

# **Integrated Report 2025**

## **Financial Section**

Year Ended March 31, 2025

**SHIMA SEIKI**

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# Five-Year Financial Summary

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

	2025	2024	2023	2022	2021	2025
	Millions of yen					Thousands of U.S. dollars
<b>For the Year:</b>						
Net sales	<b>¥32,520</b>	¥35,910	¥37,887	¥30,998	¥24,489	<b>\$217,496</b>
Cost of sales	<b>23,886</b>	21,221	24,027	20,797	18,528	<b>159,751</b>
Gross profit	<b>8,634</b>	14,689	13,860	10,201	5,961	<b>57,745</b>
Selling, general and administrative expenses	<b>20,548</b>	14,259	16,045	14,469	15,104	<b>137,427</b>
Operating income (loss)	<b>(11,914)</b>	430	(2,185)	(4,268)	(9,143)	<b>(79,682)</b>
Income (loss) before income taxes and minority interests	<b>(13,760)</b>	1,314	(5,137)	(3,369)	(17,610)	<b>(92,028)</b>
Net income (loss) attributable to owners of the parent	<b>(14,276)</b>	1,030	(5,645)	(3,589)	(17,866)	<b>(95,480)</b>
Net cash provided by (used in) operating activities	<b>(4,462)</b>	(4,121)	(7,178)	6,197	5,937	<b>(29,842)</b>
Net cash provided by (used in) investing activities	<b>(3,223)</b>	(168)	(2,133)	(1,024)	1,300	<b>(21,555)</b>
Net cash provided by (used in) financing activities	<b>5,377</b>	349	(310)	(7,759)	(3,776)	<b>35,962</b>
Capital investment	<b>2,100</b>	901	1,322	1,694	1,342	<b>14,044</b>
Depreciation and amortization	<b>1,190</b>	996	1,420	1,395	2,344	<b>7,959</b>
Research and development expenses	<b>3,752</b>	3,340	3,894	3,389	3,311	<b>25,094</b>

	Millions of yen					Thousands of U.S. dollars
<b>At Year-End:</b>						
Total assets	<b>¥99,405</b>	¥107,804	¥101,040	¥101,809	¥110,140	<b>\$664,827</b>
Net assets	<b>77,740</b>	91,927	86,107	88,795	90,036	<b>519,930</b>

	Yen					U.S. dollars
<b>Per Share Data:</b>						
Net income (loss) per share	<b>(¥413.58)</b>	¥29.85	¥(163.54)	¥(104.00)	¥(517.71)	<b>(\$2.77)</b>
Cash dividends per share applicable to the year	<b>10.00</b>	10.00	10.00	10.00	20.00	<b>0.07</b>
Net assets per share	<b>2,251.04</b>	2,662.21	2,493.70	2,571.71	2,607.72	<b>15.06</b>

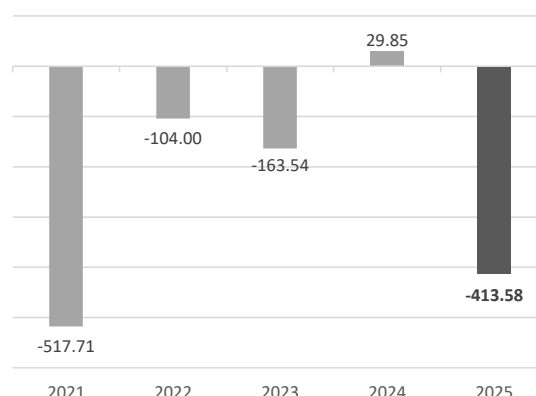
	%				
<b>Ratios:</b>					
Ratio of operating income (loss) to net sales	<b>(36.6)%</b>	1.2%	(5.8)%	(13.8)%	(37.3)%
ROA = Return on assets	<b>(13.8)</b>	1.0	(5.6)	(3.4)	(14.8)
ROE = Return on equity	<b>(16.8)</b>	1.2	(6.5)	(4.0)	(18.1)
Equity ratio	<b>78.2</b>	85.2	85.2	87.2	81.7

Note: Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of ¥149.52=US\$1, the approximate Tokyo foreign exchange market rate as of March 31, 2025.

## **Overview**

For the current consolidated fiscal year, the economy showed a gradual recovery trend in Japan as employment and income environment maintained an improving trend because of solid corporate performance. However, uncertainties remained continuously throughout the world because of the prolonged tension in Ukraine and the Middle East and caution on U.S. tariff policies. Under such economic conditions, the Company group engaged in proposal activities concerning products, services, and solutions supporting the sustainable manufacturing of customers around the world based on our medium-term management plan Ever Onward 2026. In January 2025, we set up booths in Pitti Immagine Filati, the historic and international exhibition mainly covering yarn and knitted materials, held in Florence, Italy, to conduct knitting demonstrations using the SWG-XR®22, the latest model of WHOLEGARMENT® flat knitting machines, in front of the parties related to global apparel brands and knitwear manufacturers visiting from Europe and from around the world. Additionally, we set up booths for the APEXFiz®, SHIMA Datamall™, and yarnbank® in the solution business to make comprehensive proposals. However, the flat knitting machine segment, our core business, reduced sales because of weak capital investment by customers arising from the global economic slowdown in China, Europe, and other countries. As a result of the above, the Company group generated net sales of ¥32,520 million (down 9.4% YoY) for the current consolidated fiscal year. Operating loss amounted to ¥11,914 million (operating income of ¥430 million for the previous year) because of a decrease in net sales and recording of a loss on the valuation of inventories and the allowance for doubtful accounts, ordinary loss amounted to ¥11,481 million (ordinary income of ¥1,018 million for the previous period), and net loss attributable to owners of the parent amounted to ¥14,276 million (net income attributable to owners of the parent of ¥1,030 million for the previous period) because of the recording of an impairment loss.

**Net Income (Loss) per Share (¥)**



## **Net Sales**

In the flat knitting machine segment, our core business, in the Asian region, capital investment for domestic demand was weak in the major China market because of a slow recovery and the main models, including the N.SVR® with high production efficiency, were mainly traded for production sites in Southeast Asia by major Hong Kong customers. Net sales of flat knitting machines declined in total. In Bangladesh, the production base of knitted products for advanced countries, net sales increased YoY while sales volume was below expectations because the closedown of production plants caused by large anti-government demonstrations after the middle of July that resulted in a pause in the supply chain and delayed the timing of capital investments by customers. In the Italian market in Europe, there was a decrease in the sales volume of WHOLEGARMENT® flat knitting machines and molding knitting machines because the slowdown and the effect of a mild winter last season that weakened the appetite for capital investments

by famous apparel brands throughout the entire market. Also, in the Turkish market in the Middle East, there was decreased demand by domestic apparel brands and weak orders from fast-fashion apparel companies resulting from the slowdown in the EU market, and net sales of computerized flat knitting machines declined YoY. In the Japanese market, there was a decrease in the total sales volume of computerized flat knitting machines from the previous period. As a result of the above, net sales amounted to ¥23,230 million (down 10.3% YoY) in the flat knitting machine segment.

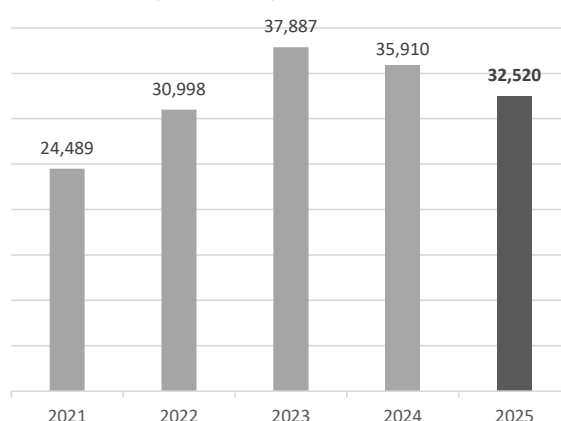
In the design system segment, there was growth in new and renewed licensing contracts for the APEXFiz®, a subscription service for the SDS®-ONE APEX software, mainly with major Western and Japanese apparel brands. However, there was a decrease in the sales volume of the P-CAM® automatic cutting machines. As a result of the above, net sales amounted to ¥2,818 million (down 18.7% YoY) in the segment.

In the globe and sock knitting machine segment, net sales amounted to ¥756 million (up 69.2% YoY) because of the growth in capital investments by major overseas users.

In other business, net sales amounted to ¥5,716 million (down 6.52% YoY) because of the sales of components for maintenance and woolen yarn.

For all of these segments, overseas net sales amounted to ¥27,020 million (down 6.9% YoY), and the ratio of overseas net sales to net sales stood at 83.1% (up 2.3 points YoY). By region, the ratio to total consolidated net sales stood at 48.4% (47.2% for the previous period) in Asia, 21.7% (22.3%) in Europe, 7.0% (6.2%) in the Middle East, 16.9% (19.2%) in Japan, and 6.0% (5.1%) in other regions.

**Net Sales (¥ million)**

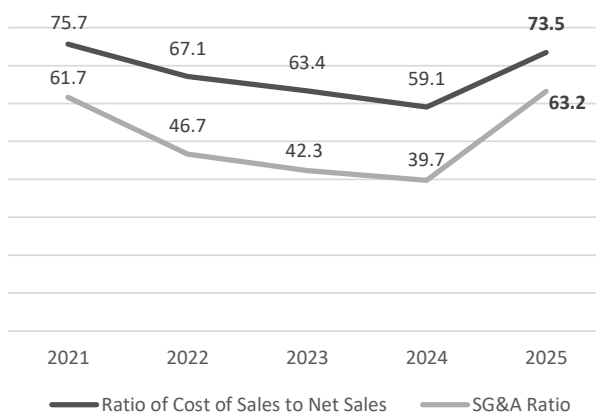


### **Cost of sales and selling, general, and administrative expenses**

The cost of sales increased to ¥23,886 million from the previous period because of a decrease in the capacity utilization of plants arising from a decrease in net sales, and gross profit decreased to ¥8,634 million, down 41.2% from the previous period, and the gross profit margin ratio stood at 26.5% (40.9% for the previous period).

Selling, general, and administrative expenses increased to ¥20,548 million, up 44.1% from the previous period, because of the recording of a loss on the valuation of inventories and the allowance for doubtful accounts, and the ratio of selling, general, and administrative expenses to net sales increased to 63.2%, up 23.5 points from the previous period.

**Ratio of Cost of Sales to Net Sales/  
SG&A Ratio (%)**



## **Operating income**

Operating loss amounted to ¥11,914 million (operating income of ¥430 million for the previous period) because of the recording of a loss on the valuation of inventories and the allowance for doubtful accounts. By business segment, operating loss amounted to ¥5,020 million (operating income of ¥4,421 million yen for the previous period) in the flat knitting machine segment, operating income amounted to ¥114 million (¥861 million yen for the previous period) in the design system segment, and ¥25 million (¥61 million yen for the previous period) in the globe and sock knitting machine segment, and operating loss amounted to ¥133 million (¥1,317 million yen for the previous period) in other business. As a result of deducting corporate expenses of ¥6,900 million from the total operating income of business segments, operating loss amounted to ¥11,914 million in the consolidated financial statements.

## **Other revenue and expenses**

Net other revenue after the deduction of other expenses amounted to -¥1,846 million (¥884 million for the previous period).

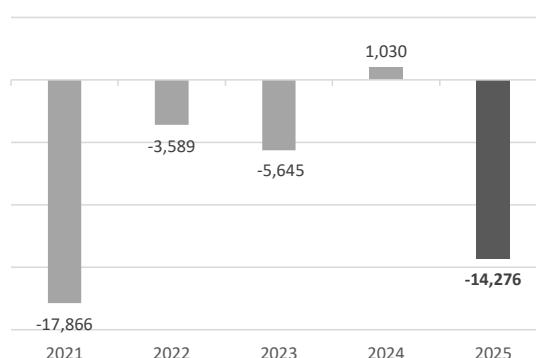
## **Net income attributable to owners of the parent**

Net loss before income taxes amounted to ¥13,760 million (net income of ¥1,314 million for the previous period).

Income taxes - current increased to ¥233 million, up ¥41 million YoY. As a result of income taxes - deferred of ¥280 million (¥91 million for the previous period), tax expenses after the application of tax effect accounting increased to ¥513 million, up ¥230 million YoY.

Consequently, net loss attributable to owners of the parent amounted to ¥14,276 million (net income attributable to owners of the parent of ¥1,030 million for the previous period).

**Net Income (Loss) Attributable to Owners of the Parent (¥ million)**



## **Liquidity and source of funds**

At the end of the current period, cash and cash equivalents decreased to ¥10,364 million, down ¥2,446 million from the end of the previous period. For the current period, cash flow from operating activities amounted to -¥4,462 million mainly because of the recording of a net loss before income taxes. Cash flow from investing activities amounted to -¥3,223 million mainly because of payments to term deposits and acquisition of property, plant, and equipment. Cash flow from financing activities amounted to ¥5,377 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 the funds and the purposes. The financial position remains good since the equity

ratio and liquidity ratio, indicators showing the safety of finance, stood at 78.2% and 420.8% 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 leader in the future and to maintain stable growth from a good financial position and operating activities.

### **Assets, liabilities, and net assets**

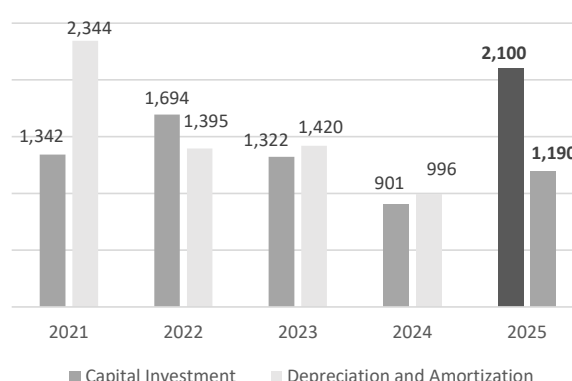
Total assets amounted to ¥99,405 million at the end of the current period, down ¥8,399 million from the end of the previous consolidated fiscal year, because of a decrease in trade receivables and inventories. From the perspective of the perspective of short-term assets and liabilities, current assets decreased to ¥74,205 million, down ¥9,814 million from the end of the previous period. This was mainly due to a decrease in notes receivable of ¥14,654 million (down ¥630 million YoY), merchandise and products of ¥12,428 million (down ¥1,098 million YoY), and raw materials and supplies of ¥11,696 million (down ¥233 million YoY). Current liabilities increased to ¥17,632 million, up ¥5,795 million from the end of the previous period. This was mainly due to an increase in short-term loans payable of ¥8,800 million (up ¥6,300 million YoY).

Fixed assets increased to ¥25,200 million, up ¥1,415 million from the end of the previous period, while fixed liabilities decreased to ¥4,033 million, down ¥7 million from the end of the previous period.

Net assets decreased to ¥77,740 million, down ¥14,187 million from the end of the previous period, mainly due to a decrease in retained earnings. As a result of the above, the equity ratio stood at 78.2% at the end of the current period, down 7.0 points from the end of the previous period.

Return on assets (ROA) and return on equity (ROE) decreased from 1.0% in the previous period to -13.8% and from 1.2% to -16.8%, respectively.

### **Capital Investment/ Depreciation and Amortization (¥ million)**



### **Dividend policy**

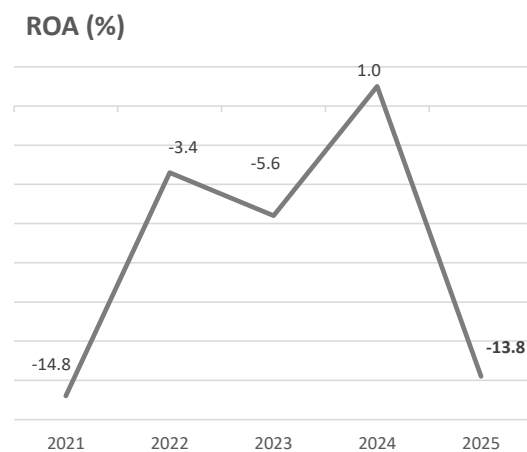
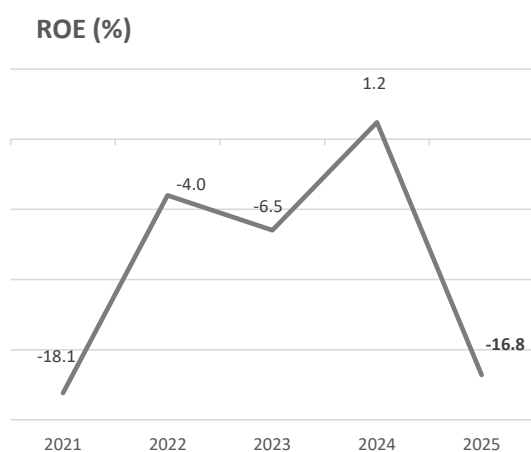
The Company sets the return of profits to shareholders as one of the most important managerial challenges and maintains the basic policy of keeping stable dividends over the long period through sustainable development of the business. We then intend to make a balanced distribution to growth investment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

We will propose an interim dividend of ¥5 per share to the general meeting of shareholders as in the year-end dividend forecast announced on January 31, 2025, and this would result in an annual dividend of ¥10 per share, including the paid interim dividend of ¥5 per share.

In the profit return policy after the following period, based on the medium-term management plan for three years Ever Onward 2026, which started in FY 2024, we will pay dividends according to a target for a consolidated payout

ratio of 40% as we make aggressive growth investments leading to an increase in earning power and increase financial strengths. We will also flexibly acquire treasury shares in a timely fashion with comprehensive consideration of the level of the share price, status of funds, and market environment.

Based on the policy, we will pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share for the next period, and this would result in an annual dividend of ¥20 per share.





# Consolidated Balance Sheets

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries

March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 4,5)	¥14,129	¥14,822	\$94,496
Trade notes (Note 5)	14,654	15,284	98,007
Accounts receivable (Note 5)	20,687	30,219	138,356
Inventories (Note 7)	24,982	26,297	167,081
Prepaid expenses and other current assets	1,365	1,533	9,129
Less: allowance for doubtful accounts	(1,612)	(4,136)	(10,781)
<b>Total current assets</b>	<b>74,205</b>	<b>84,019</b>	<b>496,288</b>
<b>Investments and other assets:</b>			
Investments in unconsolidated subsidiaries (Note 5)	352	352	2,354
Investments in securities (Note 5,6)	5,789	5,168	38,717
Distressed receivables	11,335	2,411	75,809
Net defined benefit assets (Note 11)	1,226	1,203	8,200
Deferred tax assets (Note 14)	304	589	2,033
Software	44	118	294
Other	1,433	1,270	9,584
Less: allowance for doubtful accounts	(9,469)	(2,392)	(63,329)
<b>Total investments and other assets</b>	<b>11,014</b>	<b>8,719</b>	<b>73,662</b>
<b>Property, plant and equipment:</b>			
Land (Note 8)	6,398	6,584	42,790
Buildings and structures	27,739	27,928	185,520
Machinery and equipment	5,951	6,044	39,801
Tools, furniture and fixtures	7,074	6,970	47,311
Leased assets	4,364	5,307	29,187
Construction in progress	52	83	348
	<b>51,578</b>	<b>52,916</b>	<b>344,957</b>
Less: accumulated depreciation	(37,392)	(37,850)	(250,080)
<b>Property, plant and equipment, net</b>	<b>14,186</b>	<b>15,066</b>	<b>94,877</b>
<b>Total assets</b>	<b>¥99,405</b>	<b>¥107,804</b>	<b>\$664,827</b>

See the accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Note 5,9)	¥8,800	¥2,500	\$58,855
Lease obligation	512	673	3,424
Trade notes and accounts payable (Note 5)	1,476	1,868	9,872
Electronically recorded obligations-operating (Note 5)	587	769	3,926
Accrued expenses	1,717	2,000	11,483
Accrued income taxes	207	243	1,384
Contract liabilities	1,537	1,735	10,280
Provision for loss on guarantees	38	81	254
Provision for product warranties	292	-	1,953
Other current liabilities	2,466	1,968	16,493
<b>Total current liabilities</b>	<b>17,632</b>	<b>11,837</b>	<b>117,924</b>
<b>Long-term liabilities:</b>			
Long-term accounts payable	45	53	301
Lease obligation	670	836	4,481
Deferred tax liabilities (Note 14)	1,082	866	7,237
Deferred tax liabilities for land revaluation (Note 8)	18	18	120
Net defined benefit liability (Note 11)	2,016	1,997	13,483
Other long-term liabilities	202	270	1,351
<b>Total long-term liabilities</b>	<b>4,033</b>	<b>4,040</b>	<b>26,973</b>
<b>Contingent liabilities</b> (Note 12)			
<b>Net assets:</b>			
Shareholders' equity:			
Common stock:			
Authorized - 142,000,000 shares			
Issued - 2025 - 35,800,000 shares			
2024 - 35,800,000 shares	14,860	14,860	99,385
Capital surplus	23,421	23,423	156,641
Retained earnings	31,615	46,236	211,443
Treasury stock, at cost			
2025 - 1,281,700 shares			
2024 - 1,283,800 shares	(3,912)	(3,920)	(26,164)
<b>Total shareholders' equity</b>	<b>65,984</b>	<b>80,599</b>	<b>441,305</b>
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	2,542	1,703	17,001
Land revaluation difference (Note 8)	33	34	221
Foreign currency translation adjustments	9,781	10,320	65,416
Remeasurements of defined benefit plans	(638)	(766)	(4,267)
<b>Total accumulated other comprehensive income</b>	<b>11,718</b>	<b>11,291</b>	<b>78,371</b>
Subscription rights to share (Note 16)	13	16	87
Non-controlling interests in consolidated subsidiaries	25	21	167
<b>Total net assets</b>	<b>77,740</b>	<b>91,927</b>	<b>519,930</b>
<b>Total liabilities and net assets</b>	<b>¥99,405</b>	<b>¥107,804</b>	<b>\$664,827</b>

See the accompanying notes to the consolidated financial statements.

# Consolidated Statements of Income

SHIMA SEIKI MFG., LTD. and Consolidated Subsidiaries

Years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
<b>Net sales</b>	<b>¥32,520</b>	¥35,910	<b>\$217,496</b>
<b>Cost of sales</b>	<b>23,886</b>	21,221	<b>159,751</b>
<b>Gross profit</b>	<b>8,634</b>	14,689	<b>57,745</b>
<b>Selling, general and administrative expenses</b> (Note 15)	<b>20,548</b>	14,259	<b>137,427</b>
<b>Operating income (loss)</b>	<b>(11,914)</b>	430	<b>(79,682)</b>
<b>Other income (expenses):</b>			
Interest and dividend income	<b>908</b>	859	<b>6,073</b>
Interest expense	<b>(48)</b>	(52)	<b>(321)</b>
Foreign exchange gain (loss)	<b>(611)</b>	(590)	<b>(4,086)</b>
Provision of allowance for doubtful accounts	<b>(4)</b>	-	<b>(27)</b>
Provision for loss on product warranties	<b>(292)</b>	-	<b>(1,953)</b>
Subsidy income	-	46	-
Impairment loss	<b>(1,496)</b>	-	<b>(10,005)</b>
Gain on sales of investment securities	-	250	-
Loss on valuation of investment securities	<b>(439)</b>	-	<b>(2,936)</b>
Loss on sale of fixed assets	<b>(51)</b>	-	<b>(341)</b>
Other, net	<b>187</b>	371	<b>1,250</b>
<b>Income (loss) before income taxes</b>	<b>¥(13,760)</b>	¥1,314	<b>\$(92,028)</b>
<b>Income taxes</b> (Note 14):			
Current	<b>233</b>	192	<b>1,558</b>
Deferred	<b>280</b>	91	<b>1,873</b>
	<b>513</b>	283	<b>3,431</b>
<b>Net income (loss)</b>	<b>(14,273)</b>	1,031	<b>(95,459)</b>
<b>Net income attributable to non-controlling interests</b>	<b>3</b>	1	<b>21</b>
<b>Net income (loss) attributable to owners of the parent</b>	<b>¥(14,276)</b>	¥1,030	<b>\$(95,480)</b>
	Yen		U.S. dollars
<b>Net income (loss) per share:</b>			
Basic	<b>¥(413.58)</b>	¥29.85	<b>\$(2.77)</b>
Diluted	-	29.84	-
Cash dividends applicable to the year	<b>10.00</b>	10.00	<b>0.07</b>

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
<b>Net income (loss)</b>	<b>¥(14,273)</b>	<b>¥1,031</b>	<b>\$(95,459)</b>
<b>Other comprehensive income</b> (Note 17):			
Net unrealized holding gain on securities	839	786	5,611
Land revaluation difference	(1)	-	(7)
Foreign currency translation adjustments	(538)	4,949	(3,598)
Remeasurements of defined benefit plans	128	(605)	856
Total other comprehensive income	428	5,130	2,862
<b>Comprehensive income</b>	<b>¥(13,845)</b>	<b>¥6,161</b>	<b>\$(92,597)</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥(13,848)	¥6,160	\$(92,616)
Comprehensive income attributable to non-controlling interests	3	1	19

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, 2025 and 2024

	Thousands	Millions of yen										
	Number of	Net										
	shares of	unrealized										
	common	Treasury holding Land Foreign Remeasure-										
	stock	Common	Capital	Retained	stock,	gain on	revaluation	translation	ments of	Subscription	interests in	Total
	issued	stock	surplus	earnings	at cost	securities	difference	adjustments	benefit plans	rights to shares	consolidated subsidiaries	net assets
<b>Balance at March 31, 2023</b>	<b>35,800</b>	<b>¥14,860</b>	<b>¥23,424</b>	<b>¥45,550</b>	<b>¥(3,926)</b>	<b>¥916</b>	<b>¥34</b>	<b>¥5,371</b>	<b>¥(161)</b>	<b>¥20</b>	<b>¥19</b>	<b>¥86,107</b>
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
<b>Balance at March 31, 2024</b>	<b>35,800</b>	<b>¥14,860</b>	<b>¥23,423</b>	<b>¥46,236</b>	<b>¥(3,920)</b>	<b>¥1,703</b>	<b>¥34</b>	<b>¥10,320</b>	<b>¥(766)</b>	<b>¥16</b>	<b>¥21</b>	<b>¥91,927</b>
Cash dividends	-	-	-	(345)	-	-	-	-	-	-	-	(345)
Net loss attributable to owners of the parent	-	-	-	(14,276)	-	-	-	-	-	-	-	(14,276)
Purchases of treasury stock	-	-	-	-	(0)	-	-	-	-	-	-	(0)
Retirement of treasury stock	-	-	(2)	-	8	-	-	-	-	-	-	6
Other changes, net	-	-	-	-	-	839	(1)	(539)	128	(3)	4	428
<b>Balance at March 31, 2025</b>	<b>35,800</b>	<b>¥14,860</b>	<b>¥23,421</b>	<b>¥31,615</b>	<b>¥(3,912)</b>	<b>¥2,542</b>	<b>¥33</b>	<b>¥9,781</b>	<b>¥(638)</b>	<b>¥13</b>	<b>¥25</b>	<b>¥77,740</b>

	Thousands of U.S. dollars										
	Net									Non-	
					unrealized		Foreign	Remeasure-	controlling		
				Treasury	holding	Land	currency	ments of		interests in	
	Common	Capital	Retained	stock,	gain on	revaluation	translation	defined	Subscription	consolidated	Total
stock	surplus	earnings	at cost	securities	difference	adjustments	benefit plans	rights to shares	subsidiaries	net assets	
Balance at March 31, 2024	\$99,385	\$156,655	\$309,230	\$(26,217)	\$11,390	\$227	\$69,021	\$(5,123)	\$107	\$140	\$614,815
Cash dividends	-	-	(2,307)	-	-	-	-	-	-	-	(2,307)
Net loss attributable to owners of the parent	-	-	(95,480)	-	-	-	-	-	-	-	(95,480)
Purchases of treasury stock	-		-	-	-	(0)	-	-	-	-	(0)
Retirement of treasury stock	-	(14)	-	53	-	-	-	-	-	-	39
Other changes, net	-	-	-	-	5,611	(6)	(3,605)	856	(20)	27	2,863
Balance at March 31, 2025	\$99,385	\$156,641	\$211,443	\$(26,164)	\$17,001	\$221	\$65,416	\$(4,267)	\$87	\$167	\$519,930

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
<b>Cash flows from operating activities:</b>			
Income (Loss) before income taxes	¥(13,760)	¥1,314	\$(92,028)
Adjustments to reconcile income (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,190	996	7,959
Increase (Decrease) in allowance for doubtful accounts	4,661	(924)	31,173
Increase in provision for product warranties	292	-	1,953
Increase in net defined benefit liability	127	114	849
Interest and dividend income	(908)	(859)	(6,073)
Interest expense	48	52	321
Foreign exchange gain and loss	61	840	408
Gain on sales and disposal of property, plant and equipment, net	51	-	341
Gain on sale of investment in securities	-	(250)	-
Loss on valuation of investment securities	439	-	2,936
Impairment loss	1,496	-	10,005
Subsidy income	-	(46)	-
Decrease in trade receivables	895	1,071	5,986
Decrease (Increase) in inventories	1,135	(5,547)	7,591
Decrease (Increase) in other current assets	174	(172)	1,164
Decrease in trade payables	(546)	(963)	(3,652)
Decrease in other current liabilities	(227)	(267)	(1,518)
Other	(236)	238	(1,578)
Subtotal	(5,108)	(4,403)	(34,163)
Interest and dividend income received	927	841	6,200
Interest expense paid	(54)	(52)	(361)
Income taxes paid	(227)	(553)	(1,518)
Proceeds from subsidy income	-	46	-
<b>Net cash provided by operating activities</b>	<b>(4,462)</b>	<b>(4,121)</b>	<b>(29,842)</b>
<b>Cash flows from investing activities:</b>			
(Decrease) Increase in time deposits, net	(1,986)	182	(13,283)
Purchases of property, plant and equipment	(1,406)	(715)	(9,403)
Proceeds from sales of property, plant and equipment	325	63	2,174
Proceeds from sales of investments in securities	-	513	-
Other	(156)	(211)	(1,043)
<b>Net cash provided by (used in) investing activities</b>	<b>(3,223)</b>	<b>(168)</b>	<b>(21,555)</b>
<b>Cash flows from financing activities:</b>			
Increase in short-term borrowings, net	6,300	1,500	42,135
Repayment of finance lease obligations	(577)	(804)	(3,859)
Purchases of treasury stock	(1)	(1)	(7)
Cash dividends paid	(345)	(346)	(2,307)
Other	0	0	0
<b>Net cash used in financing activities</b>	<b>5,377</b>	<b>349</b>	<b>35,962</b>
Effect of exchange rate changes on cash and cash equivalents	(138)	1,233	(923)
Net Decrease in cash and cash equivalents	(2,446)	(2,707)	(16,358)
Cash and cash equivalents at beginning of year	12,810	15,517	85,674
Cash and cash equivalents at end of year (Note 4)	¥10,364	¥12,810	\$69,316

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, 2025, which was ¥149.52 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, 2025 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
	2025	2024	2025
Allowance for doubtful accounts (Current assets)	¥(1,612)	¥(4,136)	\$(10,781)
Allowance for doubtful accounts (non-Current assets)	(9,469)	(2,392)	(63,329)

**(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 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.

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, 2025 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
	2025	2024	2025
Property, plant and equipment	¥14,186	¥15,066	\$94,877
Intangible assets	78	153	522
Impairment loss	1,496	—	10,005

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

The Company grouped their fixed assets mainly based on operating activities.

For rental assets and idle assets, grouping is performed on an individual asset basis, and impairment indicators are assessed for each asset or asset group. For assets or asset groups showing signs of impairment, if the total undiscounted cash flows expected to be generated from the asset or asset group are less than its carrying amount, the carrying amount is reduced to its recoverable amount, and the resulting decrease is recognized as an impairment loss.

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.

## (3) Loss on valuation of inventories

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Finished goods	¥12,428	¥13,526	\$83,119
Work in process	858	842	5,738
Raw materials and supplies	11,696	11,929	78,224
	¥24,982	¥26,297	\$167,081

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

The carrying amount of inventories on the consolidated balance sheet is calculated using the write-down method based on reduced profitability. If the net realizable value, calculated based on recent selling prices, is lower than the acquisition cost, the net realizable value is used as the carrying amount on the consolidated balance sheet, and the difference between the acquisition cost and the net realizable value is recognized in cost of sales. Furthermore, for inventory that has fallen out of the normal operating cycle, the carrying amount is systematically reduced in accordance with a depreciation rate calculated considering factors such as the past inventory turnover period. The amount of this reduction is recognized in cost of sales.

The significant assumptions used in the valuation of inventories are the net realizable value and the impairment rate.

Should changes in market conditions or other factors lead to revisions in these estimation assumptions, this could have a material impact on the amounts recognized for inventories and cost of sales in the consolidated financial statements for the subsequent consolidated fiscal year and thereafter.

## 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, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and time deposits	¥14,129	¥14,822	\$94,496
Time deposits with an original maturity in excess of three months included in cash and deposits	(3,765)	(2,012)	(25,180)
Cash and cash equivalents at end of year	¥10,364	¥12,810	\$69,316

## 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			
2025			
	Book value	Fair value	Difference
① Trade notes	¥14,654	—	—
Less: allowance for doubtful accounts *1	(669)	—	—
	13,985	¥13,754	¥ (231)
② Accounts receivable	20,687	—	—
Less: allowance for doubtful accounts *1	(943)	—	—
	19,744	19,579	(165)
③ Investments in securities *2	5,046	5,046	—

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

Thousands of U.S. dollars			
2025			
	Book value	Fair value	Difference
① Trade notes	\$98,007	—	—
Less: allowance for doubtful accounts *1	(4,474)	—	—
	93,533	\$91,988	\$ (1,545)
② Accounts receivable	138,356	—	—
Less: allowance for doubtful accounts *1	(6,307)	—	—
	132,049	130,946	(1,103)
③ Investments in securities *2	33,748	33,748	—

\*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
	2025	2024	2025
Unlisted equity securities	¥1,069	¥1,508	\$7,150

**(Note1) Redemption schedule of monetary receivables and marketable securities with maturities after March 31, 2025 and 2024**

Millions of yen				
(As of March 31, 2025)	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	¥14,129	—	—	—
Trade notes	5,404	¥9,250	—	—
Accounts receivable	14,722	5,965	—	—
Investment securities				
Available-for-sale securities with maturity				
– Other investments	—	—	—	—
<b>Total</b>	<b>¥34,255</b>	<b>¥15,215</b>	<b>—</b>	<b>—</b>

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	—	—	—	—
<b>Total</b>	<b>¥39,972</b>	<b>¥20,353</b>	<b>—</b>	<b>—</b>

(As of March 31, 2025)	Thousands of U.S. dollars			
	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	\$94,496	—	—	—
Trade notes	36,142	\$61,865	—	—
Accounts receivable	98,462	39,894	—	—
Investment securities				
Available-for-sale securities with maturity				
— Other investments	—	—	—	—
<b>Total</b>	<b>\$229,100</b>	<b>\$101,759</b>	<b>—</b>	<b>—</b>

**(Note2) Redemption schedule of short-term borrowings and lease obligation after March 31, 2025 and 2024**

(As of March 31, 2025)	Millions of yen					
	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	¥8,800	—	—	—	—	—
Lease obligation	¥512	¥270	¥151	¥96	¥75	¥78
<b>Total</b>	<b>¥9,312</b>	<b>¥270</b>	<b>¥151</b>	<b>¥96</b>	<b>¥75</b>	<b>¥78</b>

(As of March 31, 2024)	Millions of yen					
	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
<b>Total</b>	<b>¥3,173</b>	<b>¥414</b>	<b>¥218</b>	<b>¥107</b>	<b>¥49</b>	<b>¥48</b>

(As of March 31, 2025)	Thousands of U.S. dollars					
	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	\$58,855	—	—	—	—	—
Lease obligation	\$3,424	\$1,805	\$1,010	\$642	\$502	\$522
<b>Total</b>	<b>\$62,279</b>	<b>\$1,805</b>	<b>\$1,010</b>	<b>\$642</b>	<b>\$502</b>	<b>\$522</b>

**(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			
	2025			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Available-for-sale securities				
— Equity securities	¥5,046	—	—	¥5,046
<b>Total assets</b>	<b>¥5,046</b>	<b>—</b>	<b>—</b>	<b>¥5,046</b>

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

Thousands of U.S. dollars			
2025			
Level 1	Level 2	Level 3	Total
Investments in securities			
Available-for-sale securities			
– Equity securities	\$33,748	—	\$33,748
Total assets	\$33,748	—	\$33,748

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

Millions of yen			
2025			
Level 1	Level 2	Level 3	Total
Trade notes	¥13,755	—	¥13,755
Accounts receivable	19,579	—	19,579
Investments in securities			
Available-for-sale securities			
– Equity securities	—	—	—
Total assets	¥33,334	—	¥33,334

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

Thousands of U.S. dollars			
2025			
Level 1	Level 2	Level 3	Total
Trade notes	\$91,994	—	\$91,994
Accounts receivable	130,946	—	130,946
Investments in securities			
Available-for-sale securities			
– Other investments	—	—	—
Total assets	\$222,940	—	\$222,940

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, 2025 and 2024 were as follows:

Millions of yen						
	2025			2024		
	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	¥5,046	¥3,206	¥1,840	¥3,985	¥2,145
Other	—	—	—	—	—	—
Subtotal	¥1,840	¥5,046	¥3,206	¥1,840	¥3,985	¥2,145
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:						
Equity securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	¥1,840	¥5,046	¥3,206	¥1,840	¥3,985	¥2,145

Thousands of U.S. dollars			
	2025		
	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	\$12,306	\$33,748	\$21,442
Other	—	—	—
Subtotal	\$12,306	\$33,748	\$21,442
Other securities whose market values recorded in the balance sheet do not exceed their acquisition costs:			
Equity securities	—	—	—
Other	—	—	—
Subtotal	—	—	—
Total	\$12,306	\$33,748	\$21,442

Other securities without quoted market prices at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	Amount recorded in the balance sheet		
	2025	2024	2025
Other securities	¥1,069	¥1,508	\$7,150
	¥1,069	¥1,508	\$7,150

## 7. Inventories

Inventories at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Finished goods	¥12,428	¥13,526	\$83,119
Raw materials	11,382	11,632	76,124
Work in process	858	842	5,738
Supplies and others	314	297	2,100
	¥24,982	¥26,297	\$167,081

## 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 ¥107 million (\$716 thousand) at March 31, 2025 and less than its carrying value by ¥95 million at March 31, 2024, respectively.

## 9. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Average rate of 0.50% unsecured loans from banks	¥8,800	¥2,500	\$58,855

## 10. Impairment loss

For the year ended March 31, 2025

The Companies recognized an impairment loss under the following asset category.

Location	Category	Related Assets	Millions of Yen	Thousands of U.S. dollars
Wakayama prefecture	Business assets	Machine, Tool etc	¥1,163	\$7,777
etc.				
Wakayama prefecture	Rental assets	Land, Building etc	152	1,017
Hong Kong	Business assets	Leased Assets etc	171	1,144
Wakayama prefecture	Idle assets	Land	10	67
etc.				

The Companies grouped their fixed assets mainly based on operating activities, with idle assets and rental assets were each treated as separate property. Due to decline profitability, the carrying amount of the assets were reduced to a recoverable amount and an impairment loss of ¥1,485 million (\$9,938 thousand) was recognized for the business assets and goodwill listed above. Due to a significant decrease in the market value of the company's assets, the carrying amount of the assets were reduced to a recoverable amount and an impairment loss of ¥10 million (\$67 thousand) was recognized for the idle assets listed above.

The recoverable amount of those assets was measured based on net selling price. It was estimated based on the real estate appraisal value for land and building. Other assets were estimated by their disposal value.

## 11. Retirement benefits

Retirement benefits at March 31, 2025 and 2024 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
	2025	2024	2025
Balance, beginning of year	¥7,481	¥6,794	\$50,033
Service cost	321	342	2,147
Interest cost	74	74	495
Actuarial loss	(115)	4	(769)
Benefit paid	(470)	(456)	(3,143)
Past service cost	—	723	—
Balance, end of year	¥7,291	¥7,481	\$48,763

(2) Movement in plan assets

	Millions of yen		Thousands of U. S. dollars
	2025	2024	2025
Balance, beginning of year	¥6,686	¥6,714	\$44,716
Expected return on plan assets	77	77	515
Actuarial gain	(85)	55	(568)
Contributions paid by the employer	203	212	1,358
Benefit paid	(380)	(372)	(2,541)
Balance, end of year	¥6,501	¥6,686	\$43,480

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

	Millions of yen		Thousands of U. S. dollars
	2025	2024	2025
Funded retirement benefit obligations	¥5,275	¥5,484	\$35,280
Plan assets	(6,501)	(6,687)	(43,480)
	(1,226)	(1,203)	(8,200)
Unfunded retirement benefit obligations	2,016	1,997	13,483
Total net liability for retirement benefits end of year	790	794	5,283
Net defined benefit liability	2,016	1,997	13,483
Net defined benefit assets	(1,226)	(1,203)	(8,200)
Total net liability for retirement benefits end of year	¥790	¥794	\$5,283

(4) Retirement benefit costs

	Millions of yen		Thousands of U. S. dollars
	2025	2024	2025
Service cost	¥321	¥342	\$2,147
Interest cost	74	74	495
Expected return on plan assets	(77)	(77)	(515)
Net actuarial loss amortization	(60)	(81)	(402)
Past service costs amortization	158	158	1,057
Total retirement benefits costs	¥416	¥416	\$2,782

(5) Remeasurements of defined benefit plans (before deductions of income taxes and tax effects)

	Millions of yen		Thousands of U. S. dollars
	2025	2024	2025
Past service cost	¥158	¥(564)	\$1,057
Actuarial gain and loss	(29)	(32)	(194)
Total balance end of year	¥129	¥(596)	\$863

(6) Remeasurements of defined benefit plans (before deductions of income taxes and tax effects)

	Millions of yen		Thousands of U. S. dollars
	2025	2024	2025
Past service costs that are yet to be recognized	¥(1,008)	¥(1,166)	\$(6,742)
Actuarial gain and loss that are yet to be recognized	392	421	2,622
Total balance end of year	¥(616)	¥(745)	\$(4,120)

(7) Plan assets

① Plan assets at March 31, 2025 comprise:

Equity securities	4%
Bonds	10%
Insurance assets (General account)	75%
Other	11%
Total	100%

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

② Long-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, 2025 (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	1.36 ~ 3.68%

Defined contribution plans

Amounts required to contribute to the defined contribution plans of certain consolidated subsidiaries was ¥49 million and ¥43 million (\$288 thousand) for the year ended March 31, 2024 and 2025 respectively.

## 12. Contingent liabilities

Contingent liabilities at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Guarantees of customers' loans and lease obligations	¥33	¥73	\$221

## 13. Derivative financial instruments

The contract amount, estimated fair value and unrealized gain (loss) of the derivative instruments as of March 31, 2025 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		
		2025		
		Contract amount		
		Total	Settled over one year	Estimated fair value
Allocation method for foreign exchange contracts	Foreign exchange contracts:			
	Put US\$	¥ 297	—	Note 1
	EUR	2,516	—	Note 1

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

		Thousands of U.S. dollars		
		2025		
		Contract amount		Estimated fair value
		Total	Settled over one year	
Allocation method for foreign exchange contracts	Foreign exchange contracts:			
	Put US\$	\$1,986	—	Note 1
	EUR	16,827	—	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.

## 14. 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 31.36% and 30.46% for the year ended March 31, 2025 and 2024.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Tax loss carryforwards	¥11,766	¥9,091	\$78,692
Impairment loss on fixed assets	2,981	2,771	19,937
Allowance for doubtful accounts	1,960	1,388	13,109
Loss on valuation of investments in securities	278	270	1,859
Net defined benefit liability	405	347	2,709
Long - term liabilities	14	16	94
Accrued bonuses to employees	363	403	2,428
Allowance for losses on guarantees	12	25	80
Loss on valuation of inventories	761	—	5,090
Provision for product warranties	90	—	602
Intercompany profit	5	11	33
Other	238	332	1,591
Total gross deferred tax assets	18,873	14,654	126,224
Less valuation allowance	(18,569)	(14,065)	(124,191)
Net deferred tax assets	304	589	2,033
Deferred tax liabilities:			
Net defined benefit asset	(389)	(371)	(2,602)
Unrealized holding gain on securities	(660)	(442)	(4,414)
Other	(33)	(53)	(221)
Total gross deferred tax liabilities	(1,082)	(866)	(7,237)
Net deferred tax assets	¥(778)	¥(277)	\$ (5,204)

Note: Valuation allowance increases ¥4,504 million (\$30,123 thousands). The main reasons were increases in losses carried forward, allowance for doubtful accounts, impairment losses and loss on valuation of inventories.

## 15. Research and development costs

Research and development costs charged to income were ¥3,752 million (\$25,094 thousand) and ¥3,340 million for the years ended March 31, 2025 and 2024, respectively.

## 16. Stock option plan

As of March 31, 2025, 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

Date of resolution	June 26, 2024
Type and number of eligible persons	[The Company] Director:2 Executive officer: 5
Class and number of shares to be granted	Common stock: 1,800 shares
Grant date	July 17, 2024
Vesting requirement	—
Vesting period	—
Exercise period	From July 18, 2024 to July 17, 2054

(a) Number and price information

(As of March 31, 2025)

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, 2024	—	—	—	—	—
Granted	—	—	—	—	—
Expired	—	—	—	—	—
Vested	—	—	—	—	—
Outstanding as of March 31, 2025	—	—	—	—	—
Vested stock options					
Outstanding as of March 31, 2024	1,200	800	800	1,400	1,600
Vested	—	—	—	—	—
Exercised	600	400	400	400	400
Expired	—	—	—	—	—
Outstanding as of March 31, 2025	600	400	400	1,000	1,200

Date of resolution	June 28, 2023	June 26, 2024
Unvested stock options		
Outstanding as of March 31, 2024	—	—
Granted	—	1,800
Expired	—	—
Vested	—	1,800
Outstanding as of March 31, 2025	—	—
Vested stock options		
Outstanding as of March 31, 2024	1,800	—
Vested	—	1,800
Exercised	400	—
Expired	—	—
Outstanding as of March 31, 2025	1,400	1,800

	Yen	Yen	Yen	Yen	Yen
Date of resolution	July 25, 2018	June 27, 2019	June 25, 2020	June 25, 2021	June 28, 2022
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average stock price at exercise	¥1,687	¥1,687	¥1,687	¥1,687	¥1,687
Fair value at grant date	¥ 4,369	¥ 2,261	¥ 900	¥ 1,542	¥ 1,908

	Yen	Yen
Date of resolution	June 28, 2023	June 26, 2024
Exercise price	¥ 1	¥ 1
Average stock price at exercise	¥1,687	—
Fair value at grant date	¥ 1,745	¥ 1,619

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

Estimate method: Black Scholes Model

	Yen
Volatility	37.26%
Expected remaining period	15 years
Estimated dividend	¥10.00 per share
Non risk interest rate	1.52%

(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.

## 17. Comprehensive income

The amount of recycling and amount of income tax, tax effect associated with other comprehensive income at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net unrealized holdings gain on securities:			
Amount recognized in the period under review	¥1,058	¥1,276	\$7,076
Amount of recycling	—	(250)	—
Income taxes and before tax effect adjustment	1,058	1,026	7,076
Income taxes and tax effect amount	(219)	(240)	(1,465)
Net unrealized holdings gain on securities	839	786	5,611
Land revaluation difference:			
Amount recognized in the period under review	—	—	—
Amount of recycling	—	—	—
Income taxes and before tax effect adjustment	—	—	—
Income taxes and tax effect amount	(1)	—	(7)
Land revaluation difference	(1)	—	(7)
Foreign currency translation adjustments:			
Amount recognized in the period under review	(538)	4,949	(3,598)
Amount of recycling	—	—	—
Income taxes and before tax effect adjustment	(538)	4,949	(3,598)
Income taxes and tax effect amount	—	—	—
Foreign currency translation adjustments	(538)	4,949	(3,598)
Remeasurements of defined benefit plans			
Amount recognized in the period under review	30	(673)	201
Amount of recycling	99	77	662
Income taxes and before tax effect adjustment	129	(596)	863
Income taxes and tax effect amount	(1)	(9)	(7)
Remeasurements of defined benefit plans	128	(605)	856
Total other comprehensive income	¥428	¥5,130	\$2,862

## 18. Revenue Recognition

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

	Millions of yen				
	2025				
	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	¥23,230	¥2,818	¥756	¥26,804	¥5,425
Over time	—	—	—	—	291
Revenue from Contract with Customers	23,230	2,818	756	26,804	5,716
Sales to customers	¥23,230	¥2,818	¥756	¥26,804	¥5,716

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

Thousands of U.S. dollars						
2025						
	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	\$155,364	\$18,847	\$5,056	\$179,267	\$36,283	\$215,550
Over time	—	—	—	—	1,946	1,946
Revenue from Contract with Customers	155,364	18,847	5,056	179,267	38,229	217,496
Sales to customers	\$155,364	\$18,847	\$5,056	\$179,267	\$38,229	\$217,496

**(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
	2025	2024	2025
Receivables arising from contracts with customers	¥35,341	¥45,503	\$236,363
Contract liabilities	1,537	1,735	10,280

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
	2025	2024	2025
Within 1 year	¥281	¥255	\$1,879
Over 1 year but within 2 years	178	181	1,190
Over 2 years but within 3 years	82	101	549
Over 3 years	28	33	187
Total	569	570	3,805

## 19. 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, 2025 and 2024 were as follows:

	Millions of yen					
	2025					
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total	Other	Grand total
<b>Sales and operating income:</b>						
At a point in time	¥23,230	¥2,818	¥756	¥26,804	¥5,425	¥32,229
Over time	—	—	—	—	291	291
<b>Revenue from Contract with Customers</b>	23,230	2,818	756	26,804	5,716	32,520
Sales to customers	¥23,230	¥2,818	¥756	¥26,804	¥5,716	¥32,520
Inter-segment sales	—	—	—	—	—	—
Total sales	23,230	2,818	756	26,804	5,716	32,520
Segment profit	¥(5,020)	¥114	¥25	¥(4,881)	¥(133)	¥(5,014)
<b>Segment Assets:</b>	¥65,940	¥3,302	¥880	¥70,122	¥9,192	¥79,314
<b>Others:</b>						
Capital expenditure	¥1,064	¥37	¥28	¥1,129	¥239	¥1,368
Depreciation	701	25	17	743	125	868



Millions of yen						
2024						
	Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Total	Other	Grand total
<b>Sales and operating income:</b>						
At a point in time	¥25,885	¥3,466	¥447	¥29,798	¥5,838	¥35,636
Over time	—	—	—	—	274	274
<b>Revenue from Contract with Customers</b>	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
<b>Segment Assets:</b>	¥74,084	¥3,997	¥669	¥78,750	¥9,817	¥88,567
<b>Others:</b>						
Capital expenditure	¥733	¥51	¥14	¥798	¥123	¥921
Depreciation	615	25	12	652	86	738

Thousands of U.S. dollars						
2025						
	Flat Knitting Machine	Design System	Glove and Sock knitting Machine	Total	Other	Grand total
<b>Sales and operating income:</b>						
At a point in time	\$155,364	\$18,847	\$5,056	\$179,267	\$36,283	\$215,550
Over time	—	—	—	—	1,946	1,946
<b>Revenue from Contract with Customers</b>	155,364	18,847	5,056	179,267	38,229	217,496
Sales to customers	155,364	18,847	5,056	179,267	38,229	217,496
Inter-segment sales	—	—	—	—	—	—
Total sales	155,364	18,847	5,056	179,267	38,229	217,496
Segment profit	\$(33,573)	\$762	\$167	\$(32,644)	\$(890)	\$(33,534)
<b>Segment Assets:</b>	\$441,011	\$22,084	\$5,886	\$468,981	\$61,477	\$530,458
<b>Others:</b>						
Capital expenditure	\$7,116	\$247	\$187	\$7,550	\$1,598	\$9,148
Depreciation	4,688	167	114	4,969	836	5,805

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
	2025	2024	2025
Reportable segments total	¥26,804	¥29,798	\$179,267
Other sales	5,716	6,112	38,229
Net sales in the consolidated statements of income	¥32,520	¥35,910	\$217,496

## Segment profit

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Reportable segments total	<b>¥(4,881)</b>	¥5,343	<b>\$(32,644)</b>
Other income	<b>(133)</b>	1,317	<b>(890)</b>
Corporate expenses	<b>(6,900)</b>	(6,230)	<b>(46,148)</b>
Operating income (loss) in the consolidated statements of income	<b>¥(11,914)</b>	¥430	<b>\$(79,682)</b>

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
	2025	2024	2025
Reportable segments total	<b>¥70,122</b>	¥78,750	<b>\$468,981</b>
Other assets	<b>9,192</b>	9,817	<b>61,477</b>
Company-wide assets	<b>20,091</b>	19,237	<b>134,369</b>
Total assets in the consolidated balance sheets	<b>¥99,405</b>	¥107,804	<b>\$664,827</b>

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						The amount in the consolidated financial statements	
	Reportable segments total		Other		Adjustment			
	2025	2024	2025	2024	2025	2024	2025	2024
Capital expenditure	¥1,129	¥798	¥239	¥123	¥732	¥(20)	¥2,100	¥901
Depreciation	743	652	125	86	322	258	1,190	996

	Thousands of U.S. dollars			
	2025			
	Reportable segments total	Other	Adjustment	The amount in the consolidated financial statements
Capital expenditure	<b>\$7,550</b>	<b>\$1,598</b>	<b>\$4,896</b>	<b>\$14,044</b>
Depreciation	<b>4,969</b>	<b>836</b>	<b>2,154</b>	<b>7,959</b>

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, 2025 and 2024 were as follows:

		Millions of yen					
		2025					
		Japan	Europe	Middle East	Asia	Other	Total
Sales to customers		¥5,500	¥7,066	¥2,276	¥15,732	¥1,946	¥32,520
		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
		Thousands of U.S. dollars					
		2025					
		Japan	Europe	Middle East	Asia	Other	Total
Sales to customers		\$36,784	\$47,258	\$15,222	\$105,217	\$13,015	\$217,496

### Information on impairment losses on fixed assets for each reportable segment

Information on impairment losses on fixed assets for each reportable segment of the Company and its consolidated subsidiaries for the year ended March 31, 2025 was as follows:

		Millions of yen					
		2025					
		Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Reportable segments total	Other	Adjustment
Impairment loss:		¥1,151	¥136	¥32	¥1,319	¥15	¥162
		Thousands of U.S. dollars					
		2025					
		Flat Knitting Machine	Design System	Glove and Sock Knitting Machine	Reportable segments total	Other	Adjustment
Impairment loss:		\$7,698	\$910	\$214	\$8,822	\$100	\$1,083

## 20. Subsequent events

### (1) Appropriation of retained earnings

Shareholders approved the following appropriation of retained earnings at the annual meeting held on June 26, 2025.

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥173	\$1,157

## (2) Acquisition and cancellation of treasury stock

At a meeting of the Board of Directors held on May 9, 2025, the company resolved to acquire its own shares pursuant to the provision of Article 156 of the Companies Act as applied mutatis mutandis pursuant to the Paragraph 3 of Article 165 of the said Act, and to cancel its own shares pursuant to Article 178 of the Companies Act.

### 1. Reasons for acquisition and cancellation of treasury shares

The acquisition and cancellation of treasury shares are carried out for the purposes of enhancing shareholder returns and improving capital efficiency.

### 2. Details of the acquisition of treasury shares

- |   |   |  |
|---|---|--|
| (1) Class of shares to be acquired        | : | Common shares  |
| (2) Total number of shares to be acquired | : | 1 million shares (upper limit)<br>(Equivalent to 2.90% of outstanding shares excluding treasury stock) |
| (3) Total acquisition cost                | : | 1.5 billion yen (upper limit)  |
| (4) Acquisition period                    | : | From May 12, 2025 to September 30, 2025  |
| (5) Acquisition method                    | : | Market purchase on the Tokyo Stock Exchange  |

### 3. Result of the cancellation of treasury shares

- |   |   |   |
|---|---|---|
| (1) Class of shares cancelled                             | : | Common shares   |
| (2) Total number of shares cancelled                      | : | 1,000,000 shares<br>(2.79% of total outstanding shares before cancellation) |
| (3) Total number of outstanding shares after cancellation | : | 34,800,000 shares   |
| (4) Cancellation date                                     | : | October 31, 2025  |

## **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, 2025, 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, 2025, 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
<p>The total amount of the allowance for doubtful accounts on the consolidated balance sheet as of the end of the current fiscal year was 11,081 million yen, most of which was related to the trade receivables of the Company's core business, the flat knitting machine business.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>In considering our assessment of the allowance for doubtful accounts related to trade receivables, we performed the following audit procedures.</p> <p>(1) Assessment of internal control</p> <p>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.</p> <ul style="list-style-type: none"> <li>Internal control over the timely and appropriate acquisition of information and investigation of customers for the proper classification of receivables</li> <li>Internal control over the determination of the classification of receivables in consideration of credit risk</li> <li>Internal control over the evaluation of collateral assets</li> </ul> <p>(2) Examination of the appropriateness of the classification of trade receivables and the estimation of uncollectible amounts</p> <p>In considering appropriateness of the classification of trade receivables and the estimation of uncollectible amounts, we performed the following audit procedures.</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>

#### Other Information

The other information comprises the information included in the disclosure documents 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 29million 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, 2024.

#### **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, 2025 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, 2025

古谷一郎

Ichiro Furutani

Designated Engagement Partner

Certified Public Accountant

橋口健志

Kenji Hashiguchi

Designated Engagement Partner

Certified Public Accountant