount is provided.

B. Provision for bonuses

A provision for bonuses is provided based on the estimated future payment of bonuses to employees.

C. Provision for retirement benefits for directors (and other officers)

Seven consolidated subsidiaries provide the provision in an amount that would be required by the internal rule if all the eligible Directors retired at the balance sheet date.

4) Standards for recording revenue and expenses

The Company recognizes revenue by applying the following five steps with respect to a customer contract. Consideration for performance obligation is generally received within one year and does not include significant financial elements.

Step 1: Identify the customer contract.

Step 2: Identify the performance obligations under the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to performance obligations under the contract.

Step 5: Recognize revenue when a company has fulfilled (or as it fulfills) the performance obligations.

In the Sewing Machinery and Systems Business, the Company engages mainly in the manufacture and sales of industrial sewing machines and household sewing machines. In the Industrial Equipment and Systems Business, we mainly engage in the manufacture and sales of mounters, inspection equipment, printing equipment, and others. In sales of these products, because control over these products is transferred to the customer and the performance obligation is fulfilled at the time such products are delivered to the customer or at the time the customer accepts these products, the Company recognizes revenue at the aforementioned point in time.

The Company applies the alternative treatment stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue, in domestic

sales of products, at the time of shipment in cases where the period between shipment and transfer of control over those products to the customer is normal.

In export sales, the Company recognizes revenue when risk-bearing based on trade conditions set out in Incoterms and others is transferred to the customer.

5) Method of amortization of goodwill and amortization period

Goodwill is amortized using the straight-line method over a period of seven years.

6) Method of accounting for retirement benefits

A. Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the expected retirement benefits to the period up to the end of the current fiscal year.

B. Method of recognizing actuarial gains and losses and past service cost

Actuarial gains and losses are amortized on a straight-line basis over a period equal to or less than the average remaining service period for employees at the time of each fiscal year in which such gains and losses are realized (10 years). The amortization of net gains and losses starts from the fiscal year immediately following the year in which such gains and losses are realized.

Past service cost is expensed wholly in the fiscal year in which it is realized.

C. Application of simplified accounting method by small-size enterprises

In calculating the retirement benefit liability (net defined benefit liability) and retirement benefit expenses, certain consolidated subsidiaries apply a simplified accounting method in which retirement benefit obligations are determined based on the amount of retirement benefits required to pay if all eligible employees retired voluntarily at the balance sheet date.

7) Standards for translation of important assets or liabilities in foreign currencies into yen

Monetary assets and liabilities in foreign currencies are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, and the foreign exchange gains and losses from the translations are recognized in the income statement. Assets and liabilities of overseas consolidated subsidiaries are translated into yen based on the spot exchange rate in the foreign exchange market on the consolidated balance sheet date, while revenue and expenses are translated into yen based on the average exchange rate for the fiscal term. The differences resulting from these translations are included in “Foreign currency translation adjustment” and “Non-controlling interests” under net assets.

8) Accounting for important hedging activities

A. Method

Deferred hedge accounting is applied.

Designation is applied to forward exchange contracts that qualify for designation, and designated exceptional accounting is applied to interest rate swaps that qualify for exceptional accounting.

B. Means for hedging and hedged item

<u>Means for hedging</u>	<u>Hedged item</u>
Interest rate swaps	Long-term borrowings
Forward exchange contracts	Foreign currency receivables (including forecast transactions)

C. Hedging policy

Based on internal rules, hedging is limited to transactions (including forecast transactions) in the scope of practical purposes under the management of the Company’s department in charge of finance and is undertaken to avoid future risks from fluctuations in interest rates and foreign exchange rates.

D. Method for assessing the effectiveness of hedges

At the start of hedging, the Company assesses the effectiveness of offset in interest rate or foreign exchange rate fluctuation. Then, during the period of hedging, the Company uses the predetermined assessment method to assess whether the high effectiveness of offset is maintained at every fiscal year-end. For forward exchange contracts, assessment of the effectiveness of hedges is omitted as important terms regarding hedged items and means for hedging are the same, and changes in the cash flow from foreign exchange rate fluctuations are expected to be completely offset. Assessment of the effectiveness of interest rate swaps subject to designated exceptional accounting is also omitted.

2. Notes on Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the Accounting Standard for Revenue Recognition, etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) from the beginning of the fiscal year ended December 31, 2022, and recognizes revenue in the amount expected to be received in exchange for the goods or services promised at the time control over such goods or services is transferred to the customer.

Accordingly, the Company has changed the method of revenue recognition in regard to the sale of certain products from the conventional method of recognizing revenue based on shipment standards, etc. to the method of recognizing revenue at the time of arrival or acceptance of products for the customer. The Company applies the alternative treatment stipulated in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition and recognizes revenue in regard to domestic sales of products, etc., at the time of shipment in cases where the period between shipment and transfer of control over those products to the customer is normal.

The Company applies the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, by taking the amount of cumulative impact assuming retrospective application of the new accounting policy prior to the beginning of the fiscal year ended December 31, 2022, adding it to or subtracting it from retained earnings as of the beginning of the said fiscal year and applying the new accounting policy to that balance at the beginning of the fiscal year.

As a result, net sales for the fiscal year ended December 31, 2022 increased by 515 million yen, cost of sales increased by 286 million yen, and gross profit, operating profit, ordinary profit, and profit before income taxes increased by 229 million yen, respectively. The balance of retained earnings at the beginning of the period decreased by 139 million yen. The amount of decrease of 139 million yen in the balance at beginning of period of retained earnings is derived by applying tax effect accounting to the amount of difference (decrease of 202 million yen) between the amount of impact on net sales (decrease of 488 million yen) and the amount of impact on cost of sales (decrease of 286 million yen) assuming retrospective application of the new accounting policy to the consolidated statement of income of the past fiscal year and deducting 62 million yen, which is in response to posting deferred tax assets, from that amount.

As a result of applying the Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable – trade,” which was presented under “current assets” in the consolidated balance sheet in the previous fiscal year, is included in “notes and accounts receivable – trade, and contract assets” in the fiscal year under review. In addition, a part of “other,” which was presented under “current liabilities,” is included in “contract liabilities” in the fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30; July 4, 2019) from the beginning of the fiscal year under review and has decided to apply the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. going forward in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019). There is no impact of this application on the consolidated financial statements.

In addition, the Company will provide notes on matters concerning breakdown, etc. by fair value level of financial instruments under “Notes on Financial Instruments.”

2. Additional Information

With regard to the effects of the spread of novel coronavirus disease (COVID-19), it is currently difficult to estimate these impacts, but based on external information we assume that the effects of the spread of COVID-19 will continue for a certain period of the fiscal year ending December 31, 2023, on which basis we have created accounting estimates related to such matters as judgments on impairment losses for non-current assets, and the recoverability of deferred tax assets.

However, this assumption is highly uncertain, and future results may differ from these estimates and assumptions.

3. Notes on significant accounting estimates

Impairment loss on fixed assets

(1) Amount recorded on Consolidated Financial Statements for the fiscal year under review

Property, plant, and equipment	23,525 million yen
Intangible assets	2,316 million yen

(2) Information on the details of significant accounting estimates for recognized items

1) Calculation method

The Company Group sets a business unit and each company as a grouping unit for the Company and its consolidated subsidiaries, respectively, and determines whether there is any sign of impairment for each asset group. When we find a sign of impairment, we estimate undiscounted future cash flow generated with the asset group and compare it with the book value to judge if it is necessary to recognize an impairment loss.

In the fiscal year ended December 31, 2022, signs of impairment in some asset groups of the Sewing Machinery and Systems Business and the Industrial Equipment and Systems Business, which has been successively generating operating losses, were identified; however, since the amount of the undiscounted future cash flows exceeded the carrying amount, impairment loss was not recorded.

2) Major assumptions

The undiscounted future cash flows are estimated based on the Medium-Term Management Plan, etc., which factors in significant accounting estimates involving significant judgments and uncertainties such as a certain assumption about the convergence of the spread of COVID-19 and a recovery in demand.

3) Impact on the consolidated financial statements for the following fiscal year

The estimates may be affected by the timing of the convergence of the COVID-19 pandemic and changing, uncertain economic conditions. If future business performance, etc., deviate from the estimates, it may affect the valuation of fixed assets and significantly impact the consolidated financial statements for the following fiscal year.

4. Notes to Consolidated Balance Sheet

(1) Assets offered as collateral and collateralized loans

(Assets offered as collateral)

Buildings and structures	2,928 million yen
Machinery, equipment, and vehicles	402 million yen
Land	2,399 million yen
Intangible assets	154 million yen
Investment securities	1,480 million yen
Total	7,365 million yen

of which assets offered as foundation mortgage 4,643 million yen

(Collateralized loans)

Short-term borrowings	34,622 million yen
Long-term borrowings	14,360 million yen
Total	48,982 million yen

of which loans collateralized as foundation mortgage 48,185 million yen

(2) Accumulated depreciation of property, plant, and equipment 49,686 million yen

The accumulated impairment loss is included in the accumulated depreciation.

5. Notes to Consolidated Statement of Changes in Equity

(1) Type and total number of issued shares as of this fiscal year-end

Common shares 29,874,179 shares

(2) Treasury shares

Type of stock	Balance at beginning of period	Increase	Decrease	Balance at end of period
Common shares (shares)	579,433	459	76,876	503,016

(Summary of reasons for change)

Detail of the increase in number are as follows:

Increase due to the purchase of shares of less than one unit 459 shares

Details of the decrease in number are as follows:

Decrease due to allotment to Directors, etc. as restricted stock-based remuneration 76,876 shares

(3) Dividends

1) Dividends paid

Resolution	Type of stock	Source of dividend	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2022	Common shares	Retained earnings	732	25.00	December 31, 2021	March 29, 2022

2) Dividends whose record date is during this fiscal year but whose effective date is after the end of this fiscal year

The following dividend for common shares will be proposed for approval at the Ordinary General Meeting of Shareholders to be held on March 28, 2023.

Proposal for Resolution	Type of stock	Source of dividend	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on March 28, 2023	Common shares	Retained earnings	587	20.00	December 31, 2022	March 29, 2023

6. Notes on Financial Instruments

(1) Status of financial instruments

The Group procures necessary funds mainly by borrowing from financial institutions based on the capital investment plan. A temporary surplus fund is invested in financial assets that are highly secure.

For customer credit risk concerning trade receivables (notes and accounts receivable - trade), write-off risk is kept lower by the division in charge according to the credit control rules. Investment securities are mainly stocks and the market value of listed stocks is checked quarterly.

Borrowed money is used for working funds (mainly short-term) and capital investment funds (long-term). Interest-swap contracts are used against the interest fluctuation risk of some long-term borrowings to fix the amount of interest expenses. Derivative transactions (related to foreign exchange and interest rate) are conducted only in the scope of practical purposes according to the internal control rules.

(2) Fair value of financial instruments

The amounts posted on the consolidated balance sheet, fair values, and differences thereof as of December 31, 2022 (consolidated balance sheet date for this fiscal year) are as follows:

Securities that have no market value are not included.

Descriptions of “cash and deposits,” “notes and accounts receivable – trade,” “notes and accounts payable – trade,” and “short-term borrowings” are omitted, because these items are cash, and their fair values are equivalent to book values as they are settled over the short term.

	(million yen)		
	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Investment securities			
Available-for-sale securities	1,820	1,820	–
(2) Long-term borrowings (*2)	[29,306]	[29,404]	97
(3) Derivative transactions			
of which hedge accounting is not applied	[891]	[891]	–

(*1) Amounts for which the net total is payable are shown in [].

(*2) Current portion of long-term borrowings, an item included in short-term borrowings in the consolidated balance sheet, is included in long-term borrowings here.

Note 1: Method for calculating the fair value of financial instruments

(1) Investment securities

The going share price on the exchange is used as the fair value.

(2) Long-term borrowings

The fair value of long-term borrowings is calculated by discounting the sum of principal and interest by an interest rate assumed in cases where similar borrowing is to be newly conducted. The

fair value of long-term borrowings with variable interest rates to which special treatment of interest rate swaps is applied (see (3) below) is calculated by discounting the sum of principal and interest, which is treated in combination with the said interest rate swaps, at a reasonably estimated rate applied to a similar new borrowing.

(3) Derivative transactions

The fair value of derivative transactions is calculated based on the prices submitted by financial institutions.

The fair value of interest rate swaps to which special treatment is applied is included in the fair value of the hedged long-term borrowings, because these transactions are treated in combination with the said long-term borrowings.

Note 2: Securities that have no market value (4,047 million yen included in the consolidated balance sheet) are not included in “(1) Investment securities, Available-for-sale securities.”

(3) Matters on breakdown by fair value level of financial instruments

The Company categorizes the fair value of financial instruments according to the observability and significance of inputs for fair value measurement into the following three levels.

Level 1 fair value: Fair value measured using observable inputs for fair value measurement, which are quoted prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using observable inputs for fair value measurement other than the inputs in Level 1

Level 3 fair value: Fair value measured using unobservable inputs for fair value measurement

In cases where multiple inputs that have a material impact on fair value measurement are used, the fair value measurement is categorized at the level with the lowest priority among the levels to which such inputs belong.

1) Financial assets and financial liabilities recorded on the consolidated balance sheet using their fair values

(million yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	1,820	–	–	1,820
Derivative transactions				
Currency-related	–	(891)	–	(891)
Total assets	1,820	(891)	–	929

2) Financial assets and financial liabilities not recorded on the consolidated balance sheet using their fair values

(million yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings	–	(29,404)	–	(29,404)
Total liabilities	–	(29,404)	–	(29,404)

Note: Explanation of the valuation methods and inputs used for fair value measurement

Investment securities

Listed shares are valued using quoted prices. Because listed shares are traded on active markets, their fair value is categorized as Level 1 fair value.

Derivative transactions

The fair value of exchange contracts is measured based on the discounted present value method using exchange rates and other observable inputs and is categorized as Level 2 fair value.

Long-term borrowings

Long-term borrowings are valued using the discounted method of taking the total amount of principal and interest and discounting it by the rate assumed for an equivalent new loan, and their

fair value is categorized as Level 2 fair value. Long-term borrowings with variable interest rates that are subject to the special provisions for interest-rate swaps are valued by taking the total amount of principal and interest treated as one along with the relevant interest-rate swap and discounting it by a reasonably estimated rate assumed to be applied for an equivalent loan, and their fair value is categorized as Level 2 fair value.

7. Notes on Revenue Recognition

(1) Breakdown of revenue generated from customer contracts

(million yen)

	Japan	Asia	China	The Americas	Europe	Others	Total
Sewing Machinery & Systems Business Unit	5,751	40,331	13,518	10,461	8,536	1,337	79,937
Industrial Equipment & Systems Business Unit	10,970	7,121	8,859	6,429	3,493	378	37,253
Other business	263	–	–	–	–	–	263
Total	16,985	47,452	22,378	16,890	12,029	1,716	117,454

Note: Net sales are based on the location of customer and categorized under country or region.

(2) Basic information for understanding revenue generated from customer contracts

Basic information for understanding revenue generated from customer contracts is as stated in “1. Notes on the Basis for the Preparation of Consolidated Financial Statements, etc. (5) Accounting policies 4) Standards for recording revenue and expenses.”

(3) Information for understanding revenue amounts in the fiscal year under review and subsequent fiscal years

1) Balance of contract assets and contract liabilities

	Current consolidated fiscal year
Contract assets (beginning of period)	1,155 million yen
Contract assets (end of period)	1,382 million yen
Contract liabilities (beginning of period)	683 million yen
Contract liabilities (end of period)	883 million yen

2) Allocation of transaction prices to residual performance obligations

Since the JUKI Group has no significant transactions whose initial expected contract period exceeds one year, we apply a practical expedient and omit the description of information on residual performance obligations. In addition, there is no significant amount that is not included in transaction prices in consideration generated from customer contracts.

8. Notes on Per Share Information

- (1) Net assets per share 1,250.84 yen
 (2) Basic profit per share (2.66) yen

9. Notes on Business Combination

As announced in the press releases titled “Joint venture to form new industrial sewing machine business” dated November 8, 2021 and “Schedule change for the establishment of a joint-venture company by JUKI, Mitsubishi Electric, and Meiryō Technica” dated April 25, 2022, JUKI Corporation, Mitsubishi Electric Corporation (“Mitsubishi Electric”), and Meiryō Technica Corporation (“Meiryō Technica”) fulfilled the performance of contributions by JUKI (80%) and Mitsubishi Electric (20%) for the establishment of “JUKI TECHNOSOLUTIONS CORPORATION” by Meiryō Technica, a corporation wholly owned by Mitsubishi Electric, and established the new joint-venture company handling the industrial sewing machine business as of July 1, 2022.

(Business combination by acquisition)

(1) Overview of business combination

1) Name of acquired company and description of its business

Name: JUKI TECHNOSOLUTIONS CORPORATION

Description of business: Development, design, sales, after-sale service, etc. of industrial sewing machines

2) Main reasons for business combination

JUKI TECHNOSOLUTIONS CORPORATION will combine industrial sewing machine technologies, products, and system lineups of JUKI and Mitsubishi Electric to provide advanced and distinctive solutions to customers worldwide who are targeting non-apparel industries such as automobile-related products and sports shoes. By differentiating itself in this way, JUKI TECHNOSOLUTIONS CORPORATION aims to become both the world's leader and the most powerful technology innovator in the non-apparel industry.

In conjunction with this establishment, the overseas subsidiaries of the JUKI Group will take over the business assets of the Mitsubishi Electric Group's overseas industrial sewing machine business in each region, including human resources and product inventories. JUKI TECHNOSOLUTIONS CORPORATION will thereby strengthen JUKI's ability to provide solutions and support to customers around the world.

3) Date of business combination

July 1, 2022

4) Legal form of business combination

Acquisition of shares for cash consideration

5) Name of company after combination

JUKI TECHNOSOLUTIONS CORPORATION

6) Voting rights ratio acquired

80%

7) Main grounds leading to the determination of acquiring company

JUKI acquired shares for cash consideration

(2) Period of operating results of the acquired company included in consolidated financial statements

From July 1, 2022 to December 31, 2022

(3) Acquisition cost of acquired company and type of consideration

Consideration for acquisition	Cash	992 million yen
Acquisition cost		992 million yen

(4) Description and amount of major acquisition-related expenses

Advisory fees 185 million yen

(5) Amount of goodwill that occurred, cause of occurrence, amortization method, and amortization period

1) Amount of goodwill that occurred

98 million yen

2) Cause of occurrence

Additional earning power expected mainly from future business development

3) Amortization method and amortization period

Amortized using the straight-line method over a period of seven years

(6) Amounts and descriptions of assets received and liabilities undertaken on the date of business combination

Current assets	1,034 million yen
Non-current assets	99 million yen
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Total assets	1,134 million yen

Current liabilities	12 million yen
Non-current liabilities	5 million yen
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Total liabilities	17 million yen

Notes to Non-consolidated Financial Statements

1. Notes on Significant Accounting Policies

(1) Standards and methods for valuation of assets

1) Securities

Shares of subsidiaries and associates

Stated at cost using the moving-average method

Available-for-sale securities with market quotations

Stated based on the market price, etc. on the balance sheet date

(Unrealized gains and losses are excluded from income and reported in a separate component of net assets. The cost of sales is calculated using the moving-average method.)

Available-for-sale securities without market quotations

Stated at cost using the moving-average method

2) Derivatives

Stated mainly at market

3) Inventories

Stated at the lower of cost or market

Merchandise and finished goods and work in process Using the average method

Raw materials and supplies Using the last cost method

(2) Depreciation & amortization method for non-current assets

1) Property, plant, and equipment (excluding leased assets)

The declining-balance method is applied. However, the straight-line method is applied for buildings acquired on and after April 1, 1998 (excluding any facilities attached to buildings) and facilities attached to buildings and structures acquired on and after April 1, 2016.

The main economic useful lives are as follows:

Buildings 10 - 50 years

Structures 10 - 50 years

Machinery, equipment, and vehicles 3 - 15 years

Tools, furniture, and fixtures 2 - 20 years

2) Intangible assets (excluding leased assets) and long-term prepaid expenses

The straight-line method is applied. Software bundled with a device sold is amortized every fiscal year at no less than an amount equally divided over the effective period (three years), and software used in-house is amortized using the straight-line method over a useful life of five years.

3) Leased assets

Leased assets pertaining to finance leases without ownership transfer of the leased assets to the lessee

The straight-line method is applied on the assumptions that the useful life equals the lease term and the residual value is zero.

(3) Standards for recognition of reserves

1) Allowance for doubtful accounts

For loss caused by uncollectible debt, an allowance for doubtful accounts is provided based on the historical write-off rate for ordinary receivables and the estimated amount of irrecoverable debt based on the recoverability of individual cases for specified receivables such as debt with a possibility of default.

2) Provision for retirement benefits

A provision for retirement benefits is provided based on the estimated retirement benefit obligation and plan assets as of this fiscal year-end.

A. Method of attributing expected retirement benefits to periods

In calculating the retirement benefit obligations, the benefit formula basis is used to attribute the expected retirement benefits to the period up to the end of the current fiscal year.

- B. Method of recognizing actuarial gains and losses and past service cost
 Actuarial gains and losses are amortized on a straight-line basis over a period equal to or less than the average remaining service period for employees at the time such gains and losses are realized (10 years). The amortization of net gains and losses starts from the fiscal year immediately following the year in which such gains and losses are realized.
 Past service cost is expensed wholly in the fiscal year in which it is realized.

(4) Standards for recording revenue and expenses

The Company recognizes revenue by applying the following five steps with respect to a customer contract. Consideration for performance obligation is generally received within one year and does not include significant financial elements.

- Step 1: Identify the customer contract.
- Step 2: Identify the performance obligations under the contract.
- Step 3: Calculate the transaction price.
- Step 4: Allocate the transaction price to performance obligations under the contract.
- Step 5: Recognize revenue when a company has fulfilled (or as it fulfills) the performance obligations.

In the Machinery and Systems Business, the Company engages mainly in the manufacture and sales of industrial sewing machines and household sewing machines. In sales of these products, because control over these products is transferred to the customer and the performance obligation is fulfilled at the time such products are delivered to the customer or at the time the customer accepts these products, the Company recognizes revenue at the aforementioned point in time.

The Company applies the alternative treatment stipulated in Item 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and recognizes revenue, in domestic sales of products, at the time of shipment in cases where the period between shipment and transfer of control over those products to the customer is normal.

In export sales, the Company recognizes revenue when risk-bearing based on trade conditions set out in INCOTERMS and others is transferred to the customer.

(5) Other significant basic matters for the preparation of financial statements

1) Standards for translation of assets and liabilities in foreign currencies into yen

Monetary assets and liabilities in foreign currencies are translated into yen based on the spot exchange-rate in the foreign exchange market on the balance sheet date, and the foreign exchange gains and losses from the translations are recognized in the income statement.

2) Accounting for hedging activities

A. Method

Deferred hedge accounting is applied.

Designation is applied to forward exchange contracts that qualify for designation, and designated exceptional accounting is applied to interest rate swaps that qualify for exceptional accounting.

B. Means for hedging and hedged item

Means for hedging	Hedged item
Interest rate swaps	Long-term borrowings
Forward exchange contracts	Foreign currency receivables (including forecast transactions)

C. Hedging policy

Based on internal rules, hedging is limited to transactions (including forecast transactions) in the scope of practical purposes under the management of the department in charge of finance, and is undertaken to avoid future risks from fluctuations in interest rates and foreign exchange rates.

D. Method for assessing the effectiveness of hedges

At the start of hedging, the Company assesses the effectiveness of offset in interest rate or foreign exchange rate fluctuation. Then, during the period of hedging, the Company uses the predetermined assessment method to assess whether the high effectiveness of offset is maintained at every fiscal year-end. For forward exchange contracts, assessment of the effectiveness of hedges is omitted as important terms regarding hedged items and means for hedging are the same, and changes in the cash flow from foreign exchange rate fluctuations are expected to be completely offset. Assessment of the effectiveness of interest rate swaps subject to designated exceptional accounting is also omitted.

3) Method of accounting for retirement benefits

The accounting methods for unrecognized actuarial gains and losses relating to retirement benefits are different from the accounting methods in the consolidated financial statements.

2. Notes on Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the “Accounting Standard for Revenue Recognition, etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 29; March 31, 2020) from the beginning of the fiscal year under review, and recognizes revenue in the amount expected to be received in exchange for the goods or services promised at the time control over such goods or services is transferred to the customer.

Accordingly, the Company has changed the method of accounting with respect to certain considerations paid to customers for sales and support from the conventional method of recording in selling, general, and administrative expenses to the method of deducting from the transaction price. The Company applies the alternative treatment stipulated in Item 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition and recognizes revenue, in regard to domestic sales of products, etc., at the time of shipment in cases where the period between shipment and transfer of control over those products to the customer is normal.

The Company applies the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment stipulated in the proviso of Item 84 of the Accounting Standard for Revenue Recognition, by taking the amount of cumulative impact assuming retrospective application of the new accounting policy prior to the beginning of the fiscal year under review, adding or subtracting it to/from retained earnings as of the beginning of the said fiscal year and applying the new accounting policy to that balance at the beginning of the fiscal year. As a result, there is no impact on the profit (loss) of the fiscal year under review and the balance at beginning of period of retained earnings.

Because the Company has applied the Accounting Standard for Revenue Recognition, etc., a part of “other,” which was presented under “current liabilities” on the non-consolidated balance sheet in the previous fiscal year, is included in “contract liabilities” in the fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement, etc. (ASBJ Statement No. 30; July 4, 2019) from the beginning of the fiscal year under review and has decided to apply the new accounting policy set forth in the Accounting Standard for Fair Value Measurement, etc. going forward in accordance with the transitional treatment stipulated in Item 19 of the Accounting Standard for Fair Value Measurement, etc. and Item 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019). There is no impact of this application on the consolidated financial statements.

3. Additional Information

With regard to the effects of the spread of COVID-19, it is currently difficult to estimate these impacts, but based on external information we assume that the effects of the spread of COVID-19 will continue for a certain period of the fiscal year ending December 31, 2023, on which basis we have created accounting estimates related to such matters as judgments on impairment losses for non-current assets, and the recoverability of deferred tax assets.

However, this assumption is highly uncertain, and future results may differ from these estimates and assumptions.

4. Notes to significant accounting estimates

Recoverability of deferred tax assets

(1) Amount recorded on Non-consolidated Financial Statements for the fiscal year under review

Deferred tax assets (net) 1,193 million yen

(The gross amount before offsetting against deferred tax liabilities is 1,317 million yen.)

(2) Information on the details of the significant accounting estimates for identified items

1) Calculation method

Future taxable income is estimated based on deductible temporary difference and the carryforward of unused tax losses, and the recoverable amount of deferred tax assets is calculated within a scope deemed to have the effect of reducing future tax payable.

2) Major assumptions

An important assumption about the recoverability of deferred tax assets is the estimate of taxable income based on the Medium-Term Management Plan, etc., formulated based on a certain assumption about the convergence of the spread of COVID-19 and a recovery in demand etc.

3) Impact on Non-consolidated Financial Statements for the following fiscal year

The estimates may be affected by the timing of the convergence of the COVID-19 pandemic and changing, uncertain economic conditions. When actual profit earned, a period in which taxable income incurs, and taxable income amounts differ from the estimates, it may significantly impact the amount of deferred tax assets in the non-consolidated financial statements for the following fiscal year.

5. Notes to Non-consolidated Balance Sheet

(1) Assets offered as collateral and collateralized loans

(Assets offered as collateral)

Buildings, net	392 million yen
Structures, net	10 million yen
Machinery and equipment, net	0 million yen
Land	637 million yen
Investment securities	1,480 million yen
Total	2,520 million yen

of which assets offered as foundation mortgage 1,039 million yen

(Collateralized loans)

Short-term borrowings	28,268 million yen
Long-term borrowings	12,368 million yen
Total	40,636 million yen

of which loans collateralized as foundation mortgage 40,636 million yen

(2) Accumulated depreciation of property, plant, and equipment 18,067 million yen

(3) Guarantee liability

The Company provides guarantees on borrowings from financial institutions by other companies.

JUKI SINGAPORE PTE. LTD.	7,577 million yen
JUKI (CHINA) CO., LTD.	3,649 million yen
JUKI CENTRAL EUROPE SP. ZO.O.	2,416 million yen
JUKI (VIETNAM) CO., LTD.	583 million yen
JUKI AMERICA INC.	398 million yen
JUKI (HONG KONG) LIMITED	361 million yen
Total	14,986 million yen

(4) Monetary receivables from and payables to subsidiaries and associates (excluding accounting items presented separately)

Short-term monetary receivables	46,227 million yen
Short-term monetary payables	17,812 million yen

6. Notes to Non-consolidated Statement of Income

Transactions with subsidiaries and associates (excluding accounting items presented separately)

Net sales	56,167 million yen
Purchase	32,104 million yen
Other operating transactions	3,179 million yen
Transactions other than operating transactions	3,890 million yen

7. Notes to Non-consolidated Statement of Changes in Equity

Type and number of treasury shares as of this fiscal year-end	
Common shares	503,016 shares

8. Notes on Tax Effect Accounting

Major causes for accrual of deferred tax assets and deferred tax liabilities

(million yen)

Deferred tax assets	
Enterprise tax payable	35
Provision for retirement benefits	804
Allowance for doubtful accounts	611
Impairment loss	62
Loss on valuation of inventories	100
Loss on valuation of shares of subsidiaries and associates	2,317
Loss on valuation of investments in capital of subsidiaries and associates	248
Loss brought forward	1,145
Other	1,057
Total	<u>6,383</u>
Valuation allowance	<u>(5,066)</u>
Total deferred tax assets	1,317
Offset to deferred tax liabilities	<u>(123)</u>
Net deferred tax assets	<u>1,193</u>
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	<u>123</u>
Total deferred tax liabilities	123
Offset to deferred tax assets	<u>(123)</u>
Net deferred tax liabilities	<u>—</u>

9. Notes on Transactions with Related Parties

Subsidiaries and associates

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions	
						Account item	Fiscal year-end balance (million yen)
Subsidiaries	JUKI SINGAPORE PTE. LTD.	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	27,824	Accounts receivable - trade	12,735
				Debt guarantee	7,577	-	-
	JUKI (CHINA) CO., LTD.	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	4,775	Accounts receivable - trade	732
				Debt guarantee	3,649	-	-
	JUKI (SHANGHAI) INDUSTRIAL CO., LTD.	Direct ownership 22.7% Indirect ownership 77.3%	Manufacture of the Company's products	Purchase of products	11,304	Accounts payable - trade	1,826
				Technical advisory fee income, etc.	571	Accrued income	126
	JUKI TECHNO-SOLUTIONS CORPORATION	Direct ownership 80.0%	Manufacture of the Company's products	Acceptance of investment	1,178	-	-
				Borrowing of fund	1,541	Short-term borrowings	1,526
				Repayment of fund	15	-	-
				Payment of interest	3	-	-
	JUKI CENTRAL EUROPE SP. ZO.O.	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	6,418	Accounts receivable - trade	2,636
				Debt guarantee	2,416	-	-
	SHANGHAI JUKI SEWING MACHINE CO., LTD.	Direct ownership 72.3% Indirect ownership 27.7%	Manufacture of the Company's products	Purchase of products	3,297	Accounts payable - trade	531
	JUKI INDIA PVT. LTD.	Direct ownership 94.6% Indirect ownership 5.4%	Sales and maintenance of the Company's products	Sales of products	2,806	Accounts receivable - trade	2,027
TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD.	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	- (*)	Accounts receivable - other	6,041	
JUKI SALES (JAPAN) CORPORATION	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	3,076	Accounts receivable - trade	1,727	
AIMECHATEC, Ltd.	Direct ownership 19.6%	Manufacture of the Company's products	Acceptance of investment	1,994	-	-	

Category	Company name	Ownership of voting rights, etc. (Ownership percentage)	Relationship with the related parties	Transaction details	Transaction amounts (million yen)	Receivables or payables on transactions	
						Account item	Fiscal year-end balance (million yen)
Subsidiaries	JUKI AUTOMATION SYSTEMS INC.	Indirect ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	– (*)	Accounts receivable - other	1,191
	JUKI AUTOMATION SYSTEMS GMBH	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	– (*)	Accounts receivable - other	1,458
						Long-term accounts receivable from subsidiaries and associates - other	1,519
	JUKI AUTOMATION SYSTEMS CORPORATION	Direct ownership 91.8%	Sales and maintenance of the Company's products	Purchase of products	– (*)	Accounts payable - other	13,257
				Provision of loan	3,780	Short-term loans receivable	7,240
				Recovery of funds	3,540	–	–
				Receipt of interest	80	–	–
				Trademark fee income, etc.	280	Accrued income	175
	JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION	Direct ownership 100.0%	Manufacture of the Company's products	Receipt of collateral	(Note 3)	–	–
	JUKI AMERICA, INC.	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	8,109	Accounts receivable - trade	4,044
	JUKI (VIETNAM) CO., LTD.	Direct ownership 100.0%	Manufacture of the Company's products	Purchase of products	9,685	Accounts payable - trade	415
				Provision of loan	4,222	Short-term loans receivable	3,981
				Recovery of funds	2,081	–	–
				Receipt of interest	121	–	–
Debt guarantee				583	–	–	
JUKI SMT ASIA CO., LTD.	Direct ownership 100.0%	Sales and maintenance of the Company's products	Sales of products	– (*)	Accounts receivable - other	67	
					Long-term accounts receivable from subsidiaries and associates - other	1,215	

Terms for transactions and policies to decide them:

- (Notes)
1. Terms for sales and purchases are decided in consideration of factors such as market prices.
 2. Loan rates are reasonably decided in consideration of market interest rates and the financial status of borrowers.
 3. Real estate owned by JUKI INDUSTRIAL EQUIPMENT TECHNOLOGY CORPORATION has been received as collateral against the Company's borrowings from financial institutions (revolving mortgage at a maximum 11,640 million yen). No fees connected with collateral pledging have been paid.
 4. Technical advisory fee income etc. are decided in consideration of factors such as market prices.
 5. Debt guarantee for JUKI SINGAPORE PTE. LTD., JUKI (CHINA) CO., LTD., JUKI CENTRAL EUROPE SP. ZO.O. and JUKI (VIETNAM) CO., LTD. is provided with regard to borrowing from banks. A fixed debt guarantee charge has been received.
 6. 1,974 million yen in allowance for doubtful accounts has been recorded regarding claims to long-term accounts receivable from subsidiaries and associates - other with a possibility of default above. In relation to this allowance, a total of 69 million yen of provision of allowance for doubtful accounts has been recorded in the current fiscal year.
 7. Transaction amounts do not include consumption taxes. The fiscal year-end balance includes consumption taxes.
- (*) Because the Company has been carrying out sales transactions as the agent of JUKI AUTOMATION SYSTEMS CORPORATION in the Electronic Assembly Systems Business since August 1, 2013, the amounts in the non-consolidated statement of income are presented with the balance of the said sales transactions offset against the balance of purchase transactions.
- The balance of sales to TOKYO JUKI INTERNATIONAL TRADING (SHANGHAI) CO., LTD. is 7,853 million yen, the balance of sales to JUKI AUTOMATION SYSTEMS INC. is 1,420 million yen, the balance of sales to JUKI AUTOMATION SYSTEMS GMBH is 1,515 million yen, the balance of sales to JUKI SMT ASIA CO., LTD. is 98 million yen, and the balance of purchases from JUKI AUTOMATION SYSTEMS CORPORATION is 15,452 million yen.

10. Notes on Per Share Information

(1) Net assets per share	993.56 yen
(2) Basic profit per share	63.24 yen

11. Notes on Revenue Recognition

Basic information for understanding revenue generated from customer contracts

Basic information for understanding revenue generated from customer contracts is as stated in "1. Notes on Significant Accounting Policies (4) Standards for recording revenue and expenses."