Integrated Report 2024
Financial Section

Year Ended March 31, 2024

SHIMA SEIKI

Contents

Five-Year Financial Summary

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries
Years ended March 31

	2024	2023	2022	2021	2020	2024
For the Year:			Millions of yen			Thousands of U.S. dollars
Net sales	**¥35,910**	¥37,887	¥30,998	¥24,489	¥33,206	**$237,171**
Cost of sales	**21,221**	24,027	20,797	18,528	21,577	**140,156**
Gross profit	**14,689**	13,860	10,201	5,961	11,629	**97,015**
Selling, general and administrative expenses	**14,259**	16,045	14,469	15,104	17,232	**94,175**
Operationg income (loss)	**430**	(2,185)	(4,268)	(9,143)	(5,603)	**2,840**
Income (loss) before income taxes and minority interests	**1,314**	(5,137)	(3,369)	(17,610)	(6,552)	**8,678**
Net income (loss) attributable to owners of the parent	**1,030**	(5,645)	(3,589)	(17,866)	(8,428)	**6,802**
Net cash provided by (used in) operating activities	**(4,121)**	(7,178)	6,197	5,937	3,776	**(27,217)**
Net cash provided by (used in) investing activities	**(168)**	(2,133)	(1,024)	1,300	(3,086)	**(1,110)**
Net cash provided by (used in) financing activities	**349**	(310)	(7,759)	(3,776)	(5,555)	**2,305**
Capital investment	**901**	1,322	1,694	1,342	3,802	**5,951**
Depreciation and amortization	**996**	1,420	1,395	2,344	2,454	**6,578**
Research and development expenses	**3,340**	3,894	3,389	3,311	3,676	**22,059**
At Year-End:			Millions of yen			Thousands of U.S. dollars
Total assets	**¥107,804**	¥101,040	¥101,809	¥110,140	¥130,695	**$712,001**
Net assets	**91,927**	86,107	88,795	90,036	107,950	**607,133**
Per Share Data:			Yen			U.S. dollars
Net income (loss) per share	**¥29.85**	¥(163.54)	¥(104.00)	¥(517.71)	¥(239.68)	**$0.20**
Cash dividends per share applicable to the year	**10.00**	10.00	10.00	20.00	35.00	**0.07**
Net assets per share	**2,662.21**	2,493.70	2,571.71	2,607.72	3,126.86	**17.58**
Ratios:			%			
Ratio of operating income (loss) to net sales	**1.2%**	(5.8)%	(13.8)%	(37.3)%	(16.9)%	
ROA = Return on assets	**1.0**	(5.6)	(3.4)	(14.8)	(6.1)	
ROE = Return on equity	**1.2**	(6.5)	(4.0)	(18.1)	(7.4)	
Equity ratio	**85.2**	85.2	87.2	81.7	82.6	

Note:Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of \151.41=US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2024.

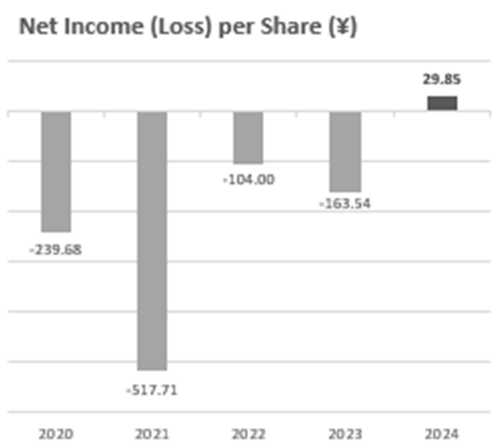
Management's Discussion and Analysis (MD&A)
of Financial Conditions and Results of Operations

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries Years ended March 31

Overview

For the current consolidated fiscal year, the economy showed a gradual recovery trend in Japan as social and economic activities further normalized. But uncertainties continuously remained throughout the world as raw material and energy prices continued to rise because of the prolonged Russian invasion of Ukraine, and the economy slowed down as a result of monetary tightening in United States and Europe for controlling inflation and the weak real estate market in China.

Under such economic conditions, the Company group engaged in proposal activities concerning products and services supporting sustainable manufacturing, including sales expansion of WHOLEGARMENT® flat knitting machines and expansion of the solution business for customers and industries around the world based on our medium-term management plan Ever Onward 2023. In the current period, we exhibited SWG®-XR, a new model of the WHOLEGARMENT® flat knitting machines adopting new technologies that include a needle error detector and weaving ends unit under the concept of Reborn, as well as SES®-R, a prototype model of molding knitting machine, and SFG®-R, a globe knitting machine, at the international textile machinery exhibition ITMA 2023 and others to inform customers of an increase in production efficiency and added value driven by a high degree of the ability to develop products. As a result, the Company group generated net sales of ¥35,910 million (down 5.2% YoY) for the current consolidated fiscal year. Profits were recorded at all levels because of the improvement in the gross profit margin and control of selling, general, and administrative expenses with operating income of ¥430 million (operating loss of ¥2,185 million for the previous year), ordinary income of ¥1,018 million (ordinary loss of ¥1,700 million for the previous period) and net profit attributable to owners of the parent of ¥1,030 million (net loss attributable to owners of the parent of ¥5,645 million for the previous period).



Net Sales

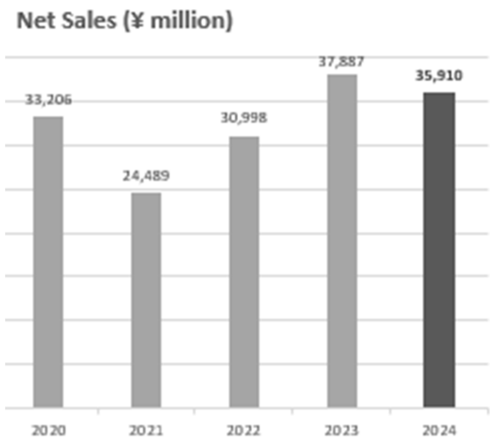
In the flat knitting machine business, our core business, in the Asian region, there were new investments in the next generation WHOLEGARMENT® flat knitting machine SWG®-XR made by major Hong Kong customers and the sales growth of the main models, including N.SVR® with high production efficiency for production sites in Southeast Asia despite weak investments for domestic demand in the major China and Hong Kong markets resulting from a slow recovery. In Bangladesh, the production base of knitted products for advanced countries, there was a decrease in sales volume because capital investments remained stagnant as a result of the opening of letters of credit (L/C) delayed by the effect of the political situations and the shortage of foreign currencies. In the Italian market in the European region, there was a net sales decrease of the whole flat knitting machines despite the sales growth of WHOLEGARMENT® flat knitting machines resulting from capital investments related to in-house product development of widely known brands. In the Turkish market in the Middle East, there was a net sales decrease of computerized flat knitting machines from the previous period because of weak orders received from fast-fashion apparel companies resulting from domestic inflation and the economic slowdown in the euro zone as well as the effect of a mild winter. In the Japanese market, there was sales growth mainly in WHOLEGARMENT® flat knitting machines due to capital investments contributing to an increase in productivity and replacement demand. As a result of the above, net sales amounted to ¥25,885 million (down 5.5% YoY) in the flat knitting machine segment.

In the design system segment, there was growth in new and renewed licensing contracts for the APEXFiz®, a subscription service for the SDS®-ONE APEX software, mainly with major Western and Japanese apparel brands. Additionally, there was a sales increase in the P-CAM® automatic cutting machines mainly in Japan. As a result of the above, net sales amounted to ¥3,466 million (down 2.0% YoY) in the design system segment.

In the globe and sock knitting machine segment, net sales amounted to ¥447 million (down 51.1% YoY) because of weak capital spending by Japanese and major overseas users.

In other business, net sales amounted to ¥6,112 million (up 1.2% YoY) due to sales of components for maintenance and woolen yarn.

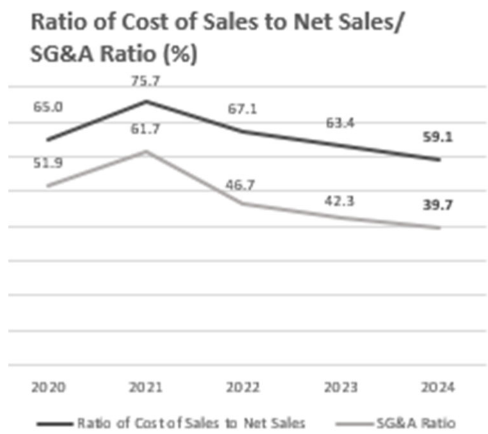
For all of these segments, overseas net sales amounted to ¥29,023 million (down 6.0% YoY) and the ratio of overseas net sales to net sales stood at 80.8% (down 0.7 points YoY). By region, the ratio to total consolidated net sales stood at 47.2% (38.3% for the previous period) in Asia, 22.3% (28.5%) in Europe, 6.2% (7.9%) in the Middle East, 19.2% (18.5%) in Japan, and 5.1% (6.8%) in other regions.



Cost of sales and selling, general and administrative expenses

Cost of sales decreased to ¥21,221 million from the previous period according to a decrease in net sales while gross profit increased to ¥14,689 million, up 6.0% from the previous period, because of an improvement in the capacity utilization of plants, and the gross profit margin ratio stood at 40.9% (36.6% for the previous period).

Selling, general, and administrative expenses decreased to ¥14,259 million, down 11.1% from the previous period,



because of a decrease in the reversal of the allowance for doubtful accounts of ¥655 million, R&D expenses of ¥554 million, amortization of goodwill of ¥491 million, and freight and packing expenses of ¥442 million yen, and the ratio of selling, general, and administrative expense to net sales decreased to 39.7%, down 2.6 points from the previous period.

Operating income

Operating income improved to ¥430 million (operating loss of ¥2,185 million for the previous period) because of an improvement in the gross profit margin and control of selling, general, and administrative expenses. By business segment, operating income amounted to ¥4,421 million (up 64.1% YoY) in the flat knitting machine segment, ¥861 million (up 11.3%) in the design system segment, ¥61 million (down 39.3%) in the globe and sock knitting machine segment, and ¥1,317 million (up 29.9%) in other business. As a result of deducting corporate expenses of ¥6,230 million from total operating income of business segments, operating income amounted to ¥430 million in the consolidated financial statements.

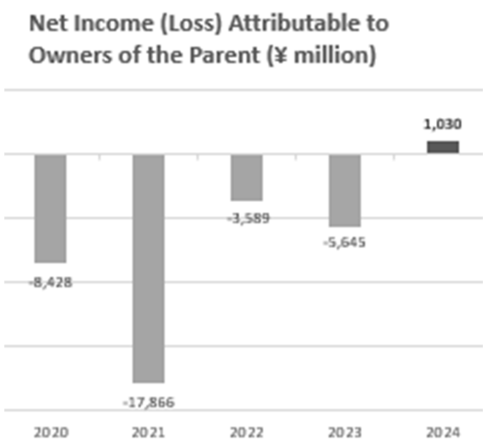
Other revenues and expenses

Net other revenue after the deduction of other expenses amounted to ¥884 million (-¥2,952 million for the previous period).

Net income attributable to owners of the parent

Net income before income taxes amounted to ¥1,314 million (net loss of ¥5,137 million for the previous period).

Income taxes-current decreased to ¥192 million, down ¥342 million YoY. As a result of income taxes-deferred of ¥91 million (-¥27 million for the previous period), tax expenses after application of tax effect accounting decreased to ¥283 million, down ¥224 million YoY. Consequently, net income attributable to owners of the parent amounted to ¥1,030 million (net loss attributable to owners of the parent of ¥5,645 million for the previous period).



Liquidity and source of funds

At the end of the current period, cash and cash equivalents decreased to ¥12,810 million, down ¥2,707 million from the end of the previous period.

For the current period, cash flow from operating activities amounted to -¥4,121 million mainly because of an increase in inventories and a decrease in trades payable.

Cash flow from investing activities amounted to -¥168 million mainly because of payments to term deposits and acquisition of property, plant, and equipment.

Cash flow from financing activities amounted to ¥349 million mainly because of an increase in short-term loans payable and payments of finance lease liabilities.

When raising funds, the Company group pursues the stable securing of funds at low cost by combining a wide variety of fundraising methods, such as cash flow obtained from operating activities and borrowing from financial institutions according to the uses of funds and purposes. The financial position remains good since the equity ratio and liquidity ratio, indicators showing the safety of finance, stood at 85.2% and 709.8% at the end of the current period, respectively.

The Company group thinks it is possible to sufficiently raise the working capital, capital investment funds, and product development investment funds required to maintain a strong position as a global leading company in the future and to maintain stable growth from a good financial position and operating activities.

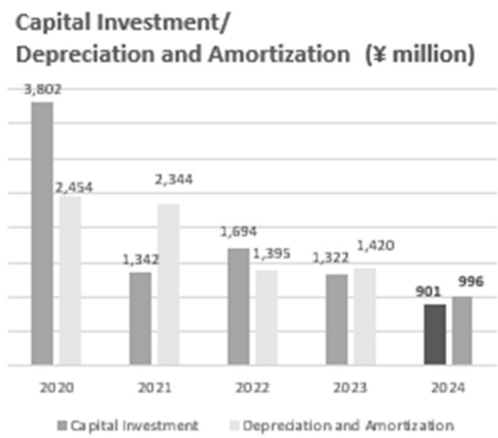
Assets, liabilities, and net assets

Total assets amounted to ¥107,804 million at the end of the current period, up ¥6,764 million from the end of the previous period. Current assets increased to ¥84,019 million, up ¥6,061 million from the end of the previous period. This was mainly due to an increase in notes receivable of ¥15,284 million (up ¥2,615 million YoY), merchandise and products of ¥13,526 million (up ¥3,302 million YoY), and raw materials and supplies of ¥11,929 million (up ¥2,661 million YoY). Current liabilities increased to ¥11,837 million, up ¥1,063 million from the end of the previous period. This was mainly due to an increase in short-term loans payable of ¥2,500 million (up ¥1,500 million YoY).

Fixed assets increased to ¥23,785 million, up ¥703 million from the end of the previous period, while fixed liabilities decreased to ¥4,040 million, down ¥119 million from the end of the previous period.

Net assets increased to ¥91,927 million, up ¥5,820 million from the end of the previous period, mainly due to an increase in retained earnings and foreign currency translation adjustments. As a result of the above, the equity ratio stood at 85.2% at the end of the current period, flat to the end of the previous period.

Return on assets (ROA) and return on equity (ROE) improved from -5.6% in the previous period to 1.0% and from -6.5% to 1.2%, respectively.

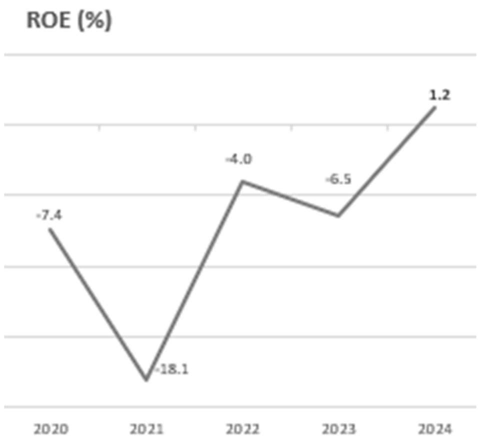


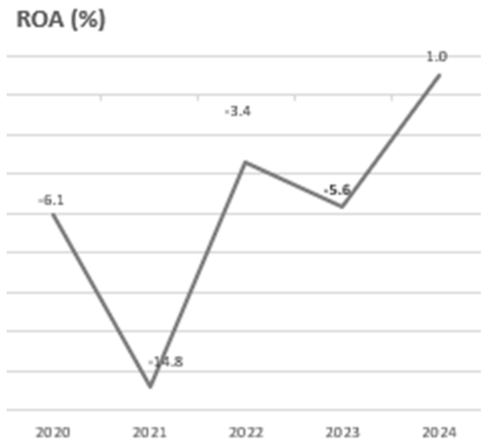
Dividend policy

The Company sets a return of profits to shareholders as one of the most important managerial challenges and maintains the basic policy of keeping stable dividends over the long period through sustainable development of the business. We then intend to make a balanced distribution to growth investment from a long-term perspective and internal reserves for future business expansion.

In the profit return policy after the following period, based on the medium-term management plan Ever Onward 2026, which starts in FY 2024, we will make aggressive growth investments leading to an increase in earning power and increase financial strengths and set a target for a consolidated payout ratio of 40% while increasing capital efficiency by flexibly acquiring treasury shares in a timely fashion with comprehensive consideration of the level of the share price, status of funds, and market environment.

We will pay year-end dividends of ¥5 per share, and this would result in an annual dividend of ¥10 per share, including the paid interim dividend of ¥5 per share.





Consolidated Balance Sheets

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries
March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
ASSETS			
Current assets:			
Cash and time deposits (Note 4,5)	**¥14,822**	¥17,530	**$97,893**
Trade notes (Note 5)	**15,284**	12,669	**100,944**
Accounts receivable (Note 5)	**30,219**	30,892	**199,584**
Inventories (Note 7)	**26,297**	20,348	**173,681**
Prepaid expenses and other current assets	**1,533**	1,283	**10,125**
Less: allowance for doubtful accounts	**(4,136)**	(4,764)	**(27,316)**
Total current assets	**84,019**	77,958	**554,911**
Investments and other assets:			
Investments in unconsolidated subsidiaries (Note 5)	**352**	349	**2,325**
Investments in securities (Note 5,6)	**5,168**	4,412	**34,133**
Net defined benefit assets (Note 10)	**1,203**	1,138	**7,945**
Deferred tax assets (Note 13)	**589**	576	**3,890**
Software	**118**	60	**779**
Other	**3,681**	3,738	**24,311**
Less: allowance for doubtful accounts	**(2,392)**	(1,989)	**(15,798)**
Total investments and other assets	**8,719**	8,284	**57,585**
Property, plant and equipment:			
Land (Note 8)	**6,584**	6,403	**43,485**
Buildings and structures	**27,928**	27,812	**184,453**
Machinery and equipment	**6,044**	5,730	**39,918**
Tools, furniture and fixtures	**6,970**	7,158	**46,034**
Leased assets	**5,307**	5,737	**35,050**
Construction in progress	**83**	336	**548**
	52,916	53,176	**349,488**
Less: accumulated depreciation	**(37,850)**	(38,378)	**(249,983)**
Property, plant and equipment, net	**15,066**	14,798	**99,505**
Total assets	**¥107,804**	¥101,040	**$712,001**

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term borrowings (Note 5,9)	**¥2,500**	¥1,000	**$16,511**
Lease obligation	**673**	768	**4,445**
Trade notes and accounts payable (Note 5)	**1,868**	2,245	**12,337**
Electronically recorded obligations-operating (Note 5)	**769**	941	**5,079**
Accrued expenses	**2,000**	1,447	**13,209**
Accrued income taxes	**243**	552	**1,605**
Contract liabilities	**1,735**	1,851	**11,459**
Provision for loss on guarantees	**81**	145	**535**
Other current liabilities	**1,968**	1,825	**12,998**
Total current liabilities	**11,837**	10,774	**78,178**
Long-term liabilities:			
Long-term accounts payable	**53**	947	**350**
Lease obligation	**836**	1,131	**5,522**
Deferred tax liabilities (Note 13)	**866**	577	**5,720**
Deferred tax liabilities for land revaluation (Note 8)	**18**	18	**119**
Net defined benefit liability (Note 10)	**1,997**	1,218	**13,189**
Other long-term liabilities	**270**	268	**1,783**
Total long-term liabilities	**4,040**	4,159	**26,683**
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized - 142,000,000 shares			
Issued - 2024 - 35,800,000 shares			
2023 - 35,800,000 shares	**14,860**	14,860	**98,144**
Capital surplus	**23,423**	23,424	**154,699**
Retained earnings	**46,236**	45,550	**305,370**
Treasury stock, at cost			
2024 - 1,283,800 shares			
2023 - 1,285,700 shares	**(3,920)**	(3,926)	**(25,890)**
Total shareholders' equity	**80,599**	79,908	**532,323**
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	**1,703**	916	**11,248**
Land revaluation difference (Note 8)	**34**	34	**225**
Foreign currency translation adjustments	**10,320**	5,371	**68,159**
Remeasurements of defined benefit plans	**(766)**	(161)	**(5,059)**
Total accumulated other comprehensive income	**11,291**	6,160	**74,573**
Subscription rights to share (Note 15)	**16**	20	**106**
Non-controlling interests in consolidated subsidiaries	**21**	19	**138**
Total net assets	**91,927**	86,107	**607,140**
Total liabilities and net assets	**¥107,804**	¥101,040	**$712,001**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries

Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net sales	**¥35,910**	¥37,887	**$237,171**
Cost of sales	**21,221**	24,027	**140,156**
Gross profit	**14,689**	13,860	**97,015**
Selling, general and administrative expenses (Note 14)	**14,259**	16,045	**94,175**
Operating income (loss)	**430**	(2,185)	**2,840**
Other income (expenses):			
Interest and dividend income	**859**	451	**5,673**
Interest expense	**(52)**	(13)	**(343)**
Foreign exchange gain (loss)	**(590)**	(123)	**(3,897)**
Provision of allowance for doubtful accounts	**-**	(111)	**-**
Subsidy income	**46**	-	**304**
Loss on the valuation of shares of affiliated companies	**-**	(236)	**-**
Impairment loss	**-**	(3,187)	**-**
Gain on sales of investment securities	**250**	-	**1,651**
Loss on redemption of investment securities	**-**	(14)	**-**
Other, net	**371**	281	**2,450**
Income (loss) before income taxes	**¥1,314**	¥(5,137)	**$8,678**
Income taxes (Note 13):			
Current	**192**	534	**1,268**
Deferred	**91**	(27)	**601**
	283	507	**1,869**
Net income (loss)	**1,031**	(5,644)	**6,809**
Net income attributable to non-controlling interests	**1**	1	**7**
Net income (loss) attributable to owners of the parent	**¥1,030**	¥(5,645)	**$6,802**

	Yen		U.S. dollars
Net income (loss) per share:			
Basic	**¥29.85**	¥(163.54)	**$0.20**
Diluted	**29.84**	-	**0.20**
Cash dividends applicable to the year	**10.00**	10.00	**0.07**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries

Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net income (loss)	**¥1,031**	¥(5,644)	**$6,809**
Other comprehensive income (Note 16):			
Net unrealized holding gain on securities	**786**	533	**5,191**
Foreign currency translation adjustments	**4,949**	2,741	**32,686**
Remeasurements of defined benefit plans	**(605)**	23	**(3,995)**
Total other comprehensive income	**5,130**	3,297	**33,882**
Comprehensive income	**¥6,161**	¥(2,347)	**$40,691**
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	**¥6,160**	¥(2,348)	**$40,684**
Comprehensive income attributable to non-controlling interests	**1**	1	**7**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries
Years ended March 31, 2024 and 2023

	Thousands	Millions of yen										
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Land revaluation difference	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2022	**35,800**	**¥14,860**	**¥23,424**	**¥51,540**	**¥(3,925)**	**¥383**	**¥34**	**¥2,630**	**¥(184)**	**¥16**	**¥17**	**¥88,795**
Cash dividends	-	-	-	(345)	-	-	-	-	-	-	-	(345)
Net loss attributable to owners of the parent	-	-	-	(5,645)	-	-	-	-	-	-	-	(5,645)
Purchases of treasury stock	-	-	-	-	(1)	-	-	-	-	-	-	(1)
Other changes, net	-	-	-	-	-	533	-	2,741	23	4	2	3,303
Balance at March 31, 2023	**35,800**	**¥14,860**	**¥23,424**	**¥45,550**	**¥(3,926)**	**¥916**	**¥34**	**¥5,371**	**¥(161)**	**¥20**	**¥19**	**¥86,107**
Cash dividends	-	-	-	(344)	-	-	-	-	-	-	-	(344)
Net income attributable to owners of the parent	-	-	-	1,030	-	-	-	-	-	-	-	1,030
Purchases of treasury stock	-	-	-	-	(1)	-	-	-	-	-	-	(1)
Retirement of treasury stock	-	-	(1)	-	7	-	-	-	-	-	-	6
Other changes, net	-	-	-	-	-	787	-	4,949	(605)	(4)	2	5,129
Balance at March 31, 2024	**35,800**	**¥14,860**	**¥23,423**	**¥46,236**	**¥(3,920)**	**¥1,703**	**¥34**	**¥10,320**	**¥(766)**	**¥16**	**¥21**	**¥91,927**

	Thousands of U.S. dollars										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Land revaluation difference	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Subscription rights to shares	Non-controlling interests in consolidated subsidiaries	Total net assets
Balance at March 31, 2023	**$98,144**	**$154,706**	**$300,839**	**$(25,930)**	**$6,050**	**$225**	**$35,473**	**$(1,063)**	**$132**	**$125**	**$568,701**
Cash dividends	-	-	(2,271)	-	-	-	-	-	-	-	(2,271)
Net income attributable to owners of the parent	-	-	6,802	-	-	-	-	-	-	-	6,802
Purchases of treasury stock	-	-	-	(7)	-	-	-	-	-	-	(7)
Retirement of treasury stock	-	(7)	-	47	-	-	-	-	-	-	40
Other changes, net	-	-	-	-	5,198	-	32,686	(3,996)	(26)	13	33,875
Balance at March 31, 2024	**$98,144**	**$154,699**	**$305,370**	**$(25,890)**	**$11,248**	**$225**	**$68,159**	**$(5,059)**	**$106**	**$138**	**$607,140**

See the accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries

Years ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash flows from operating activities:			
Income (Loss) before income taxes	**¥1,314**	¥(5,137)	**$8,678**
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	**996**	1,420	**6,578**
Amortization of goodwill	**-**	491	**-**
Decrease in allowance for doubtful accounts	**(924)**	(711)	**(6,103)**
Increase (Decrease) in net defined benefit liability	**114**	(26)	**753**
Interest and dividend income	**(859)**	(451)	**(5,673)**
Interest expense	**52**	13	**343**
Foreign exchange gain and loss	**840**	302	**5,548**
Gain on sale of investment in securities	**(250)**	-	**(1,651)**
Loss on redemption of investment securities	**-**	14	**-**
Loss on valuation of stocks of subsidiaries and affiliates	**-**	236	**-**
Subsidy income	**(46)**	-	**(304)**
Impairment loss	**-**	3,187	**-**
Decrease (Increase) in trade receivables	**1,071**	(1,690)	**7,074**
Increase in inventories	**(5,547)**	(4,984)	**(36,636)**
Increase in other current assets	**(172)**	(97)	**(1,136)**
(Decrease) Increase in trade payables	**(963)**	48	**(6,360)**
(Decrease) Increase in other current liabilities	**(267)**	345	**(1,763)**
Other	**238**	(262)	**1,572**
Subtotal	**(4,403)**	(7,302)	**(29,080)**
Interest and dividend income received	**841**	444	**5,554**
Interest expense paid	**(52)**	(12)	**(343)**
Income taxes paid	**(553)**	(308)	**(3,652)**
Proceeds from subsidy income	**46**	-	**304**
Net cash provided by operating activities	**(4,121)**	(7,178)	**(27,217)**
Cash flows from investing activities:			
Increase (Decrease) in time deposits, net	**182**	(1,954)	**1,202**
Purchases of property, plant and equipment	**(715)**	(1,005)	**(4,722)**
Proceeds from sales of property, plant and equipment	**63**	21	**416**
Proceeds from sales of investments in securities	**513**	1,000	**3,388**
Proceeds from redemption of investments in securities	**-**	33	**-**
Payment of long-term loans receivable	**-**	(143)	**-**
Other	**(211)**	(85)	**(1,394)**
Net cash provided by (used in) investing activities	**(168)**	(2,133)	**(1,110)**
Cash flows from financing activities:			
Increase in short-term borrowings, net	**1,500**	1,000	**9,907**
Repayment of finance lease obligations	**(804)**	(964)	**(5,310)**
Purchases of treasury stock	**(1)**	(1)	**(7)**
Cash dividends paid	**(346)**	(345)	**(2,285)**
Other	**0**	-	**0**
Net cash used in financing activities	**349**	(310)	**2,305**
Effect of exchange rate changes on cash and cash equivalents	**1,233**	867	**8,143**
Net Decrease in cash and cash equivalents	**(2,707)**	(8,754)	**(17,879)**
Cash and cash equivalents at beginning of year	**15,517**	24,271	**102,483**
Cash and cash equivalents at end of year (Note 4)	**¥12,810**	¥15,517	**$84,604**

See the accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

SHIMA SEIKI MFG., LTD. (the “Company”) and its domestic consolidated subsidiaries maintain their accounts and records in accordance with accounting principles generally accepted in Japan. Its overseas consolidated subsidiaries maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a format which is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers, using the exchange rate prevailing at March 31, 2024, which was ¥151.41 to US$1. These convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries (the “Companies”) over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date, except for those hedged by forward foreign exchange contracts which are translated at the contracted rates. Resulting translation gains or losses are charged to income in the year in which they are incurred, except for those arising from forward foreign exchange contracts pertaining to monetary assets, which are deferred and amortized over the periods of the respective contracts. Revenues and expenses are translated at the rates of exchange prevailing when transactions are recorded.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates in effect at the respective balance sheet dates. The components of net assets are translated at historical rates. Revenue and expense accounts of foreign subsidiaries are translated at the average exchange rate during the year.

Translation adjustments resulting from translation of foreign currency financial statements are reported as “Foreign currency translation adjustments” in a separate component of net assets.

(c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hands, deposits held at call with banks, net of overdrafts and all highly liquid investments with maturities within three months.

(d) Investments in securities

Held-to-maturity securities are either amortized or accumulated to face value. Other securities with quoted market prices are carried at market value. The difference between the acquisition costs and the carrying value of other securities, including unrealized gains and losses, is recognized as a component of net assets and is reflected as “Net unrealized holding gain on securities.” The cost of other securities sold is computed by the moving average method. Other securities without quoted market prices are stated at cost based on the average method.

(e) Inventories

Finished goods, work in process and raw materials are stated at cost determined by the moving-average method (with book values written down on the balance sheet based on decreased profitability of assets).

Supplies are stated at cost determined by the first-in first-out method (with book values written down on the balance sheet based on decreased profitability of assets).

Purchased goods held by foreign consolidated subsidiaries are stated at cost determined by the specific method (with book values written down on the balance sheet based on decreased profitability of assets).

(f) Property, plant and equipment and depreciation (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation of the Company and its domestic consolidated subsidiaries is computed principally by the declining-balance method based on the estimated useful lives of assets, except that the straight-line method is applied to buildings, but not to fixtures attached to the buildings, acquired on or after April 1, 1998 and fixtures attached to the buildings and structures acquired on or after April 1, 2016. Depreciation of foreign consolidated subsidiaries is computed by the straight-line method on the estimated useful lives of assets.

The principal estimated useful lives are as follows:

Buildings and structures	3 to 60 years
Machinery and equipment	2 to 12 years
Tools, furniture and fixtures	2 to 20 years

(g) Leased assets

Financial leases other than those that are deemed to transfer the ownership of leased assets to the lessees are accounted for in a similar way to purchases and depreciation for leased assets is computed under the straight-line method with zero residual value over the lease term.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. The allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries are calculated based on their historical rate of bad debt loss plus an estimate of the individual uncollectible amounts. The allowance for doubtful accounts of foreign consolidated subsidiaries is calculated based on an estimate of the individual uncollectible amounts.

(i) Retirement benefits

1. Periodic allocation methodology for the estimated retirement benefit amount

The retirement benefit obligation is calculated by allocating the estimated retirement benefit amount until the end of the current fiscal year on a straight-line basis.

2. Amortization of past service cost and actuarial gains/losses

Past service cost is primarily amortized on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

Net actuarial gain or loss is primarily amortized from the following year on a straight-line basis over a 10-year period, which is shorter than the average remaining years of service of the eligible employees.

(j) Research and development costs

Research and development costs are charged to income as incurred.

(k) Income taxes

Deferred income taxes are recognized by the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are determined based on difference of between financial reporting and the tax basis of the assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(l) Derivatives and hedging activities

The Company and its consolidated subsidiaries have entered into derivatives transactions in order to manage the risk arising from adverse fluctuations in foreign currency exchange rates and interest rates.

Derivatives are stated at fair value and changes in fair value are recognized as gains or losses, except they meet the criteria for deferral hedge accounting under which unrealized gains or losses are deferred as assets or liabilities. Forward foreign exchange contracts that meet certain hedging criteria are accounted for under the allocation method.

Also, if interest rate swap contracts are used for hedging and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

(m) Per share information

Basic net income (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted-average number of common shares outstanding in each period.

Diluted net income per share is not presented for the year ended March 31, 2023 since the Company posted a net loss per share.

(n) Recognition of revenue

1. Sales Products

The main business of our group is the manufacture and sale of flat knitting machines. The group has a performance obligation to deliver goods and products under a sales contract with a customer and recognizes revenue from this performance obligation at the time the goods and products are delivered to or inspected by the customer, because the Company determines that the customer has acquired control over the goods and products and that the performance obligation has been satisfied at the time the goods and products are delivered to or inspected by the customer. However, for domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time control of the goods and products is transferred to the customer is normal. For export sales, the Company recognizes revenue when the risk is transferred to the customer, mainly based on the terms of trade stipulated by Incoterms and other regulations.

In addition, some of the sales contracts are sold on an installment sales basis. For installment sales that are determined to contain a significant financial component, the transaction price is determined by adjusting for the significant financial component by eliminating the effect of the interest rate equivalent from the sales price of the goods and products concerned, using the discount rate that would be estimated to apply to an independent financial transaction with the customer on the transaction date in the contract. The transaction price is calculated by eliminating the impact of the interest rate equivalent from the sales price of the relevant products and goods.

2. Maintenance contracts

For the provision of maintenance services, the Company has determined that the performance obligation is satisfied over time because the services are provided uniformly over the contract period, and revenue is recognized over the period in which the services are provided.

3. Significant accounting estimates

(1) Allowance for doubtful accounts

(a) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Allowance for doubtful accounts (Current assets)	**¥(4,136)**	¥(4,764)	**$(27,316)**
Allowance for doubtful accounts (non-Current assets)	**(2,392)**	(1,989)	**(15,798)**

(b) Information that contributes to the understanding of the significant accounting estimates

The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. The allowance for doubtful accounts of the Company and its domestic consolidated subsidiaries are calculated based on their historical rate of bad dept loss plus an estimate of the individual uncollectible amounts. The allowance for doubtful accounts of foreign consolidated subsidiaries is calculated based on an estimate of the individual uncollectible amounts.

The Companies obtain financial statements from major business partners and continuously grasp the financial status, review the credit through grasping the collection status, and estimate the future uncollectible amounts.

The amount of allowance for doubtful accounts provisioned as of March 31, 2024 is based on our best estimate at present, however, the assumptions for estimating reserve for credit losses are highly uncertain. Accordingly, the amount of bad debt losses may change if it changes a credit risk due to changes in the economic environment.

(2) Impairment loss on fixed assets

(a) Amount recorded in the consolidated financial statements for the current fiscal year

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Property, plant and equipment	**¥15,066**	¥14,798	**$99,505**
Intangible assets	**153**	96	**1,010**

(b) Information that contributes to the understanding of the significant accounting estimates

The Company grouped their fixed assets mainly based on operating activities, with idle assets and rental assets were each treated as separate property.

The carrying amount of the assets are reduced to the recoverable amount, which is measured at the higher of net selling price or value in use, and the decrease in the carrying amount as an impairment loss is recognized when it is necessary to recognize an impairment loss as the total amount of undiscounted future cash flow is less than the carrying amount.

When recognizing and measuring an impairment loss, the company carefully considers estimates of future cash flows based on available information. However, if our business plans or market environment changes, which consequently changes the precondition of the estimates, it may need to record impairment losses.

4. Cash and deposits

In the presentation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in cash and cash deposits in the consolidated balance sheets as of March 31, 2024 and 2023 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Cash and time deposits	**¥14,822**	¥17,530	**$97,893**
Time deposits with an original maturity in excess of three months included in cash and deposits	**(2,012)**	(2,013)	**(13,289)**
Cash and cash equivalents at end of year	**¥12,810**	¥15,517	**$84,604**

5. Financial Instruments

(a) Policy for financial instruments

The Companies procure funds using bank borrowings and other debts for the business. The Company makes use of various derivative financial instruments in order to reduce the risk of fluctuations of foreign exchange rate in receivables and the risk of fluctuations of interest rate in payables. The Companies are not engaged in speculative transactions and use highly secure financial instruments. The Companies carry out financial instruments pursuant to internal regulations and the rules of Board of Directors.

(b) Nature of financial instruments and the risks and risk management

Trade receivables consist of notes and accounts receivable are exposed to customer credit risk. Trade receivables in foreign currency due to the global operation are exposed to risks of fluctuations of foreign currency exchange.

Notes and accounts payable are due within one year and a part of them in foreign currency associated with import of parts and accessories are exposed in risks of fluctuations of foreign currency exchange.

The Companies use foreign exchange forward contracts and foreign currency options to hedge the risk of foreign exchange fluctuations associated with receivables and payables denominated in foreign currencies.

(c) Risk management of financial instruments

1. Credit risk management

The Companies conduct mitigation of collection risk in accordance with credit management in sales. Certain organization unit independent from sales division assesses the balances outstanding for customers and credit status of customers and manages collection dates.

In terms of loan receivable, the Companies assess financial conditions of debtors and review the loan terms periodically.

The Companies have derivative transactions only with counterparties rated highly.

2. Market risk management

The Companies identify risks for exchange rate fluctuations monitored monthly by each currency and enter into foreign exchange forward contracts to hedge such risk.

Regarding securities, the Companies monitor the market price and financial condition of the issuer of securities, taking into account its relationship with the counterparties.

3. Liquidity risk in procurement of funds

The Companies manage to reduce liquidity risk by preparing cash flow projection in basis of financial reporting from each division and affiliates.

(d) Supplemental information on fair value of financial instruments

The Companies assess fair value of financial instruments based on market prices or on reasonable estimates when market prices are not available. These estimates including variable factors are subject to fluctuation due to change in underlying assumptions.

The contract amounts of the derivative transactions referred in Note 13. Derivative financial instruments below are not indicators of market risk associated with derivative transactions.

(e) Fair value of financial instruments

Fair value and difference with book value presented in balance sheets are as follows.

	Millions of yen		
	2024		
	Book value	Fair value	Difference
① Trade notes	**¥15,284**	ー	ー
Less: allowance for doubtful accounts *1	**(803)**	ー	ー
	14,481	**¥14,362**	**¥ (119)**
② Accounts receivable	**30,219**	ー	ー
Less: allowance for doubtful accounts *1	**(1,587)**	ー	ー
	28,632	**28,491**	**(141)**
③ Investments in securities *2	**3,985**	**3,985**	ー

	Millions of yen		
	2023		
	Book value	Fair value	Difference
① Trade notes	¥12,669	ー	ー
Less: allowance for doubtful accounts *1	(1,384)	ー	ー
	11,285	¥11,208	¥ (77)
② Accounts receivable	30,892	ー	ー
Less: allowance for doubtful accounts *1	(3,375)	ー	ー
	27,517	27,439	(78)
③ Investments in securities *2	3,228	3,228	ー

	Thousands of U.S. dollars		
	2024		
	Book value	Fair value	Difference
① Trade notes	**$100,944**	ー	ー
Less: allowance for doubtful accounts *1	**(5,303)**	ー	ー
	95,641	**$94,855**	**$ (786)**
② Accounts receivable	**199,584**	ー	ー
Less: allowance for doubtful accounts *1	**(10,482)**	ー	ー
	189,102	**188,171**	**(931)**
③ Investments in securities *2	**26,319**	**26,319**	ー

*1: The net amount of allowance for doubtful accounts is related on trade notes and accounts receivable.

*2: The following financial instruments are excluded from Investment securities due to no fair values.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Unlisted equity securities	**¥1,508**	¥1,508	**$9,960**

(Note1) Redemption schedule of monetary receivables and marketable securities with maturities after March 31, 2024 and 2023

	Millions of yen			
(As of March 31, 2024)	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	**¥14,822**	–	–	–
Trade notes	**6,401**	**¥8,883**	–	–
Accounts receivable	**18,749**	**11,470**	–	–
Investment securities				
Available-for-sale securities with maturity				
– Other investments	–	–	–	–
Total	**¥39,972**	**¥20,353**	–	–

	Millions of yen			
(As of March 31, 2023)	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥17,530	–	–	–
Trade notes	3,970	¥8,699	–	–
Accounts receivable	22,018	8,816	¥58	–
Investment securities				
Available-for-sale securities with maturity				
– Other investments	–	–	–	–
Total	¥43,518	¥17,515	¥58	–

	Thousands of U.S. dollars			
(As of March 31, 2024)	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	**$97,893**	–	–	–
Trade notes	**42,276**	**$58,668**	–	–
Accounts receivable	**123,829**	**75,755**	–	–
Investment securities				
Available-for-sale securities with maturity				
– Other investments	–	–	–	–
Total	**$263,998**	**$134,423**	–	–

(Note2) Redemption schedule of short-term borrowings and lease obligation after March 31, 2024 and 2023

	Millions of yen					
(As of March 31, 2024)	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	**¥2,500**	–	–	–	–	–
Lease obligation	**¥673**	**¥414**	**¥218**	**¥107**	**¥49**	**¥48**
Total	**¥3,173**	**¥414**	**¥218**	**¥107**	**¥49**	**¥48**

	Millions of yen					
(As of March 31, 2023)	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	¥1,000	–	–	–	–	–
Lease obligation	¥768	¥526	¥336	¥168	¥77	¥24

Total	¥1,768	¥526	¥336	¥168	¥77	¥24

	Thousands of U.S. dollars					
(As of March 31, 2024)	Within 1 year	Over 1 year but within 2 years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years
Short-term borrowings	**$16,511**	—	—	—	—	—
Lease obligation	**$4,445**	**$2,734**	**$1,440**	**$707**	**$324**	**$317**
Total	**$20,956**	**$2,734**	**$1,440**	**$707**	**$324**	**$317**

(f) Breakdown of Fair Value of Financial Instruments by Level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used
to measure fair value.

Level 1 fair value: Fair value measured using observable fair value inputs based on (unadjusted) quoted market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable fair value inputs other than Level 1 inputs

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

When multiple inputs that have a significant impact on fair value measurement are used, fair value is classified to the level with the lowest
priority in the fair value measurement among the levels to which those inputs belong.

(Note1) Financial assets and liabilities recorded at fair value on the Consolidated Balance Sheets

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
– Equity securities	**¥3,985**	—	—	**¥3,985**
Total assets	**¥3,985**	—	—	**¥3,985**

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
– Equity securities	¥3,228	—	—	¥3,228
Total assets	¥3,228	—	—	¥3,228

	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
– Equity securities	**$26,319**	—	—	**$26,319**
Total assets	**$26,319**	—	—	**$26,319**

(Note2) Financial assets and liabilities not recorded at fair value on the Consolidated Balance Sheets

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Trade notes	—	**¥14,362**	—	**¥14,362**
Accounts receivable	—	**28,491**	—	**28,491**
Investments in securities				
Available-for-sale securities				
– Equity securities	—	—	—	—
Total assets	—	**¥42,853**	—	**¥42,853**

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Trade notes	—	**¥11,208**	—	**¥11,208**
Accounts receivable	—	**27,439**	—	**27,439**
Investments in securities				
Available-for-sale securities				
– Equity securities	—	—	—	—
Total assets	—	**¥38,647**	—	**¥38,647**

	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Trade notes	—	**$94,855**	—	**$94,855**
Accounts receivable	—	**188,171**	—	**188,171**
Investments in securities				
Available-for-sale securities				
– Other investments	—	—	—	—
Total assets	—	**$283,026**	—	**$283,026**

1. Trade notes and accounts receivable.

   The fair value of these instruments are calculated using the discounted present value method based on the risk-free rate for the amount of such instruments, taking into account the credit risk of each loan classified by a certain period of time, and classified as Level 2 fair value.

2. Investments in securities;

   The fair values of listed shares and government bonds are measured based on market prices at the end of the period and are classified as Level 1 fair value because they are measured based on market prices for identical assets in active markets. Bond investment trusts are measured based on the reference prices published by financial institutions. Since these prices are not considered quoted prices in active markets, their fair value is classified as Level 2 fair value.

6. Investments in securities

Other securities with quoted market prices at March 31, 2024 and 2023 were as follows:

	Millions of yen					
	2024			2023		
	Acquisition cost	Amount recorded in the balance sheet	Difference	Acquisition costs	Amount recorded in the balance sheet	Difference
Other securities whose market values recorded in the balance sheet exceed their acquisition costs:						
Equity securities	**¥1,840**	**¥3,985**	**¥2,145**	¥2,093	¥3,212	¥1,119
Other	—	—	—	—	—	—
Subtotal	**¥1,840**	**¥3,985**	**¥2,145**	¥2,093	¥3,212	¥1,119
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities	—	—	—	—	—	—
Other	—	—	—	¥17	¥16	¥ (1)
Subtotal	—	—	—	¥17	¥16	¥(1)
Total	**¥1,840**	**¥3,985**	**¥2,145**	¥2,110	¥3,228	¥1,118

	Thousands of U.S. dollars		
	2024		
	Acquisition cost	Amount recorded in the balance sheet	Difference
Other securities whose market values recorded in the balance sheet exceed their acquisition costs:			
Equity securities	**$12,152**	**$26,319**	**$14,167**
Other	—	—	—
Subtotal	**$12,152**	**$26,319**	**$14,167**
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:			
Equity securities	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	**$12,152**	**$26,319**	**$14,167**

Other securities without quoted market prices at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Amount recorded in the balance sheet		
	2024	2023	**2024**
Other securities	**¥1,508**	¥1,508	**$9,960**
	¥1,508	¥1,508	**$9,960**

7. Inventories

Inventories at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Finished goods	**¥13,526**	¥10,224	**$89,333**
Raw materials	**11,632**	8,963	**76,825**
Work in process	**842**	856	**5,561**
Supplies and others	**297**	305	**1,962**
	¥26,297	¥20,348	**$173,681**

8. Land revaluation

On March 31, 2002, the Company revalued its land for operational usage in accordance with the laws on land revaluation. The resulting revaluation difference, net of the income tax effect on revaluation gain or loss, has been stated as a component of net assets, “Land revaluation difference.” The income tax effect has been stated as a component of long-term liabilities, “Deferred tax liabilities for land revaluation.” The fair value of the revalued land was more than its carrying value by ¥95 million ($627 thousand) at March 31, 2024 and less than its carrying value by ¥87 million at March 31, 2023, respectively.

9. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Average rate of 0.16% unsecured loans from banks	**¥2,500**	¥1,000	**$16,511**

10. Retirement benefits

Retirement benefits at March 31, 2024 and 2023 consisted of the following:

The Company and certain domestic consolidated subsidiaries have defined benefit corporate pension plan and unfunded retirement benefit plans for payments of employees' retirement. Also, certain consolidated subsidiaries have defined contribution plans.

The Group pays a pension or lump sum based on length of service and salary in the defined benefit corporate pension plan.

In unfunded retirement benefit plans, the Group pays a lump sum based on length of service and salary as a retirement benefit.

Some consolidated subsidiaries adopt the simplified method for the calculation of net defined benefit liability and retirement benefit expenses.

Defined benefit plans, including a plan applying a simplified method

(1) Movement in retirement benefit obligations

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Balance, beginning of year	**¥6,794**	¥6,861	**$44,872**
Service cost	**342**	321	**2,259**
Interest cost	**74**	68	**489**
Actuarial loss	**4**	(73)	**26**
Benefit paid	**(456)**	(383)	**(3,012)**
Past service cost	**723**	―	**4,775**
Balance, end of year	**¥7,481**	¥6,794	**$49,409**

(2) Movement in plan assets

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Balance, beginning of year	**¥6,714**	¥6,773	**$44,343**
Expected return on plan assets	**77**	78	**509**
Actuarial gain	**55**	(71)	**363**
Contributions paid by the employer	**212**	219	**1,400**
Benefit paid	**(372)**	(285)	**(2,457)**
Balance, end of year	**¥6,686**	¥6,714	**$44,158**

(3) Reconciliation from retirement benefit obligations and plan assets to Liability for retirement benefits

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Funded retirement benefit obligations	**¥5,484**	¥5,576	**$36,220**
Plan assets	**(6,687)**	(6,714)	**(44,165)**
	(1,203)	(1,138)	**(7,945)**
Unfunded retirement benefit obligations	**1,997**	1,218	**13,189**
Total net liability for retirement benefits end of year	**794**	80	**5,244**
Net defined benefit liability	**1,997**	1,218	**13,189**
Net defined benefit assets	**(1,203)**	(1,138)	**(7,945)**
Total net liability for retirement benefits end of year	**¥794**	¥80	**$5,244**

(4) Retirement benefit costs

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Service cost	**¥342**	¥321	**$2,259**
Interest cost	**74**	68	**489**
Expected return on plan assets	**(77)**	(78)	**(509)**
Net actuarial loss amortization	**(81)**	(106)	**(535)**
Past service costs amortization	**158**	86	**1,044**
Total retirement benefits costs	**¥416**	¥291	**$2,748**

(5) Remeasurements of defined benefit plans (before tax effect deduction)

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Past service cost	**¥(564)**	¥86	**$(3,725)**
Actuarial gain and loss	**(32)**	(104)	**(211)**
Total balance end of year	**¥(596)**	¥(18)	**$(3,936)**

(6) Remeasurements of defined benefit plans (before tax effect deduction)

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Past service costs that are yet to be recognized	**¥(1,166)**	¥(601)	**$(7,701)**
Actuarial gain and loss that are yet to be recognized	**421**	453	**2,781**
Total balance end of year	**¥(745)**	¥(148)	**$(4,920)**

(7) Plan assets

①Plan assets at March 31, 2024 comprise:

Equity securities	4%
Bonds	11%
Insurance assets (General account)	74%
Other	11%
Total	100%

The above total includes 8 % of the retirement benefit trusts of corporate pension plan.

②Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered to determine long-term expected rate of return.

(8) Actuarial assumptions

The principal actuarial assumption at March 31, 2024 (expressed as weighted averages) are as follows:

Discount rate	1.00%
Long-term expected rate of return	1.15%
Rate of increase in future compensation	3.10%

Defined contribution plans

Amounts required to contribute to the defined contribution plans of certain consolidated subsidiaries was ¥49 million and ¥49 million ($324 thousand) for the year ended March 31, 2023 and 2024 respectively.

11. Contingent liabilities

Contingent liabilities at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Guarantees of customers' loans and lease obligations	**¥73**	¥90	**$482**

12. Derivative financial instruments

The contract amount, estimated fair value and unrealized gain (loss) of the derivative instruments as of March 31, 2024 are as follows:

(a) Derivatives that do not meet the criteria for hedge accounting

Not applicable

(b) Derivatives that meet the criteria for hedge accounting

		Millions of yen		
		2024		
		Contract amount		
		Total	Settled over one year	Estimated fair value
Allocation method for foreign exchange contracts	Foreign exchange contracts:			
	Put US$	**¥ 863**	—	**Note 1**
	EUR	**5,906**	**¥1,444**	**Note 1**

		Millions of yen		
		2023		
		Contract amount		
		Total	Settled over one year	Estimated fair value
Allocation method for foreign exchange contracts	Foreign exchange contracts:			
	Put US$	¥ 1,209	—	Note 1
	EUR	6,245	¥2,451	Note 1
	KRW	39	—	Note 1

		Thousands of U.S. dollars		
		2024		
		Contract amount		
		Total	Settled over one year	Estimated fair value
Allocation method for foreign exchange contracts	Foreign exchange contracts:			
	Put US$	**$5,700**	—	**Note 1**
	EUR	**39,007**	**$9,537**	**Note 1**

Note 1: Fair value of the foreign currency forward contract assigned for receivables is included in the fair value of receivables disclosed at Note5.

13. Income taxes

The Company and its domestic subsidiaries are subject to a number of Japanese income taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 30.46% for the year ended March 31, 2024 and 2023.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2024 and 2023 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Deferred tax assets:			
Tax loss carryforwards	**¥9,091**	¥8,270	**$60,042**
Impairment loss on fixed assets	**2,771**	3,112	**18,301**
Allowance for doubtful accounts	**1,388**	1,249	**9,167**
Loss on valuation of investments in securities	**270**	346	**1,783**
Long - term liabilities	**16**	289	**106**
Accrued bonuses to employees	**403**	280	**2,662**
Net defined benefit liability	**347**	300	**2,292**
Allowance for losses on guarantees	**25**	44	**165**
Intercompany profit	**11**	19	**73**
Other	**332**	374	**2,193**
Total gross deferred tax assets	**14,654**	14,283	**96,784**
Less valuation allowance	**(14,065)**	(13,707)	**(92,894)**
Net deferred tax assets	**589**	576	**3,890**
Deferred tax liabilities:			
Net defined benefit asset	**(371)**	(350)	**(2,450)**

Unrealized holding gain on securities	**(442)**	(202)	**(2,920)**
Other	**(53)**	(25)	**(350)**
Total gross deferred tax liabilities	**(866)**	(577)	**(5,720)**
Net deferred tax assets	**¥(277)**	¥(1)	**$(1,830)**

Note: Valuation allowance increase ¥358 million ($2,365 thousands). The main reasons were increases in losses carried forward and decreases impairment losses.

14. Research and development costs

Research and development costs charged to income were ¥3,340 million ($22,060 thousand) and ¥3,894 million for the years ended March 31, 2024 and 2023, respectively.

15.Stock option plan

As of March 31, 2024, the Company has the following stock option programs.

Date of resolution	July 25, 2018
Type and number of eligible persons	[The Company] Director: 5 Executive officer: 3
Class and number of shares to be granted	Common stock: 4,500 shares
Grant date	August 17, 2018
Vesting requirement	—
Vesting period	—
Exercise period	From August 18, 2018 to August 17, 2048

Date of resolution	June 27, 2019
Type and number of eligible persons	[The Company] Director: 5 Executive officer: 3
Class and number of shares to be granted	Common stock: 2,500 shares
Grant date	July 18, 2019
Vesting requirement	—
Vesting period	—
Exercise period	From July 19, 2019 to July 18, 2049

Date of resolution	June 25, 2020
Type and number of eligible persons	[The Company] Director: 4 Executive officer: 3
Class and number of shares to be granted	Common stock: 2,200 shares
Grant date	July 16, 2020
Vesting requirement	—
Vesting period	—
Exercise period	From July 17, 2020 to July 16, 2050

Date of resolution	June 25, 2021
Type and number of eligible persons	[The Company] Director: 4 Executive officer: 1
Class and number of shares to be granted	Common stock: 1,800 shares
Grant date	July 15, 2021
Vesting requirement	—
Vesting period	—
Exercise period	From July 16, 2021 to July 15, 2051

Date of resolution	June 28, 2022
Type and number of eligible persons	[The Company] Director: 4 Executive officer: 2
Class and number of shares to be granted	Common stock: 2,000 shares
Grant date	July 19, 2022
Vesting requirement	—
Vesting period	—
Exercise period	From July 20, 2022 to July 19, 2052

Date of resolution	June 28, 2023
Type and number of eligible persons	[The Company] Director: 3 Executive officer: 3
Class and number of shares to be granted	Common stock: 1,800 shares
Grant date	July 19, 2023
Vesting requirement	—
Vesting period	—
Exercise period	From July 20, 2023 to July 19, 2053

(a) Number and price information

(As of March 31, 2023)

Date of resolution	July 25, 2018	June 27, 2019	June 25, 2020	June 25, 2021	June 28, 2022
Unvested stock options					
Outstanding as of March 31, 2023	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Outstanding as of March 31, 2024	—	—	—	—	—
Vested stock options					
Outstanding as of March 31, 2023	2,200	1,200	1,200	1,800	2,000
Vested	—	—	—	—	—
Exercised	1,000	400	400	400	400
Expired	—	—	—	—	—
Outstanding as of March 31, 2024	1,200	800	800	1,400	1,600

Date of resolution	June 28, 2023
Unvested stock options	
Outstanding as of March 31, 2023	—
Granted	1,800
Expired	—
Vested	1,800
Outstanding as of March 31, 2024	—
Vested stock options	
Outstanding as of March 31, 2023	—
Vested	1,800
Exercised	—
Expired	—
Outstanding as of March 31, 2024	1,800

	Yen
Date of resolution	July 25, 2018
Exercise price	¥ 1
Average stock price at exercise	¥1,851
Fair value at grant date	¥ 4,369

	Yen
Date of resolution	June 27, 2019
Exercise price	¥ 1
Average stock price at exercise	¥1,851
Fair value at grant date	¥ 2,261

	Yen
Date of resolution	June 25, 2020
Exercise price	¥ 1
Average stock price at exercise	¥1,851
Fair value at grant date	¥ 900

	Yen
Date of resolution	June 25, 2021
Exercise price	¥ 1
Average stock price at exercise	¥1,851
Fair value at grant date	¥ 1,542

	Yen
Date of resolution	June 28, 2022
Exercise price	¥ 1
Average stock price at exercise	¥1,851
Fair value at grant date	¥ 1,908

	Yen
Date of resolution	June 28, 2023
Exercise price	¥ 1
Average stock price at exercise	—
Fair value at grant date	¥ 1,745

(b) The estimate method on unit price of subscription rights

Estimate method: Black Scholes Model

	Yen
Volatility	38.85%
Expected remaining period	15 years
Estimated dividend	¥10.00 per share
Non risk interest rate	0.88%

(c) Estimate of number of vested stock options

Number of options to expire in the future cannot be reasonably estimated. Accordingly, only the actual number of expired options is reflected.

16. Comprehensive income

The amount of recycling and amount of income tax effect associated with other comprehensive income at March 31, 2024 and 2023 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Net unrealized holdings gain on securities:			
Amount recognized in the period under review	**¥1,276**	¥589	**$8,427**
Amount of recycling	**(250)**	13	**(1,651)**
Before income tax effect adjustments	**1,026**	602	**6,776**
Amount of income tax effect	**(240)**	(69)	**(1,585)**
Net unrealized holdings gain on securities	**786**	533	**5,191**
Foreign currency translation adjustments:			
Amount recognized in the period under review	**4,949**	2,741	**32,686**
Amount of recycling	—	—	—
Before income tax effect adjustments	**4,949**	2,741	**32,686**
Amount of income tax effect	—	—	—
Foreign currency translation adjustments	**4,949**	2,741	**32,686**
Remeasurements of defined benefit plans			
Amount recognized in the period under review	**(673)**	2	**(4,445)**
Amount of recycling	**77**	(20)	**509**
Before income tax effect adjustments	**(596)**	(18)	**(3,936)**
Amount of income tax effect	**(9)**	41	**(59)**
Remeasurements of defined benefit plans	**(605)**	23	**(3,995)**
Total other comprehensive income	**¥5,130**	¥3,297	**$33,882**

17. Revenue Recognition

(a) Information on breakdown of revenue from contracts with customers

	Millions of yen					
	2024					
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total	Other	Grand total
Timing of transfer of goods or services						
At a point in time	**¥25,885**	**¥3,466**	**¥447**	**¥29,798**	**¥5,838**	**¥35,636**
Over time	—	—	—	—	**274**	**274**
Revenue from Contract with Customers	**25,885**	**3,466**	**447**	**29,798**	**6,112**	**35,910**
Sales to customers	**¥25,885**	**¥3,466**	**¥447**	**¥29,798**	**¥6,112**	**¥35,910**

	Millions of yen					
	2023					
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total	Other	Grand total
Timing of transfer of goods or services						
At a point in time	¥27,395	¥3,539	¥914	¥31,848	¥5,842	¥37,690
Over time	—	—	—	—	197	197
Revenue from Contract with Customers	27,395	3,539	914	31,848	6,039	37,887
Sales to customers	¥27,395	¥3,539	¥914	¥31,848	¥6,039	¥37,887

	Thousands of U.S. dollars					
	2024					
	Flat Knitting Machine	Design System	Glove and Sock knitting Machine	Total	Other	Grand total
Timing of transfer of goods or services						
At a point in time	**$170,960**	**$22,891**	**$2,952**	**$196,803**	**$38,558**	**$235,361**
Over time	—	—	—	—	**1,810**	**1,810**
Revenue from Contract with Customers	**170,960**	**22,891**	**2,952**	**196,803**	**40,368**	**237,171**
Sales to customers	**$170,960**	**$22,891**	**$2,952**	**$196,803**	**$40,368**	**$237,171**

(b) Information that provides a basis for understanding the revenue arising from contracts with customers

As stated in "Basis of presenting consolidated financial statements 2.Summary of significant accounting policies, (n) Recognition of revenue".

(c) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in the following fiscal year from contracts with customers that existed at the end of the current consolidated fiscal year.

1.Balance of contract assets and contract liabilities

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Receivables arising from contracts with customers	**¥45,503**	¥43,561	**$300,528**
Contract liabilities	**1,735**	1,851	**11,459**

Note1: Contract liabilities primarily relate to advances received from customers.

2: Almost all of the contract liability balances as of the beginning of this fiscal year are recognized as revenue for the current fiscal year.

2.Transaction prices allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient in noting the transaction price allocated to the remaining performance obligations, and do not include contracts with an originally scheduled contract term of one year or less. The total transaction price allocated to the remaining performance obligations and the period over which revenue is expected to be recognized are as follows:

	Millions of yen		Thousands of U. S. dollars
	2024	2023	**2024**
Within 1 year	**¥255**	¥169	**$1,684**
Over 1 year but within 2 years	**181**	136	**1,195**
Over 2 years but within 3 years	**101**	99	**667**
Over 3 years	**33**	70	**218**
Total	**570**	474	**3,764**

18. Segment information

(a) Outline of reportable segments

The Company's reportable segments are components for which separated financial information is available and subject to periodical reviews in order for the Company's Board of Directors to determine the distribution of management resources and evaluate performance.

The Company establishes Sales Headquarters, and it formulates comprehensive domestic and overseas strategies of its products and services and deploys its business activities.

Thus, the Company consists of segments by products and services, based on business units, and the "Flat Knitting Machines", "Design Systems" and "Glove and Sock Knitting Machines" are determined to be the reportable segments.

Our core products in the Flat Knitting Machine segment are manufacturing and sales of computerized flat knitting machines. The Design System segment includes computerized design systems and automatic fabric cutting machines. The Glove and Sock Knitting Machine segment consists of computerized glove and sock knitting machines.

(b) Basis of calculation for amounts of sales, profit (loss), assets and other items by reportable segments

The accounting method for the reported operating segments is basically the same as those in note "2. Summary of significant accounting policies".

Segment profit (loss) is based on operating income.

(c) Information on amounts of sales, profit (loss), assets and other items by reportable segments

Information related to the reportable segments of the Company and its consolidated subsidiaries for the years ended March 31, 2024 and 2023 were as follows:

	Millions of yen					
	2024					
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total	Other	Grand total
Sales and operating income:						
At a point in time	**¥25,885**	**¥3,466**	**¥447**	**¥29,798**	**¥5,838**	**¥35,636**
Over time	—	—	—	—	**274**	**274**
Revenue from Contract with Customers	**25,885**	**3,466**	**447**	**29,798**	**6,112**	**35,910**
Sales to customers	**¥25,885**	**¥3,466**	**¥447**	**¥29,798**	**¥6,112**	**¥35,910**
Inter-segment sales	—	—	—	—	—	—
Total sales	**25,885**	**3,466**	**447**	**29,798**	**6,112**	**35,910**
Segment profit	**¥4,421**	**¥861**	**¥61**	**¥5,343**	**¥1,317**	**¥6,660**
Segment Assets:	**¥74,084**	**¥3,997**	**¥669**	**¥78,750**	**¥9,817**	**¥88,567**
Others:						
Capital expenditure	**¥733**	**¥51**	**¥14**	**¥798**	**¥123**	**¥921**
Depreciation	**615**	**25**	**12**	**652**	**86**	**738**
Amortization of goodwill	—	—	—	—	—	—

	Millions of yen					
	2023					
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total	Other	Grand total
Sales and operating income:						
At a point in time	**¥27,395**	**¥3,539**	**¥914**	**¥31,848**	**¥5,842**	**¥37,690**
Over time	—	—	—	—	**197**	**197**
Revenue from Contract with Customers	**27,395**	**3,539**	**914**	**31,848**	**6,039**	**37,887**
Sales to customers	**¥27,395**	**¥3,539**	**¥914**	**¥31,848**	**¥6,039**	**¥37,887**
Inter-segment sales	—	—	—	—	—	—
Total sales	**27,395**	**3,539**	**914**	**31,848**	**6,039**	**37,887**
Segment profit	**¥2,693**	**¥774**	**¥100**	**¥3,567**	**¥1,014**	**¥4,581**
Segment Assets:	**¥69,437**	**¥3,703**	**¥1,000**	**¥74,140**	**¥8,565**	**¥82,705**
Others:						
Capital expenditure	**¥847**	**¥48**	**¥24**	**¥919**	**¥131**	**¥1,050**
Depreciation	**870**	**27**	**21**	**918**	**107**	**1,025**
Amortization of goodwill	**468**	**4**	**0**	**472**	**19**	**491**

	Thousands of U.S. dollars					
	2024					
	Flat Knitting Machine	Design System	Glove and Sock knitting Machine	Total	Other	Grand total
Sales and operating income:						
At a point in time	**$170,960**	**$22,891**	**$2,952**	**$196,803**	**$38,558**	**$235,361**
Over time	—	—	—	—	**1,810**	**1,810**
Revenue from Contract with Customers	**170,960**	**22,891**	**2,952**	**196,803**	**40,368**	**237,171**
Sales to customers	**170,960**	**22,891**	**2,952**	**196,803**	**40,368**	**237,171**
Inter-segment sales	—	—	—	—	—	—
Total sales	**170,960**	**22,891**	**2,952**	**196,803**	**40,368**	**237,171**
Segment profit	**$29,199**	**$5,686**	**$403**	**$35,288**	**$8,699**	**$43,987**
Segment Assets:	**$489,294**	**$26,399**	**$4,418**	**$520,111**	**$64,837**	**$584,948**
Others:						
Capital expenditure	**$4,841**	**$337**	**$92**	**$5,270**	**$813**	**$6,083**
Depreciation	**4,062**	**165**	**79**	**4,306**	**568**	**4,874**
Amortization of goodwill	—	—	—	—	—	—

Note: The classification “Other” is the operating segment which is not included in the reportable segments. It mainly consists of parts for knitting machines and design systems, machines repair and maintenance.

(d) Differences between total amounts for reportable segments and amounts in the consolidated financial statements

Sales to customers

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Reportable segments total	**¥29,798**	¥31,848	**$196,803**
Other sales	**6,112**	6,039	**40,368**
Net sales in the consolidated statements of income	**¥35,910**	¥37,887	**$237,171**

Segment profit

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Reportable segments total	**¥5,343**	¥3,567	**$35,288**
Other income	**1,317**	1,014	**8,699**
Corporate expenses	**(6,230)**	(6,766)	**(41,147)**
Operating income (loss) in the consolidated statements of income	**¥430**	¥(2,185)	**$2,840**

Note: Corporate expenses are mainly general and administrative expenses and research and development expenses which are not attributable to the reportable segments.

Segment assets

	Millions of yen		Thousands of U.S. dollars
	2024	2023	**2024**
Reportable segments total	**¥78,750**	¥74,140	**$520,111**
Other assets	**9,817**	8,565	**64,837**
Company-wide assets	**19,237**	18,335	**127,053**
Total assets in the consolidated balance sheets	**¥107,804**	¥101,040	**$712,001**

Note: Company-wide assets mainly consist of managing cash surplus, long-term investment and assets associated with administrative divisions that are not allocated to reportable segments.

Others

	Millions of yen							
	Reportable segments total		Other		Adjustment		The amount in the consolidated financial statements	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Capital expenditure	**¥798**	¥919	**¥123**	¥131	**¥(20)**	¥272	**¥901**	¥1,322
Depreciation	**652**	918	**86**	107	**258**	395	**996**	1,420
Amortization of goodwill	—	472	—	19	—	—	—	491

	Thousands of U.S. dollars			
	2024			
	Reportable segments total	Other	Adjustment	The amount in the consolidated financial statements
Capital expenditure	**$5,270**	**$813**	**$(132)**	**$5,951**
Depreciation	**4,306**	**568**	**1,704**	**6,578**
Amortization of goodwill	—	—	—	—

Note: The major portion of adjustment to depreciation and increase in property, plant, equipment and intangible assets mainly come from equipment related to administrative divisions that do not belong to the reportable segments

(Related information)

Information about geographical region

Information about geographical region of the Company and its consolidated subsidiaries for the year ended March 31, 2024 and 2023 were as follows:

	Millions of yen					
	2024					
	Japan	Europe	Middle East	Asia	Other	Total
Sales to customers	**¥6,887**	**¥7,991**	**¥2,234**	**¥16,982**	**¥1,816**	**¥35,910**

	Millions of yen					
	2023					
	Japan	Europe	Middle East	Asia	Other	Total
Sales to customers	¥7,025	¥10,798	¥2,983	¥14,517	¥2,564	¥37,887

	Thousands of U.S. dollars					
	2024					
	Japan	Europe	Middle East	Asia	Other	Total
Sales to customers	**$45,486**	**$52,777**	**$14,755**	**$112,159**	**$11,994**	**$237,171**

19. Subsequent events

Shareholders approved the following appropriation of retained earnings at the annual meeting held on June 26, 2024.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥173	$1,143

Independent Auditor's Report

To the Board of Directors of SHIMA SEIKI MFG., LTD

Opinion

We have audited the accompanying consolidated financial statements of SHIMA SEIKI MFG., LTD and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of allowance for doubtful accounts related to trade receivables	
Description of Key Audit Matter	Auditor's Response
The total amount of the allowance for doubtful accounts on the consolidated balance sheet as of the end of the current fiscal year was 6,527 million yen, most of which was related to the trade receivables of the Company's core business, the flat knitting machine business. Due to the industry's unique business practices, collection terms for these receivables can be lengthy, and a high percentage of these receivables are owed to overseas customers. The Company strives to reduce the collection risk of trade receivables by securitization, collateralization, etc., and classifies the receivables according to the credit risk and determines the collectability for each classification. The classification of trade receivables according to credit risk is determined comprehensively based on the collection status of the receivables, the financial status and solvency of each customer, and the situation in the country of location. After classifying trade receivables, the company makes an allowance for doubtful accounts for the estimated uncollectible amount by using the historical rate of bad debt loss for general receivables and by individually examining the collectability of specific receivables such as doubtful receivables. The classification of trade receivables according to credit risk and the estimation of specific uncollectible amounts for doubtful accounts involve subjective judgments by management, which may have a significant impact on the consolidated financial statements. Based on the above, we concluded that the evaluation of the allowance for doubtful accounts related to trade receivables is particularly important for the audit of the consolidated financial statements for the current fiscal year and falls under one of the key audit matters.	In considering our assessment of the allowance for doubtful accounts related to trade receivables, we performed the following audit procedures. (1) Assessment of internal control We assessed the effectiveness of the design and operation of internal control over the evaluation of the allowance for doubtful accounts related to trade receivables, focusing mainly on the following points. ・Internal control over the timely and appropriate acquisition of information and investigation of customers for the proper classification of receivables ・Internal control over the determination of the classification of receivables in consideration of credit risk ・Internal control over the evaluation of collateral assets (2) Examination of the appropriateness of the classification of trade receivables and the estimation of uncollectible amounts In considering appropriateness of the classification of trade receivables and the estimation of uncollectible amounts, we performed the following audit procedures. ・In order to evaluate the appropriateness of the classification of receivables according to their credit risk, we asked questions to the receivables management department and inspected related materials. ・With regard to the evaluation of the solvency of customers, we examined various factors related to debt collection and examined the appropriateness of the estimation of uncollectible amounts. ・With regard to the valuation of collateral assets, we examined the appropriateness of the valuation based on the nature of the collateral, the valuation method, and the timing of the valuation, etc.

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our audit report thereon. Management is responsible for preparation and disclosure of the other information. Audit & Supervisory Committee are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Committee is responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events

in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 33million yen and none, respectively. The dependence of fees stipulated in the Code of Ethics of the Japanese Institute of Certified Public Accountants continued to exceed 15% from the fiscal year ended March 31, 2021.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ohtemae Audit Corporation

Osaka City, Japan

June 26, 2024

古谷一郎

Ichiro Furutani

Designated Engagement Partner

Certified Public Accountant

橋口 健志

Kenji Hashiguchi

Designated Engagement Partner

Certified Public Accountant