

(Reference Translation)



February 9, 2023

**Summary of Financial Information and Business Results
for the Fiscal Year 2022 Ended December 31, 2022
on a Consolidated Basis
<under Japanese GAAP>**

Company name: **JUKI Corporation**
Listing: Tokyo Stock Exchange
Securities code: 6440
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Scheduled date of Ordinary General Meeting of Shareholders: March 28, 2023
Scheduled date to commence dividend payments: March 29, 2023
Scheduled date to file the securities report: March 29, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for analysts)

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

**1. Consolidated performance for the fiscal year 2022 ended December 31, 2022
(January 1, 2022 to December 31, 2022)**

(1) Consolidated operating results

(Percentages indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2022	117,454	16.0	2,858	(26.1)	1,163	(66.2)	(78)	–
December 31, 2021	101,292	43.9	3,868	–	3,439	–	2,154	–

Note: Comprehensive income Fiscal year ended December 31, 2022 2,272 million yen [(53.5)%]
Fiscal year ended December 31, 2021 4,890 million yen [–%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	yen	yen	%	%	%
December 31, 2022	(2.66)	–	(0.2)	0.8	2.4
December 31, 2021	73.55	–	6.5	2.9	3.8

Reference: Share of profit (loss) of entities accounted for using equity method
Fiscal year ended December 31, 2022 50 million yen
Fiscal year ended December 31, 2021 (3) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2022	145,169	37,482	25.3	1,250.84
December 31, 2021	129,114	35,672	27.3	1,203.14

Reference: Equity As of December 31, 2022 36,738 million yen

As of December 31, 2021 35,245 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2022	(14,641)	(4,930)	17,485	4,910
December 31, 2021	(6,589)	(856)	(369)	6,566

2. Dividends

	Annual dividends					Total dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter- end	Second quarter- end	Third quarter- end	Fiscal year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended December 31, 2021	–	0.00	–	25.00	25.00	732	34.0	2.2
Fiscal year ended December 31, 2022	–	0.00	–	20.00	20.00	587	–	1.6
Fiscal year ending December 31, 2023 (Forecast)	–	0.00	–	25.00	25.00		38.6	

3. Consolidated earnings forecasts for the fiscal year 2023 ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending December 31, 2023	127,000	8.1	3,500	22.4	3,000	157.8	1,900	–	64.74

* Notes

- (1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement of prior period financial statements after error corrections: None

(3) Number of issued shares (common shares)

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

As of December 31, 2022	29,874,179 shares
As of December 31, 2021	29,874,179 shares

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

As of December 31, 2022	503,016 shares
As of December 31, 2021	579,433 shares

- c. Average number of shares during the period

Fiscal year ended December 31, 2022	29,347,666 shares
Fiscal year ended December 31, 2021	29,295,043 shares

Reference: Summary of non-consolidated performance

**Non-consolidated performance for the fiscal year 2022 ended December 31, 2022
(January 1, 2022 to December 31, 2022)**

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2022	61,565	24.4	(767)	–	2,017	173.3	1,856	315.8
December 31, 2021	49,474	74.7	(1,986)	–	738	–	446	–

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	yen	yen
December 31, 2022	63.24	–
December 31, 2021	15.24	–

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
December 31, 2022	105,175	29,181	27.7	993.56
December 31, 2021	96,765	28,009	28.9	956.12

Reference: Equity As of December 31, 2022 29,181 million yen
As of December 31, 2021 28,009 million yen

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Disclaimer regarding forward-looking statements

Forward-looking statements concerning future plans and strategies contained in this report are based on information currently available to JUKI and on certain assumptions deemed to be reasonable. Actual business results and other results may differ materially from the forward-looking statements due to various factors. Significant factors that may have an impact on actual results include, but not limited to, the economic environment surrounding JUKI's business, political situations in key markets, and foreign exchange rate fluctuations.

[Attached Material]

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1. Overview of operating results, etc.

(1) Overview of operating results

a. Operating results of the current fiscal year

During the fiscal year ended December 31, 2022, in the business environment surrounding the Company, the economy remained strong due to the easing of restrictions aimed at preventing the spread of the novel coronavirus disease (COVID-19) and the policies of various countries, as well as growth in industries in the new normal environment and new investment for the relocation of production bases. However, economic activity was constrained by lockdowns and zero-COVID-19 policy centered on Shanghai in China. In addition, global parts shortages and disruptions in logistics, including in shortage of semiconductors continued to impact product supply.

During the fiscal year ended December 31, 2022, the Company has been engaged in company-wide sales activities, including to capture demand during a period of market recovery, to expand market share in growth fields, and to reconstruct its supply chain. However, due to a sharp drop in capital investment demand triggered by of the zero-COVID-19 policy in various parts of China, and the worsening of the foreign currency situation in Asia and other emerging countries leading to the postponement of sales in the fourth quarter, net sales totaled 117,454 million yen (up 16.0% year-on-year).

In terms of profits, depreciation of the yen had a positive effect on sales, however, the burden of overseas material costs and expenses increased. In addition, while the Company continued its targeted investments to expand into growth markets and emerging economies, there were factors such as the decline in capacity utilization rates at factories due to the lockdown of the Chinese factory in the first half of the year, delay in raising prices in response to increased costs including surging raw materials cost and logistics expenses, and our ongoing focus on improving our business portfolio to prioritize higher value-added products. As a result, operating profit stood at 2,858 million yen (down 26.1% year-on-year), ordinary profit stood at 1,163 million yen (down 66.2% year-on-year), and loss attributable to owners of parent stood at 78 million yen (compared to profit attributable to owners of parent of 2,154 million yen for the previous fiscal year).

b. Overview of each business segment

i) Sewing Machinery and Systems Business

Sales of industrial sewing machines increased mainly in Asian markets by capturing the recovery in demand in the apparel market and by efforts to develop the supply chain, however, caused by the impact of the zero-COVID-19 policy in various parts of China as well as the postponement of purchases in the fourth quarter due to the worsening foreign currency situation in Asia and other emerging countries, net sales of the Sewing Machinery and Systems Business as a whole remained at 79,937 million yen (up 26.5% year-on-year).

In terms of profit, despite the growth in overall sales, segment profit (ordinary profit) was 119 million yen (down 92.1% year-on-year). This was due to a decrease in capacity utilization rates at factories caused by the lockdown of the Chinese factory in the first half of the year, the inability to adjust prices in response to rising costs, and the ongoing focus on improving our portfolio towards higher value-added products.

ii) Industrial Equipment and Systems Business

In the Electronics Assembly & Systems Businesses, sales declined due to the impact of the zero-COVID-19 policy in China and a sharp drop in capital investment demand. However, sales were firm at Group Businesses such as contract manufacturing, mainly in Japan, partly due to a rise in demand for capital investment as customers moved to deal with supply chain fragmentation. As a result, net sales for the Industrial Equipment and Systems Business as a whole were 37,253 million yen (down 1.5% year-on-year).

In terms of profits, due to a significant decrease in sales of electronics assembly & systems in the second half of the year and continued strategic investments, segment profit (ordinary profit) was 1,942 million yen (down 32.2% year-on-year).

c. Forecasts for the next fiscal year

In regards to the current business environment surrounding our company, while there are concerns about the continued impact of interest rate hikes in the U.S. and other major countries and the turmoil caused by Russia's invasion of Ukraine, due to some factors like China's relaxation on zero-COVID-19 policy, we expect a recovery in capital investment demand from automotive and IoT-related customers, with variations of global economy growth depending on the area and industry. In addition, in response to the new normal environment, there is a growing movement towards new business opportunities.

Taking into account the aforementioned prognosis, the forecasts of business results on consolidation basis for the next fiscal year are as follows, assuming that the foreign exchange rate is 120 yen to 1 U.S. dollar.

Consolidated earnings forecasts for the fiscal year ending December 31, 2023

Million yen	
Item	Fiscal year ending December 31, 2023
Net sales	127,000
Operating profit	3,500
Ordinary profit	3,000
Profit attributable to owners of parent	1,900

(2) Overview of financial position

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

Total assets as of December 31, 2022 were 145,169 million yen, an increase of 16,055 million yen compared to the previous fiscal year-end. This was mainly due to increases in accounts receivable - trade and inventories associated with higher sales, and despite having allocated deposits to repayment of borrowings from the perspective of improving capital efficiency. Liabilities were 107,687 million yen, an increase of 14,245 million yen compared to the previous fiscal year-end. This mainly reflected an increase in borrowings. Net assets were 37,482 million yen, an increase of 1,809 million yen compared to the previous fiscal year-end. This was mainly due to an increase in foreign currency translation adjustment due to yen depreciation.

Net cash used in operating activities totaled 14,641 million yen (6,589 million yen used in the previous year). This mainly reflected increases in trade receivables and inventories.

Net cash used in investing activities was 4,930 million yen (856 million yen used in the previous fiscal year). This was mainly due to expenditures for the acquisition of property, plant and equipment and new investment securities (stocks of subsidiaries and affiliates).

Net cash provided by financing activities was 17,485 million yen (369 million yen used in the previous fiscal year). This was mainly the result of an increase in borrowings.

As a result, cash and cash equivalents were 4,910 million yen, a decrease of 1,655 million yen compared to the previous fiscal year-end.

(Reference) Transition of cash flow indicators

	FY2018 ended December 31, 2018	FY2019 ended December 31, 2019	FY2020 ended December 31, 2020	FY2021 ended December 31, 2021	FY2022 ended December 31, 2022
Equity ratio (%)	30.7	32.3	28.2	27.3	25.3
Market value-based equity ratio (%)	27.4	22.5	14.0	19.2	12.5
Ratio of interest-bearing debt to cash flows (years)	19.5	17.6	6.8	—	—
Interest-coverage ratio (times)	3.3	3.8	10.2	—	—

(Notes) Equity ratio: Equity divided by total assets

Market value-based equity ratio: Aggregate market value of shares divided by total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt divided by cash flows

Interest-coverage ratio: Cash flows divided by interest payment

- *1. All of the above indicators are calculated based on consolidated financial figures.
- *2. Aggregate market value of shares is calculated based on number of issued shares excluding treasury shares.
- *3. Operating cash flow is used for cash flows.
- *4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheet for which interest is being paid.

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

For distribution of profit, we maintain the basic policy of striving to improve the return of profit to our shareholders based on the stable payment of dividends in comprehensive consideration of factors such as the results of the current fiscal year and the internal reserve provided for proactive capital investment, development investment, and information systems investment in order to build a stable business base for the future.

Although we recorded a net loss for the current fiscal year, we expect business performance to recover in the next fiscal year. Based on the above policy, we plan to pay a year-end dividend of 20 yen per share, a decrease of 5 yen from the 25 yen ordinary dividend of the previous fiscal year, from the viewpoint of stable dividends.

Concerning dividend payment for the next fiscal year, the Company is forecasting a year-end dividend of 25.00 yen per share based on the earnings forecasts at this time.

2. Basic concept regarding selection of accounting standards

The Group has prepared the consolidated financial statements in accordance with Japanese GAAP, in order to facilitate comparison with previous year's financial statements of the Group, and/or those of other companies.

The Company will examine the application of international financial reporting standards (IFRSs) in the future, giving consideration to the status of application of the system within Japan.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(million yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	6,594	4,931
Notes and accounts receivable - trade	34,099	-
Notes and accounts receivable - trade, and contract assets	-	37,537
Merchandise and finished goods	34,140	43,364
Work in process	4,939	4,912
Raw materials and supplies	12,009	14,153
Other	3,341	3,151
Allowance for doubtful accounts	(319)	(373)
Total current assets	94,806	107,677
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,726	10,516
Machinery, equipment and vehicles, net	3,265	3,521
Tools, furniture and fixtures, net	951	1,335
Land	6,322	6,317
Leased assets, net	268	509
Construction in progress	176	168
Other	1,060	1,157
Total property, plant and equipment	22,770	23,525
Intangible assets	1,889	2,316
Investments and other assets		
Investment securities	3,831	5,867
Long-term loans receivable	119	76
Long-term prepaid expenses	224	80
Deferred tax assets	2,976	3,350
Retirement benefit asset	1,542	1,154
Other	2,268	1,425
Allowance for doubtful accounts	(1,312)	(306)
Total investments and other assets	9,649	11,649
Total non-current assets	34,308	37,492
Total assets	129,114	145,169

(million yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,917	9,145
Electronically recorded obligations - operating	5,913	4,113
Short-term borrowings	38,287	58,807
Lease liabilities	84	108
Accounts payable - other	1,103	1,396
Accrued expenses	4,154	4,285
Income taxes payable	806	547
Contract liabilities	–	883
Provision for bonuses	34	38
Notes payable - facilities	68	148
Forward exchange contracts	798	891
Other	1,950	1,423
Total current liabilities	67,120	81,791
Non-current liabilities		
Long-term borrowings	19,386	18,851
Lease liabilities	188	414
Provision for retirement benefits for directors (and other officers)	36	39
Retirement benefit liability	5,273	5,113
Other	1,436	1,477
Total non-current liabilities	26,322	25,896
Total liabilities	93,442	107,687
Net assets		
Shareholders' equity		
Share capital	18,044	18,044
Capital surplus	1,990	1,972
Retained earnings	16,642	15,816
Treasury shares	(607)	(527)
Total shareholders' equity	36,070	35,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	496	482
Foreign currency translation adjustment	(1,484)	1,048
Remeasurements of defined benefit plans	163	(99)
Total accumulated other comprehensive income	(824)	1,431
Non-controlling interests	426	743
Total net assets	35,672	37,482
Total liabilities and net assets	129,114	145,169

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

Consolidated statement of income

(million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	101,292	117,454
Cost of sales	73,281	85,182
Gross profit	28,011	32,271
Selling, general and administrative expenses	24,143	29,413
Operating profit	3,868	2,858
Non-operating income		
Interest income	55	45
Dividend income	134	132
Commission income	195	158
Reversal of allowance for doubtful accounts	64	56
Share of profit of entities accounted for using equity method	–	50
Subsidy income	226	100
Income from recycling	117	146
Other	324	272
Total non-operating income	1,117	961
Non-operating expenses		
Interest expenses	655	1,102
Share of loss of entities accounted for using equity method	3	–
Foreign exchange losses	765	1,409
Other	122	144
Total non-operating expenses	1,546	2,655
Ordinary profit	3,439	1,163
Extraordinary income		
Gain on sale of non-current assets	18	14
Gain on sale of investment securities	–	146
Total extraordinary income	18	161
Extraordinary losses		
Loss on sale and retirement of non-current assets	29	24
Loss on disaster	–	10
Loss on COVID-19	82	240
Total extraordinary losses	112	275
Profit before income taxes	3,345	1,049
Income taxes - current	1,362	1,184
Income taxes - deferred	(264)	(151)
Total income taxes	1,098	1,033
Profit	2,247	16
Profit attributable to non-controlling interests	92	94
Profit (loss) attributable to owners of parent	2,154	(78)

Consolidated statement of comprehensive income

(million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	2,247	16
Other comprehensive income		
Valuation difference on available-for-sale securities	17	(14)
Foreign currency translation adjustment	2,579	2,533
Remeasurements of defined benefit plans, net of tax	45	(263)
Total other comprehensive income	2,642	2,255
Comprehensive income	4,890	2,272
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,798	2,178
Comprehensive income attributable to non-controlling interests	91	94

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2021

(million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,044	1,990	15,073	(607)	34,501
Cumulative effects of changes in accounting policies					–
Restated balance					–
Changes during period					
Dividends of surplus			(585)		(585)
Profit (loss) attributable to owners of parent			2,154		2,154
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					–
Change in scope of consolidation					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	1,568	(0)	1,568
Balance at end of period	18,044	1,990	16,642	(607)	36,070

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	478	(4,063)	116	(3,468)	335	31,368
Cumulative effects of changes in accounting policies						–
Restated balance						–
Changes during period						
Dividends of surplus						(585)
Profit (loss) attributable to owners of parent						2,154
Purchase of treasury shares						(0)
Disposal of treasury shares						–
Change in scope of consolidation						–
Net changes in items other than shareholders' equity	17	2,579	47	2,644	91	2,735
Total changes during period	17	2,579	47	2,644	91	4,303
Balance at end of period	496	(1,484)	163	(824)	426	35,672

Fiscal year ended December 31, 2022

(million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	18,044	1,990	16,642	(607)	36,070
Cumulative effects of changes in accounting policies			(139)		(139)
Restated balance	18,044	1,990	16,503	(607)	35,930
Changes during period					
Dividends of surplus			(732)		(732)
Profit (loss) attributable to owners of parent			(78)		(78)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(17)		80	62
Change in scope of consolidation			124		124
Net changes in items other than shareholders' equity					-
Total changes during period	-	(17)	(686)	80	(623)
Balance at end of period	18,044	1,972	15,816	(527)	35,306

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	496	(1,484)	163	(824)	426	35,672
Cumulative effects of changes in accounting policies						(139)
Restated balance	496	(1,484)	163	(824)	426	35,533
Changes during period						
Dividends of surplus						(732)
Profit (loss) attributable to owners of parent						(78)
Purchase of treasury shares						(0)
Disposal of treasury shares						62
Change in scope of consolidation						124
Net changes in items other than shareholders' equity	(14)	2,533	(262)	2,256	316	2,572
Total changes during period	(14)	2,533	(262)	2,256	316	1,948
Balance at end of period	482	1,048	(99)	1,431	743	37,482

(4) Consolidated statement of cash flows

(million yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net cash provided by (used in) operating activities		
Profit before income taxes	3,345	1,049
Depreciation	2,946	3,252
Amortization of goodwill	–	7
Increase (decrease) in allowance for doubtful accounts	(273)	88
Increase (decrease) in provision for bonuses	2	(1)
Increase (decrease) in retirement benefit liability	39	(22)
Decrease (increase) in retirement benefit asset	(161)	(129)
Interest and dividend income	(189)	(178)
Interest expenses	655	1,102
Foreign exchange losses (gains)	(4)	(4)
Loss (gain) on sale and retirement of property, plant and equipment and intangible assets	11	9
Decrease (increase) in trade receivables	(8,666)	(618)
Decrease (increase) in inventories	(11,756)	(6,304)
Increase (decrease) in trade payables	9,020	(7,293)
Other	(194)	(3,306)
Subtotal	(5,226)	(12,350)
Interest and dividends received	189	239
Interest paid	(655)	(1,101)
Income taxes refund (paid)	(897)	(1,429)
Net cash provided by (used in) operating activities	(6,589)	(14,641)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,028)	(2,221)
Proceeds from sale of property, plant and equipment and intangible assets	37	73
Purchase of investment securities	(1)	(1,995)
Proceeds from collection of loans receivable	36	43
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(992)
Other	99	161
Net cash provided by (used in) investing activities	(856)	(4,930)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,763	19,377
Proceeds from long-term borrowings	7,520	9,663
Repayments of long-term borrowings	(9,474)	(10,002)
Purchase of treasury shares	(0)	(0)
Dividends paid	(584)	(730)
Other	(593)	(822)
Net cash provided by (used in) financing activities	(369)	17,485
Effect of exchange rate change on cash and cash equivalents	561	405
Net increase (decrease) in cash and cash equivalents	(7,254)	(1,681)
Cash and cash equivalents at beginning of period	13,820	6,566
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	26
Cash and cash equivalents at end of period	6,566	4,910

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

No items to report.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and its implementation guidance)
The Company has applied the “Accounting Standard for Revenue Recognition, etc.” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result, for some product sales transactions for which we had previously recognized revenue based on shipping standards, etc., we are changing to a method of recognizing revenue when the product arrives at or is inspected by the customer.

In addition, the Company applies the alternative treatment prescribed in paragraph 98 of the “Guidance on Accounting Standard for Revenue Recognition,” and recognizes revenue at the time of shipment if the period between the time of shipment to the point of time when control of the product, etc. is transferred to the customer is a normal period for sales of domestic goods.

The application of the Accounting Standard for Revenue Recognition and its implementation guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the current fiscal year, was added to or subtracted from the opening balance of retained earnings of the current fiscal year ended December 31, 2022, and thus the new accounting policy was applied from such opening balance.

As a result, net sales in the current fiscal year rose 515 million yen, cost of sales rose 286 million yen, and gross profit, operating profit, ordinary profit, and profit before income taxes each rose 229 million yen. The balance of retained earnings at the beginning of the period fell 139 million yen. For the 139 million yen decline in the balance of retained earnings at the beginning of the period, tax effect accounting is applied to the difference between the impact on net sales (decrease of 488 million yen) and on cost of sales (decrease of 286 million yen) when the new accounting policy is retroactively applied to the consolidated statement of income for the previous fiscal year (decrease of 202 million yen), and is deducted the amount of 62 million yen corresponding to the recording of deferred tax assets.

Due to the application of Accounting Standard for Revenue Recognition, etc., “notes and accounts receivable - trade” listed under current assets on the consolidated balance sheet in the previous fiscal year will be changed to “notes and accounts receivable - trade, and contract assets” from the current fiscal year. In addition, part of the “other” item listed under current liabilities will be included within “contract liabilities” from the current fiscal year. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been reclassified using the new presentation method.

Furthermore, in accordance with the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes regarding the Revenue Recognition of the previous fiscal year have not been listed.

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

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for 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). This will not have an impact on the consolidated financial statements.

In addition, in the notes relating to “Financial Instruments,” the Company has decided to provide notes on items such as the breakdown of the fair value of financial instruments by level. However, in

accordance with the transitional treatment prescribed in paragraph 7-4 of the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), such notes are not presented for the previous fiscal year.

(Additional information)

(Accounting estimates following the spread of COVID-19)

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 the 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.

(Consolidated statement of income)

*1 Loss on COVID-19

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

The Company recorded an extraordinary loss of 82 million yen in emergency countermeasure expense incurred due to lockdown imposed in Vietnam to prevent the spread of COVID-19.

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

The Company recorded an extraordinary loss of 240 million yen in labor costs incurred due to lockdowns imposed in China to prevent the spread of COVID-19.

(Segment information, etc.)

[Segment information]

1. Outline of reportable segments

The reportable segments of the Company are components of the Company that have separate financial information available and are periodically examined to enable the Board of Directors, etc. to make decisions on the allocation of management resources and evaluate the results of business performance.

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

The accounting method for reportable business segments is largely the same as the method for preparing consolidated financial statements.

For profit of reportable segments, the ordinary profit base figure is used. Inter-segment sales and transfer amounts are decided in consideration of the market price and other factors.

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

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021) (million yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amounts reported in the consolidated financial statements (Note 3)
	Sewing Machinery and Systems Business	Industrial Equipment and Systems Business	Total				
Net sales							
To external customers	63,213	37,834	101,047	244	101,292	–	101,292
Inter-segment sales or transfers	834	136	971	471	1,442	(1,442)	–
Total	64,048	37,970	102,018	715	102,734	(1,442)	101,292
Segment profit	1,517	2,865	4,382	75	4,458	(1,018)	3,439
Segment assets	71,610	47,960	119,570	2,605	122,176	6,938	129,114
Other items							
Depreciation (Note 4)	1,396	949	2,345	17	2,363	582	2,946
Interest income	43	24	68	24	92	(39)	55
Interest expenses	463	223	686	–	686	(31)	655
Share of loss of entities accounted for using equity method	–	(3)	(3)	–	(3)	–	(3)
Investments in entities accounted for using equity method	–	1,303	1,303	–	1,303	–	1,303
Increase in property, plant and equipment and intangible assets (Note 4)	539	485	1,025	4	1,029	256	1,286

(Notes) 1. The “Other Businesses” category refers to business segments not included in reportable segments under which businesses such as the building management business are classified.

2. Adjustments are as follows:

- (1) Included in the 1,018 million yen deducted from segment profit as adjustment are a deduction of (0) million yen in inter-segment eliminations and a deduction of 1,017 million yen in corporate loss that cannot be allocated to any reportable segment. The corporate loss mainly consists of costs related to the administrative functions of the Company that have not been attributed to any reportable segment and foreign exchange losses that have not been attributed to any reportable segment.
 - (2) The adjustment of 6,938 million yen for segment assets includes 11,620 million yen of corporate assets that cannot be allocated to any reportable segment, a deduction of 2,704 million yen in eliminations of inter-segment receivables, and a deduction of 1,924 million yen in eliminations of receivables owed to the administrative functions of the Company. Corporate assets primarily consist of the Company’s surplus funds (cash and deposits), long-term investment funds (investment securities) and assets and others related to the administrative functions that have not been attributed to any reportable segment.
 - (3) The adjustment of 582 million yen for depreciation is mainly an adjustment for depreciation related to the administrative functions of the Company that has not been attributed to any reportable segment.
 - (4) The adjustment of 256 million yen for increase in property, plant and equipment and intangible assets is mainly capital investments of the Company that have not been attributed to any reportable segment.
3. Segment profit is adjusted with ordinary profit in the consolidated statement of income.
4. Depreciation includes the amortized amount of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(million yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amounts reported in the consolidated financial statements (Note 3)
	Sewing Machinery and Systems Business	Industrial Equipment and Systems Business	Total				
Net sales							
To external customers	79,937	37,253	117,190	263	117,454	–	117,454
Inter-segment sales or transfers	900	137	1,038	537	1,575	(1,575)	–
Total	80,837	37,391	118,229	800	119,029	(1,575)	117,454
Segment profit	119	1,942	2,061	45	2,107	(943)	1,163
Segment assets	81,639	54,167	135,807	2,884	138,691	6,478	145,169
Other items							
Depreciation (Note 4)	1,647	1,016	2,664	19	2,683	568	3,252
Amortization of goodwill	7	–	7	–	7	–	7
Unamortized balance of goodwill	91	–	91	–	91	–	91
Interest income	41	11	53	46	99	(54)	45
Interest expenses	873	261	1,135	–	1,135	(32)	1,102
Share of profit of entities accounted for using equity method	–	50	50	–	50	–	50
Investments in entities accounted for using equity method	–	3,395	3,395	–	3,395	–	3,395
Increase in property, plant and equipment and intangible assets (Note 4)	1,306	1,324	2,630	8	2,638	593	3,232

(Notes) 1. The “Other Businesses” category refers to business segments not included in reportable segments under which businesses such as the building management business are classified.

2. Adjustments are as follows:

- (1) Included in the 943 million yen deducted from segment profit as adjustment are a deduction of 22 million yen in inter-segment eliminations and a deduction of 921 million yen in corporate loss that cannot be allocated to any reportable segment. The corporate loss mainly consists of costs related to the administrative functions of the Company that have not been attributed to any reportable segment and foreign exchange losses that have not been attributed to any reportable segment.
- (2) The adjustment of 6,478 million yen for segment assets includes 10,897 million yen of corporate assets that cannot be allocated to any reportable segment, a deduction of 1,384 million yen in eliminations of inter-segment receivables, and a deduction of 3,009 million yen in eliminations of receivables owed to the administrative functions of the Company. Corporate assets primarily consist of the Company’s surplus funds (cash and deposits), long-term investment funds (investment securities) and assets and others related to the administrative functions that have not been attributed to any reportable segment.
- (3) The adjustment of 568 million yen for depreciation is mainly an adjustment for depreciation related to the administrative functions of the Company that has not been attributed to any reportable segment.
- (4) The adjustment of 593 million yen for increase in property, plant and equipment and intangible assets is mainly capital investments of the Company that have not been attributed to any reportable segment.

3. Segment profit is adjusted with ordinary profit in the consolidated statement of income.

4. Depreciation includes the amortized amount of long-term prepaid expenses. Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

[Related information]

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

1. Information by product and service

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

2. Information by region

(1) Net sales

(million yen)

Japan	Asia	China	Americas	Europe	Others	Total
15,804	31,128	27,580	14,144	11,305	1,328	101,292

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

(2) Property, plant and equipment

(million yen)

Japan	China	Others	Total
18,904	2,180	1,685	22,770

3. Information on major customers

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

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

1. Information by product and service

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

2. Information by region

(1) Net sales

(million yen)

Japan	Asia	China	Americas	Europe	Others	Total
16,985	47,452	22,378	16,890	12,029	1,716	117,454

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

(2) Property, plant and equipment

(million yen)

Japan	China	Others	Total
19,058	2,366	2,101	23,525

3. Information on major customers

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

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

No items to report.

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

Fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

No items to report.

Fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

Information on amortization and unamortized balance of goodwill by reportable segment is omitted because similar information is disclosed in the Segment information.

[Information on gain on bargain purchase by reportable segment]

No items to report.

(Per share information)

	Fiscal year ended December 31, 2021 January 1, 2021 to December 31, 2021	Fiscal year ended December 31, 2022 January 1, 2022 to December 31, 2022
Net assets per share	1,203.14 yen	1,250.84 yen
Basic earnings (loss) per share	73.55 yen	(2.66) yen

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

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

	Fiscal year ended December 31, 2021 January 1, 2021 to December 31, 2021	Fiscal year ended December 31, 2022 January 1, 2022 to December 31, 2022
Profit (loss) attributable to owners of parent	2,154 million yen	(78) million yen
Amount not attributable to outstanding common shares	–	–
Profit (loss) attributable to owners of parent related to outstanding common shares	2,154 million yen	(78) million yen
Average number of outstanding common shares during the period	29,295,043 shares	29,347,666 shares

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

	As of December 31, 2021	As of December 31, 2022
Total net assets	35,672 million yen	37,482 million yen
Deduction	426 million yen	743 million yen
(Non-controlling interests)	426 million yen	743 million yen
Net assets at the end of period, related to common shares	35,245 million yen	36,738 million yen
Number of common shares used for the calculation of net assets per share	29,294,746 shares	29,371,163 shares

(Material subsequent events)

No items to report.