
IMV CORPORATION and Subsidiaries

*Consolidated Financial Statements
for the Year Ended September 30, 2024,
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of IMV CORPORATION:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of IMV CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of September 30, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into British pound amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such British pound amounts are presented solely for the convenience of readers outside 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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Cut-off of sales for Vibration Simulation System	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 14, "SEGMENT INFORMATION," to the consolidated financial statements, sales for vibration simulation system for the current fiscal year were ¥10,879,148 thousand, which accounted for 70.9% of the consolidated sales. Sales of products involving installation and operation verification are recorded at the time of completion of delivery, installation, operation verification of the product and inspection of the product by the customer. The sales of products for vibration simulation system are usually higher in the fourth quarter (mainly in the year-end month) compared to other quarters and the sales unit price of the products involving installation and operation verification is relatively high compared to other sales. In addition, such sales require certain man-hours to complete the delivery of products and customer inspection, and the time required to complete the inspection is not uniform as it depends on the type of product and the specifications agreed upon with the customer. For the reasons above, there is a relatively high risk of misjudging the timing of sales for vibration simulation system in the fourth quarter, including the year-end month. There is also a possibility that full-year sales and profits may be materially affected, especially if errors are made in large contracts of a certain amount or more. Therefore, we identified the appropriateness of the cut-off of sales for vibration simulation system as a key audit matter.	We performed the following procedures to test the appropriateness of the cut-off of sales for vibration simulation system, among others: • We tested the design and operating effectiveness of certain internal controls relevant to the timing of sales for vibration simulation system. • We examined if there are any sales transactions with relatively large contractual amounts recorded near the end of the fiscal year, the sales transactions with relatively short periods from the order date to the recorded sales date, and the sales transactions of high monetary significance recorded at an earlier period than originally planned. If the transactions corresponding to the above conditions are identified, we inspected the purchase orders, inspection confirmations, and the other related documentations, as well as, transaction confirmation was carried out to the customer. • We examined that no large costs were incurred after recognition of the sales transactions recorded near the end of the fiscal year. With regard to IMV EUROPE LIMITED, the appropriateness of the cut-off of sales for vibration simulation system was examined by instructing the component auditor to carry out the same audit procedures as described above and by understanding and evaluating the audit procedures and conclusions carried out by the component auditor.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board 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 and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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.
- 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 Board members and the Audit & Supervisory Board 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 Board members and the Audit & Supervisory Board 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 Board members and the Audit & Supervisory Board, 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 for audit and other services for the year ended September 30, 2024, which were charged by us and our network firms to IMV CORPORATION and its subsidiaries were ¥44,469 thousand and ¥2,900 thousand, respectively.

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.

Deloitte Touche Tohmatsu LLC

December 20, 2024

IMV CORPORATION and Subsidiaries

Consolidated Balance Sheet September 30, 2024

ASSETS	Thousands of Yen		Thousands of Pounds (Note 1)	LIABILITIES AND EQUITY	Thousands of Yen		Thousands of Pounds (Note 1)
	2024	2023	2024		2024	2023	2024
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents (Note 11)	¥ 2,518,081	¥ 1,908,183	£ 13,178	Short-term bank loans (Notes 5 and 11)	¥ 2,500,000	¥ 2,060,000	£ 13,083
Receivables (Note 11):				Current portion of long-term debt (Notes 5 and 11)	638,686	629,900	3,342
Trade notes	262,228	322,831	1,372	Payables (Note 11):			
Trade accounts	3,864,618	4,086,460	20,225	Trade notes	228,195	414,906	1,194
Electronically recorded monetary claims	1,336,752	826,093	6,995	Trade accounts	1,132,293	778,513	5,925
Allowance for doubtful receivables	(37,433)	(2,451)	(195)	Electronically recorded obligations	890,155	1,058,771	4,658
Inventories (Note 4)	4,615,413	3,950,077	24,154	Other	401,585	470,309	2,101
Prepaid expenses and other current assets	644,907	706,399	3,375	Accrued expenses	553,452	669,430	2,896
Total current assets	13,204,568	11,797,593	69,104	Income taxes payable	390,775	217,994	2,045
PROPERTY, PLANT AND EQUIPMENT:				Contract liabilities (Note 9)	1,468,358	643,887	7,684
Land (Note 5)	1,935,656	1,935,656	10,130	Provision for product warranty	97,000	59,000	507
Buildings and structures (Note 5)	4,681,608	4,539,473	24,500	Provision for stock-based compensation	47,056	16,192	246
Machinery and equipment	608,382	570,994	3,183	Other current liabilities	198,827	144,208	1,040
Furniture and fixtures	4,073,392	3,782,828	21,317	Total current liabilities	8,546,387	7,163,115	44,726
Lease assets	105,998	104,363	554	LONG-TERM LIABILITIES:			
Construction in progress	454,670	15,439	2,379	Long-term debt (Notes 5 and 11)	222,125	570,807	1,162
Total	11,859,709	10,948,756	62,066	Long-term payables	175,529	175,529	918
Accumulated depreciation	(6,636,995)	(6,155,346)	(34,734)	Asset retirement obligations	52,218	51,319	273
Net property, plant and equipment	5,222,713	4,793,410	27,332	Other long-term liabilities	70,781	81,984	370
INVESTMENTS AND OTHER ASSETS:				Total long-term liabilities	520,654	879,640	2,725
Investment securities (Notes 3 and 11)	169,681	167,354	888	EQUITY:			
Software	144,863	105,876	758	Common stock—authorized, 67,820,000 shares; issued, 16,957,016 shares in 2024 and 2023	464,817	464,817	2,432
Deferred tax assets (Note 8)	462,257	367,631	2,419	Capital surplus	537,372	537,372	2,812
Other assets	80,211	54,218	419	Retained earnings (Note 13)	9,625,498	8,392,241	50,374
Total investments and other assets	857,014	695,081	4,485	Treasury stock—at cost, 1,051,170 shares in 2024 and 659,726 shares in 2023	(382,089)	(142,948)	(1,999)
				Accumulated other comprehensive income (loss):			
				Unrealized gain on available-for-sale securities	25,616	26,542	134
				Foreign currency translation adjustments	(53,960)	(34,696)	(282)
				Total	(28,343)	(8,153)	(148)
				Total equity	10,217,254	9,243,329	53,471
TOTAL	¥ 19,284,295	¥ 17,286,085	£ 100,922	TOTAL	¥ 19,284,295	¥ 17,286,085	£ 100,922

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Income Year Ended September 30, 2024

	Thousands of Yen		Thousands of Pounds (Note 1)
	<u>2024</u>	<u>2023</u>	<u>2024</u>
NET SALES (Notes 9 and 14)	¥ 15,340,372	¥ 13,727,527	£ 80,282
COST OF SALES	<u>9,559,829</u>	<u>9,116,496</u>	<u>50,030</u>
Gross profit	5,780,543	4,611,031	30,251
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	<u>3,932,743</u>	<u>3,344,275</u>	<u>20,581</u>
Operating income	<u>1,847,799</u>	<u>1,266,755</u>	<u>9,670</u>
OTHER INCOME (EXPENSES):			
Interest and dividend income	20,546	14,316	107
Interest expense	(18,751)	(17,090)	(98)
Rental income	8,155	8,155	42
Foreign currency exchange gain (loss)—net	(32,434)	315,966	(169)
Loss on disposal of property, plant and equipment	(321)	(149,076)	(1)
Gain on sales of investment securities	—	19,771	—
Gain on sale of property, plant and equipment	345	488	1
Other—net	<u>27,795</u>	<u>(13,458)</u>	<u>145</u>
Other income—net	<u>5,335</u>	<u>178,584</u>	<u>28</u>
INCOME BEFORE INCOME TAXES	<u>1,853,135</u>	<u>1,445,339</u>	<u>9,698</u>
INCOME TAXES (Note 8):			
Current	519,842	364,377	2,720
Deferred	<u>(95,531)</u>	<u>(45,194)</u>	<u>(499)</u>
Total income taxes	<u>424,311</u>	<u>319,183</u>	<u>2,220</u>
NET INCOME	<u>1,428,824</u>	<u>1,126,156</u>	<u>7,477</u>
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	<u>¥ 1,428,824</u>	<u>¥ 1,126,156</u>	<u>£ 7,477</u>
	<u>Yen</u>		<u>Pounds</u>
PER SHARE OF COMMON STOCK (Note 2.s):			
Basic net income	¥88.75	¥69.11	£0.46
Cash dividends applicable to the year	20.00	12.00	0.1

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Comprehensive Income Year Ended September 30, 2024

	Thousands of Yen		Thousands of Pounds (Note 1)
	<u>2024</u>	<u>2023</u>	<u>2024</u>
NET INCOME	<u>¥1,428,824</u>	<u>¥1,126,156</u>	<u>£7,477</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 12):			
Unrealized gain (loss) on available-for-sale securities	(926)	7,831	(4)
Foreign currency translation adjustments	<u>(19,263)</u>	<u>(5,187)</u>	<u>(100)</u>
Total other comprehensive income (loss)	<u>(20,190)</u>	<u>2,643</u>	<u>(105)</u>
COMPREHENSIVE INCOME	<u>¥1,408,633</u>	<u>¥1,128,800</u>	<u>£7,371</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥1,408,633	¥1,128,800	£7,371
Noncontrolling interests	—	—	—

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries
**Consolidated Statement of Changes in Equity
Year Ended September 30, 2024**

	Thousands	Thousands of Yen						
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Total Equity
						Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	
BALANCE, OCTOBER 1, 2022	16,957,016	¥ 464,817	¥ 536,337	¥ 7,429,020	¥ (143,762)	¥ 18,711	¥ (29,508)	¥ 8,275,614
Net income attributable to owners of the parent				1,126,156				1,126,156
Cash dividends, ¥12.0 per share				(162,935)				(162,935)
Purchase of treasury stock					(0)			(0)
Disposal of treasury stock			1,035		814			1,848
Net change during the year						7,831	(5,187)	2,643
BALANCE, SEPTEMBER 30, 2023	16,957,016	464,817	537,372	8,392,241	(142,948)	26,542	(34,696)	9,243,329
Net income attributable to owners of the parent				1,428,824				1,428,824
Cash dividends, ¥20.0 per share				(195,567)				(195,567)
Purchase of treasury stock					(243,851)			(243,851)
Disposal of treasury stock					4,709			4,709
Net change during the year						(926)	(19,263)	(20,190)
BALANCE, SEPTEMBER 30, 2024	<u>16,957,016</u>	<u>¥ 464,817</u>	<u>¥ 537,372</u>	<u>¥ 9,625,498</u>	<u>¥ (382,089)</u>	<u>¥ 25,616</u>	<u>¥ (53,960)</u>	<u>¥ 10,217,254</u>

	Thousands of Pounds (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)		Total Equity
					Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	
BALANCE, SEPTEMBER 30, 2023	£ 2,432	£ 2,812	£ 43,920	£ (748)	£ 138	£ (181)	£ 48,374
Net income attributable to owners of the parent			7,477				7,477
Cash dividends, £0.1 per share			(1,023)				(1,023)
Purchase of treasury stock				(1,276)			(1,276)
Disposal of treasury stock				24			24
Net change during the year					(4)	(100)	(105)
BALANCE, SEPTEMBER 30, 2024	<u>£ 2,432</u>	<u>£ 2,812</u>	<u>£ 50,374</u>	<u>£ (1,999)</u>	<u>£ 134</u>	<u>£ (282)</u>	<u>£ 53,471</u>

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows Year Ended September 30, 2024

	Thousands of Yen		Thousands of Pounds (Note 1)
	<u>2024</u>	<u>2023</u>	<u>2024</u>
OPERATING ACTIVITIES:			
Net income before income taxes	¥ 1,853,135	¥ 1,445,339	£ 9,698
Adjustments for:			
Depreciation and amortization	583,111	546,929	3,051
Gain on sales of investment securities	—	(19,771)	—
Loss on disposal of property, plant and equipment	321	149,076	1
Gain on sales of property, plant and equipment	(345)	(488)	(1)
Interest and dividend income	(20,546)	(14,316)	(107)
Rental income	(8,155)	(8,155)	(42)
Interest expense	18,751	17,090	98
Increase in allowance for doubtful receivables	35,040	30,118	183
Increase in provision for product warranty	38,000	22,000	198
Increase in provision for stock-based compensation	30,864	2,368	161
Foreign currency exchange gain—net	(27,202)	(70,493)	(142)
Changes in assets and liabilities, net of effects from newly consolidated subsidiaries:			
Increase in trade receivables	(254,703)	(959,074)	(1,332)
Increase in inventories	(678,660)	(357,104)	(3,551)
Increase (decrease) in trade payables	73,282	(177,170)	383
Increase (decrease) in contract liabilities	846,623	(250,126)	4,430
Other—net	(113,809)	(6,805)	(595)
Subtotal	2,375,704	349,417	12,433
Interest and dividends received	20,546	14,316	107
Interest paid	(18,908)	(17,389)	(98)
Income taxes paid	(370,739)	(242,542)	(1,940)
Net cash provided by operating activities	<u>2,006,602</u>	<u>103,800</u>	<u>10,501</u>
INVESTING ACTIVITIES:			
Purchases of investment securities	(3,622)	(3,299)	(18)
Proceeds from sales of investment securities	—	44,900	—
Purchases of property, plant and equipment	(981,039)	(342,197)	(5,134)
Proceeds from sale of property, plant and equipment	31,088	1,114	162
Purchase of intangible fixed assets	(65,401)	(52,488)	(342)
Purchase of time deposits	(18,004)	(18,004)	(94)
Other	2,384	40,602	12
Net cash used in investing activities	<u>(1,034,595)</u>	<u>(329,372)</u>	<u>(5,414)</u>
FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank loans—net	440,000	(250,000)	2,302
Proceeds from long-term debt	250,000	350,000	1,308
Repayments of long-term debt	(589,805)	(1,115,770)	(3,086)
Repayment of finance lease obligations	(21,894)	(2,884)	(114)
Dividends paid	(195,323)	(162,453)	(1,022)
Purchase of treasury stock	(243,851)	(0)	(1,276)
Net cash used in financing activities	<u>(360,874)</u>	<u>(1,181,108)</u>	<u>(1,888)</u>
FORWARD	¥ 611,133	¥ (1,406,680)	£ 3,199

IMV CORPORATION and Subsidiaries

Consolidated Statement of Cash Flows Year Ended September 30, 2024

	Thousands of Yen		Thousands of Pounds (Note 1)
	<u>2024</u>	<u>2023</u>	<u>2024</u>
FORWARD	¥ 611,133	¥ (1,406,680)	£ 3,199
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,235)</u>	<u>41,110</u>	<u>(6)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	609,897	(1,365,569)	3,191
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,908,183</u>	<u>3,273,752</u>	<u>9,986</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>¥2,518,081</u>	<u>¥ 1,908,183</u>	<u>£ 13,178</u>

See notes to consolidated financial statements.

IMV CORPORATION and Subsidiaries

Notes to Consolidated Financial Statements Year Ended September 30, 2024

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of IMV CORPORATION (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of IFRS Accounting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Amounts less than one thousand yen and one thousand pounds are rounded down, except for per share data. Therefore, total amounts may not correspond with the aggregation of such account balances.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into British pound amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥191.08 to £1, the approximate rate of exchange at September 30, 2024. Such translations should not be construed as representations that the Japanese yen amounts could be converted into British pounds at that or any other rate.

Certain reclassifications have been made in the 2023 consolidated financial statements to conform to the classifications used in 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Consolidation**—The consolidated financial statements for the years ended September 30, 2024 and 2023, include the accounts of the Company and its subsidiaries (7 in 2024 and 2023) (together, the "Group").

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

- b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS Accounting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. **Business Combinations**—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

d. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value.

Cash equivalents include time deposits which mature within three months of the date of acquisition.

e. **Inventories**—Finished goods and work in process are stated at the lower of cost, determined by the specific identification method, or net selling value. Raw materials are stated at the lower of cost, determined by the moving-average method, or net selling value (see Note 4).

f. **Allowance for Doubtful Receivables**—Allowance for doubtful receivables is calculated based on the actual historical ratio of bad debt on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

g. **Marketable and Investment Securities**—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities for which there is a positive intent and ability to hold to maturity are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Cost of securities sold is determined by the moving-average method.

All securities held by the Group are classified as available-for-sale securities.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed primarily by the declining-balance method based on the estimated useful lives of the respective assets except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired subsequent to April 1, 1998, and structures acquired subsequent to April 1, 2016. The straight-line method is primarily applied to property, plant and equipment of foreign subsidiaries. The range of useful lives is principally from 30 to 50 years for buildings, from 8 to 18 years for structures, from 5 to 11 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

- i. **Software***—Expenditures relating to development of software intended for internal use are charged to income when incurred except for those that are deemed to contribute to the generation of future income or cost saving. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of five years. Costs relating to development of software for sales are capitalized and amortized at the greater of an amount determined with reference to total estimated sales quantities which are expected to be generated by the product, or an amount computed by a straight-line method with reference to the product's expected life cycle of three years.
- j. **Long-Lived Assets***—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- k. **Asset Retirement Obligations***—An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development, and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- l. **Research and Development Costs***—Research and development costs are charged to income as incurred.
- m. **Leases***—Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet. Lease assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the terms of the lease as the useful life.
- n. **Provision for Product Warranty***—Provision for product warranty is calculated at an estimated amount of the total costs which are expected to be incurred subsequent to the balance sheet date based on the actual historical ratio of the cost of repair and the anticipated amount considering individual product warranties.
- o. **Provision for Stock-Based Compensation***—Provision for stock-based compensation is calculated at an estimated amount based on the attainment of the performance targets and service requirement stipulated in the Company's stock-based compensation plan in order to provide delivery of the shares to directors.
- p. **Income Taxes***—The provision for income taxes is computed based on the income before income taxes included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

- q. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income.
- r. Foreign Currency Financial Statements**—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except that the components of equity excluding noncontrolling interest are translated at historical rate. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.
- s. Per Share Information**—Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the year.

Diluted net income per share is not presented since no potentially dilutive securities have been issued.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

- t. Accounting Changes and Error Corrections**—Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

u. Basis for Recognizing Significant Revenue and Expenses

(1) Main performance obligations based on the contract with the customers of main business

The Group's main performance obligations are manufacturing and sales of vibration test products, installation, operation check, maintenance of the products, and contracted test. Main performance obligations of revenue are generally recognized as follows. There is no significant financial element as consideration for the transaction is received mainly within one year after the performance obligation fulfillment, unless received in advance.

(2) General timing of revenue recognition for main performance obligations

- (a) For products and service which do not require installation or operation checks, revenue is recognized at the delivery of the products or provision of the service as performance obligations are fulfilled at the time of product delivery or service provision.
- (b) For products and service which require installation and operation checks, revenue is recognized at the installation of the products and the completion of the operation check as performance obligations are fulfilled at the time of product installation and completion of the operation check.

- (c) For maintenance contracts of products, etc., revenue is recognized based on the progress of the performance obligation fulfillment as performance obligations are fulfilled over a certain period.

(3) *Information for performance obligations where guarantees and related obligations are included in the contract*

Under the sales contract of vibration test products, etc., the Group has a product warranty obligation to repair without charge or exchange products that have broken down due to defects within generally one year after delivery of products. The Group recognizes a "Provision for product warranty" as this guarantee obligation is to provide guarantee to the customer that the product functions as intended according to the specifications set forth in the contract.

3. INVESTMENT SECURITIES

Investment securities with available market value at September 30, 2024 and 2023, were as follows:

	Thousands of Yen		
	2024		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	<u>¥69,481</u>	<u>¥34,086</u>	<u>¥35,395</u>
Total	<u>¥69,481</u>	<u>¥34,086</u>	<u>¥35,395</u>
	Thousands of Yen		
	2023		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	<u>¥67,154</u>	<u>¥30,453</u>	<u>¥36,701</u>
Total	<u>¥67,154</u>	<u>¥30,453</u>	<u>¥36,701</u>
	Thousands of Pounds		
	2024		
	Carrying Value	Acquisition Cost	Unrealized Gain (Loss)
Securities whose carrying values exceed their acquisition costs:			
Equity securities	<u>£ 363</u>	<u>£ 178</u>	<u>£ 185</u>
Total	<u>£ 363</u>	<u>£ 178</u>	<u>£ 185</u>

The proceeds from sales of, and gross realized gain and loss on, available-for-sale securities for the years ended September 30, 2024 and 2023, were as follows:

	Thousands of Yen		
	2024		
	Proceeds from Sale	Aggregate Gain	Aggregate Loss
Equity securities	—	—	—
Bonds	—	—	—
Total	—	—	—

	Thousands of Yen		
	2023		
	Proceeds from Sale	Aggregate Gain	Aggregate Loss
Equity securities	¥44,900	¥19,771	—
Bonds	—	—	—
Total	¥44,900	¥19,771	—

	Thousands of Pounds		
	2024		
	Proceeds from Sale	Aggregate Gain	Aggregate Loss
Equity securities	—	—	—
Bonds	—	—	—
Total	—	—	—

4. INVENTORIES

Inventories at September 30, 2024 and 2023, consisted of the following:

	Thousands of Yen		Thousands of Pounds
	2024	2023	2024
Finished products	¥1,184,078	¥ 803,363	£ 6,196
Work in process	2,645,507	2,222,451	13,845
Raw materials and supplies	785,828	924,262	4,112
Total	¥4,615,413	¥3,950,077	£24,154

5. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at September 30, 2024 and 2023, consisted of bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.5% to 0.85% and 0.21% to 0.46% as of September 30, 2024 and 2023, respectively.

Long-term debt at September 30, 2024 and 2023, consisted of the following:

	<u>Thousands of Yen</u>		<u>Thousands of Pounds</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Secured loans from banks due serially to 2026 with interest rates ranging from 0.38% to 0.85% in 2024 and 0.38% to 0.6% in 2023	¥ 256,759	¥ 616,735	£ 1,343
Unsecured loans from banks due serially to 2029 with interest rates ranging from 0.35% to 0.87% in 2024 and 0.35% to 0.77% in 2023	<u>604,052</u>	<u>583,972</u>	<u>3,161</u>
Total	<u>860,811</u>	<u>1,200,707</u>	<u>4,504</u>
Less current portion	<u>(638,686)</u>	<u>(629,900)</u>	<u>(3,342)</u>
Long-term debt, less current portion	<u>¥ 222,125</u>	<u>¥ 570,807</u>	<u>£ 1,162</u>

Annual maturities of long-term debt, excluding finance lease obligations, at September 30, 2024, were as follows:

<u>Year Ending September 30</u>	<u>Thousands of Yen</u>	<u>Thousands of Pounds</u>
2025	¥ 638,686	£ 3,342
2026	107,473	562
2027	65,824	344
2028	32,472	169
2029	<u>16,356</u>	<u>85</u>
Total	<u>¥ 860,811</u>	<u>£ 4,504</u>

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥1,122,486 thousand (£5,874 thousand) and long-term debt of ¥256,759 thousand (£1,343 thousand) at September 30, 2024, were as follows:

	<u>Thousands of Yen</u>	<u>Thousands of Pounds</u>
Buildings and structures—net of accumulated depreciation	¥ 525,363	£ 2,749
Land	<u>1,518,134</u>	<u>7,945</u>
Total	<u>¥ 2,043,497</u>	<u>£ 10,694</u>

The Group has entered commitment line agreements with banks in order to achieve more efficient and flexible financing. The status of these at September 30, 2024 and 2023, was as follows:

	Thousands of Yen		Thousands of Pounds
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Amount of commitment line	¥1,300,000	¥1,300,000	£6,803
Commitment line used	<u>—</u>	<u>—</u>	<u>—</u>
Available commitment line	<u>¥1,300,000</u>	<u>¥1,300,000</u>	<u>£6,803</u>

Financial Covenants

The Company entered into commitment line agreements of ¥1,300,000 thousand (£6,803 thousand) in March 2022. The following financial covenants are included in these agreements.

Total net assets in the non-consolidated balance sheet at the end of each fiscal year shall be equal to or exceed 70% of those at the end of the prior fiscal year.

There shall not be operating loss in the non-consolidated statement of income for two consecutive years at the end of each fiscal year.

6. RETIREMENT AND PENSION PLANS

The Company has a defined contribution pension plan. In addition, the Company participates in the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan. Certain subsidiaries also participate in the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan.

Total contributions paid by the Company and certain subsidiaries for the years ended September 30, 2024 and 2023, are as follows:

	Thousands of Yen		Thousands of Pounds
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Contribution to a defined contribution pension plan	¥52,390	¥53,563	£274
Contribution to the Small and Medium Enterprises' Retirement Allowance Mutual Aid Plan	<u>13,006</u>	<u>13,078</u>	<u>68</u>
Total	<u>¥65,396</u>	<u>¥66,641</u>	<u>£342</u>

7. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. Treasury Stock

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

8. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.4% for each of the years ended September 30, 2024 and 2023.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at September 30, 2024 and 2023, are as follows:

	Thousands of Yen		Thousands of Pounds
	2024	2023	2024
Deferred tax assets:			
Inventories	¥ 146,412	¥ 78,493	£ 766
Allowance for doubtful receivables	10,710	72	56
Accrued bonuses	79,464	65,694	415
Accrued enterprise tax	20,896	13,289	109
Accrued welfare expense	12,207	10,164	63
Accrued business office tax	4,062	4,555	21
Provision for product warranty	29,776	18,116	155
Accounts payable—other	3,245	3,317	16
Contract liabilities	24,093	47,170	126
Excess depreciation	171,885	166,871	899
Land	10,858	10,858	56
Loss on disposal of property, plant and equipment	—	45,219	—
Investment securities	971	971	5
Long-term payables	53,360	53,360	279
Asset retirement obligation	13,439	13,077	70
Provision for stock-based compensation	14,305	4,922	74
Tax loss carryforwards	41,573	23,501	217
Other	19,536	24,243	102
Total of tax loss carryforwards and temporary differences	656,802	583,902	3,437
Less valuation allowance for tax loss carryforwards	(41,573)	(21,049)	(217)
Less valuation allowance for temporary differences	(78,627)	(125,439)	(411)
Total valuation allowance	(120,200)	(146,489)	(629)
Deferred tax assets	536,601	437,413	2,808
Deferred tax liabilities:			
Deferred revenue on sales of properties	(57,771)	(57,771)	(302)
Unrealized gain on available-for-sale securities	(9,757)	(10,137)	(51)
Removal costs related to asset retirement obligations	(1,641)	(1,873)	(8)
Other	(5,174)	—	(27)
Deferred tax liabilities	(74,344)	(69,781)	(389)
Net deferred tax assets	¥ 462,257	¥ 367,631	£ 2,419

The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of September 30, 2024, were as follows:

Year Ending September 30	Thousands of Yen		
	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowance for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2025			
2026			
2027			
2028			
2029			
2030 and thereafter	<u>¥41,573</u>	<u>¥ (41,573)</u>	<u>—</u>
Total	<u>¥41,573</u>	<u>¥ (41,573)</u>	<u>—</u>

Year Ending September 30	Thousands of Pounds		
	Deferred Tax Assets Relating to Tax Loss Carryforwards	Less Valuation Allowance for Tax Loss Carryforwards	Net Deferred Tax Assets Relating to Tax Loss Carryforwards
2025			
2026			
2027			
2028			
2029			
2030 and thereafter	<u>£ 217</u>	<u>£ (217)</u>	<u>—</u>
Total	<u>£ 217</u>	<u>£ (217)</u>	<u>—</u>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended September 30, 2024 and 2023, was as follows:

	<u>2024</u>	<u>2023</u>
Normal effective statutory tax rates	30.4%	30.4%
Expenses not deductible for tax purposes	1.4	1.6
Valuation allowance	(4.1)	(2.5)
Inhabitants' per capita taxes	0.6	0.6
Tax credit for research and development costs	(4.8)	(4.8)
Income taxes of prior years	(0.0)	(0.0)
Difference in tax rates in subsidiaries	(0.9)	(3.1)
Other	<u>0.3</u>	<u>(0.1)</u>
Actual effective tax rates	<u>22.9%</u>	<u>22.1%</u>

9. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended September 30, 2024 and 2023, were as follows:

	Thousands of Yen			
	2024			
	Reportable Segment			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Geographical areas:				
Japan	¥ 4,580,365	¥2,875,126	¥ 1,070,051	¥ 8,525,542
Asia	1,169,169	274,782	220,574	1,664,526
Europe	2,628,360	—	16,626	2,644,987
United States	2,175,406	—	—	2,175,406
Other	325,845	—	4,063	329,909
Total	10,879,148	3,149,908	1,311,316	15,340,372
Timing of revenue recognition:				
Goods or service transferred at a point in time	10,746,152	3,149,908	1,311,316	15,207,377
Goods or service transferred over time	132,995	—	—	132,995
Total	¥ 10,879,148	¥3,149,908	¥ 1,311,316	¥ 15,340,372
	Thousands of Yen			
	2023			
	Reportable Segment			
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Geographical areas:				
Japan	¥ 4,115,368	¥2,266,827	¥ 774,490	¥ 7,156,686
Asia	1,097,635	271,502	233,370	1,602,507
Europe	3,585,126	—	2,656	3,587,782
United States	1,193,924	—	—	1,193,924
Other	182,788	—	3,839	186,627
Total	10,174,842	2,538,329	1,014,356	13,727,527
Timing of revenue recognition:				
Goods or service transferred at a point in time	9,999,680	2,538,329	1,014,356	13,552,366
Goods or service transferred over time	175,161	—	—	175,161
Total	¥ 10,174,842	¥2,538,329	¥ 1,014,356	¥ 13,727,527

Thousands of Pounds				
2024				
Reportable Segment				
	Vibration Simulation System	Test and Solution Service	Measuring System	Total
Geographical areas:				
Japan	£ 23,970	£ 15,046	£ 5,600	£ 44,617
Asia	6,118	1,438	1,154	8,711
Europe	13,755	—	87	13,842
United States	11,384	—	—	11,384
Other	1,705	—	21	1,726
Total	56,935	16,484	6,862	80,282
Timing of revenue recognition:				
Goods or service transferred at a point in time	56,239	16,484	6,862	79,586
Goods or service transferred over time	696	—	—	696
Total	<u>£ 56,935</u>	<u>£ 16,484</u>	<u>£ 6,862</u>	<u>£ 80,282</u>

Geographical sales are categorized by countries or areas based on the location of customers.

(2) Basic Information to Understand Revenues from Contracts with Customers

Information fundamental to understand revenues from contracts with customers is as presented in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, u. Basis for Recognizing Significant Revenue and Expenses."

(3) Contract Balances

Receivables from contract with customers and contract liabilities at the beginning and end of the years ended September 30, 2024 and 2023, were as follows:

	Thousands of Yen		Thousands of Pounds
	2024	2023	2024
Receivables from contracts with customers:			
Balance at beginning of year	¥ 5,235,385	¥ 4,132,890	£ 27,398
Balance at end of year	5,463,598	5,235,385	28,593
Contract liabilities:			
Balance at beginning of year	643,887	851,370	3,369
Balance at end of year	1,468,358	643,887	7,684

Contract liabilities are mainly advances received from customers. Contract liabilities are reversed as revenues are recognized. Among revenues recognized during the current fiscal year, the amount included in the beginning balance of contract liabilities is ¥643,887 thousand (£3,369 thousand).

A practical expedient was applied since there are no significant contracts with an initial expected contract term of more than one year. As a result, the description of the transaction price allocated to the remaining performance obligations is omitted. In addition, consideration to be received from contracts with customers does not comprise any significant amounts that are not included in transaction prices.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥734,374 thousand (£3,843 thousand) and ¥703,956 thousand for the years ended September 30, 2024 and 2023, respectively.

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group manages cash surplus primarily by investing only in short-term deposits, and primarily raises funds by borrowing from banks.

The Group operates funds limiting cash and deposits and others and mainly raises funds through bank loans. The Group does not enter into derivatives.

(2) *Nature and Extent of Risks Arising from Financial Instruments*

Trade receivables, such as notes and accounts receivable, and electronically recorded monetary claims are exposed to customer credit risk. In accordance with the internal policy for managing credit risk, the Group monitors outstanding balances periodically by setting the credit limit amount by customers based on the amount of transactions. Investment securities which are exposed to the risk of market price fluctuations are mainly shares of listed companies which the Group has business with. The fair values of these securities and financial conditions of the issuers are periodically reviewed.

Payment terms of payables, such as notes and account payable, and electronically recorded obligations are less than one year. Among interest bearing debt, short-term bank loans are utilized for business operation and long-term debt is utilized for the purpose of making capital expenditures.

(3) *Fair Values of Financial Instruments*

Fair values of financial instruments are as follows. Investments in equity instruments that do not have a quoted market price in an active market are not included in the following table. Cash and cash equivalents, trade notes and accounts receivable, electronically recorded monetary claims, trade notes and accounts payable, electronically recorded obligations, and short-term bank loans are omitted from the list, as they are cash or will be settled in a short period and thus their fair value approximate their book value.

(a) Fair values of financial instruments

	Thousands of Yen		
	Carrying Amount	Fair Value	Unrealized Loss
<u>September 30, 2024</u>			
Investment securities	¥ 69,481	¥ 69,481	—
Current portion of long-term debt	638,686	637,102	¥ (1,583)
Long-term debt	222,125	221,802	(322)
<u>September 30, 2023</u>			
Investment securities	¥ 67,154	¥ 67,154	—
Current portion of long-term debt	629,900	629,076	¥ (823)
Long-term debt	570,807	568,972	(1,834)
	Thousands of Pounds		
	Carrying Amount	Fair Value	Unrealized Loss
<u>September 30, 2024</u>			
Investment securities	£ 363	£ 363	—
Current portion of long-term debt	3,342	3,334	£ (8)
Long-term debt	1,162	1,160	(1)

- (b) Carrying amount of investments in equity instruments that do not have a quoted market price in an active market at September 30, 2024 and 2023, is as follows:

	Thousands of Yen		Thousands of Pounds
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Unlisted equity securities	¥ 100,200	¥ 100,200	£ 524

(4) Maturity Analysis for Monetary Assets with Contractual Maturities

The redemption schedule of monetary assets as of September 30, 2024, is as follows:

		Thousands of Yen			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>September 30, 2024</u>					
Cash and cash equivalents	¥ 285,532	—	—	—	—
Trade notes and accounts receivable	4,126,846	—	—	—	—
Electronically recorded monetary claims	<u>1,336,752</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>¥5,749,131</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

		Thousands of Pounds			
		Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
<u>September 30, 2024</u>					
Cash and cash equivalents	£ 1,494	—	—	—	—
Trade notes and accounts receivable	21,597	—	—	—	—
Electronically recorded monetary claims	<u>6,995</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>£ 30,087</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Please see Note 5 for annual maturities of long-term debt.

(5) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

- Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is classified at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

<u>September 30, 2024</u>	Thousands of Yen			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	<u>¥ 69,481</u>	<u>—</u>	<u>—</u>	<u>¥ 69,481</u>
Total assets	<u>¥ 69,481</u>	<u>—</u>	<u>—</u>	<u>¥ 69,481</u>
<u>September 30, 2023</u>				
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	<u>¥ 67,154</u>	<u>—</u>	<u>—</u>	<u>¥ 67,154</u>
Total assets	<u>¥ 67,154</u>	<u>—</u>	<u>—</u>	<u>¥ 67,154</u>

<u>September 30, 2024</u>	Thousands of Pounds			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	<u>£ 363</u>	<u>—</u>	<u>—</u>	<u>£ 363</u>
Total assets	<u>£ 363</u>	<u>—</u>	<u>—</u>	<u>£ 363</u>

(b) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

<u>September 30, 2024</u>	Thousands of Yen			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Current portion of long-term debt	—	¥ 637,102	—	¥ 637,102
Long-term debt	—	<u>221,802</u>	—	<u>221,802</u>
Total liabilities	<u>—</u>	<u>¥ 858,905</u>	<u>—</u>	<u>¥ 858,905</u>
<u>September 30, 2023</u>				
Current portion of long-term debt	—	¥ 629,076	—	¥ 629,076
Long-term debt	—	<u>568,972</u>	—	<u>568,972</u>
Total liabilities	<u>—</u>	<u>¥ 1,198,049</u>	<u>—</u>	<u>¥ 1,198,049</u>

<u>September 30, 2024</u>	Thousands of Pounds			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Current portion of long-term debt	—	£ 3,334	—	£ 3,334
Long-term debt	—	<u>1,160</u>	—	<u>1,160</u>
Total liabilities	<u>—</u>	<u>£ 4,495</u>	<u>—</u>	<u>£ 4,495</u>

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1.

Current Portion of Long-Term Debt and Long-Term Debt

The fair value of long-term debt is calculated based on the present value of the total principal and interest discounted at the interest rate that would be applicable to a new similar borrowing and are categorized as Level 2.

12. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended September 30, 2024 and 2023, were as follows:

	<u>Thousands of Yen</u>		<u>Thousands of Pounds</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	¥ (1,284)	¥ 31,349	£ (6)
Reclassification adjustments to income or loss	—	(19,771)	—
Amount before income tax effect	(1,284)	11,578	(6)
Income tax effect	358	(3,746)	1
Total	<u>¥ (926)</u>	<u>¥ 7,831</u>	<u>£ (4)</u>
Foreign currency translation adjustments:			
Amounts arising during the year	¥ (19,263)	¥ (5,187)	£ (100)
Total	<u>¥ (19,263)</u>	<u>¥ (5,187)</u>	<u>£ (100)</u>
Total other comprehensive income (loss)	<u>¥ (20,190)</u>	<u>¥ 2,643</u>	<u>£ (105)</u>

13. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at September 30, 2024, was approved at the Company's shareholders' meeting held on December 20, 2024:

	<u>Thousands of Yen</u>	<u>Thousands of Pounds</u>
Year-end cash dividends, ¥20 (£0.1) per share	¥ 318,116	£ 1,664

14. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity for which separate financial information is available and for which such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Group is primarily engaged in manufacturing and sales of simulation systems related to vibration and measuring systems, and provides vibration testing outsourced by clients. Therefore, there is only one reportable segment, and the disclosure of segment information for the years ended September 30, 2024 and 2023, has been omitted. Details on the products of the vibration business are as follows:

a. *Dynamic Simulation System*

The Group manufactures and sells dynamic simulation systems and all-weather simulation system (vibration combined environmental simulation systems) and provides repair and maintenance services for those products.

b. *Test and Solution Service*

In addition to manufacturing and sales of the preceding products, the Group provides testing services. Based on requests for vibration tests and analysis from customers, the Group performs environmental testing, including vibration tests for specimens, and performs analyses based on the results of the tests.

c. *Measuring System*

The Group manufactures and sells measuring systems (including vibration testing systems, vibration monitoring systems, seismic monitoring systems, and environmental reliability evaluation systems) and provides repair and maintenance services for those products. Those systems sense earthquakes and abnormal vibrations resulting from the deterioration and abrasion of industrial machinery and are used to prevent of secondary disasters from earthquakes and in predictive maintenance.

(1) *Information on products and services*

Information on each product and service for the years ended September 30, 2024 and 2023, is as follows:

Thousands of Yen				
2024				
	<u>Vibration Simulation System</u>	<u>Test and Solution Service</u>	<u>Measuring System</u>	<u>Total</u>
Sales to external customers	¥ 10,879,148	¥ 3,149,908	¥ 1,311,316	¥ 15,340,372
Thousands of Yen				
2023				
	<u>Vibration Simulation System</u>	<u>Test and Solution Service</u>	<u>Measuring System</u>	<u>Total</u>
Sales to external customers	¥ 10,174,842	¥ 2,538,329	¥ 1,014,356	¥ 13,727,527

	Thousands of Pounds			
	2024			
	<u>Vibration Simulation System</u>	<u>Test and Solution Service</u>	<u>Measuring System</u>	<u>Total</u>
Sales to external customers	£ 56,935	£ 16,484	£ 6,862	£ 80,282

(2) *Information on geographical areas*

Information on geographical areas for the years ended September 30, 2024 and 2023, is as follows:

(a) Sales

Thousands of Yen					
2024					
<u>Japan</u>	<u>Europe</u>	<u>Asia</u>	<u>United States</u>	<u>Other</u>	<u>Total</u>
¥ 8,525,542	¥ 2,644,987	¥ 1,664,526	¥ 2,175,406	¥ 329,909	¥ 15,340,372

Thousands of Yen					
2023					
<u>Japan</u>	<u>Europe</u>	<u>Asia</u>	<u>United States</u>	<u>Other</u>	<u>Total</u>
¥ 7,156,686	¥ 3,587,782	¥ 1,602,507	¥ 1,193,924	¥ 186,627	¥ 13,727,527

Thousands of Pounds					
2024					
<u>Japan</u>	<u>Europe</u>	<u>Asia</u>	<u>United States</u>	<u>Other</u>	<u>Total</u>
£ 44,617	£ 19,036	£ 8,476	£ 11,384	£ 1,726	£ 80,282

Note: Sales are classified by country or region based on the location of customers.

(b) Property, plant and equipment

As the balances of property, plant and equipment in Japan account for more than 90% of those in the consolidated financial statements, disclosure of property, plant and equipment as of September 30, 2024 and 2023, has been omitted.

(3) *Information on Goodwill*

There was no amortization expense of goodwill for the years ended September 30, 2024 and 2023, respectively.

There was no balance of goodwill as of September 30, 2024 and 2023, respectively.

15. RELATED-PARTY TRANSACTIONS

Principal transactions between the Company and its related party for the years ended September 30, 2024 and 2023, are as follows:

	Thousands of Yen		Thousands of Pounds
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Kura Corporation:			
Purchase of finished goods	¥ 26,599	¥ 28,504	£ 139
Rent of factory	8,155	8,155	42

Balances due to the related party at September 30, 2024 and 2023, are as follows:

	<u>Thousands of Yen</u>		<u>Thousands of Pounds</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>
Due to:			
Kura Corporation	¥2,387	¥1,295	£12

Applicable consumption taxes are not included in the transaction amounts but are included in the balances in the table above.

The transaction price was determined using the same method as for the third-party transaction.

Rental fee is determined in reference to market value.

Kura Corporation is wholly owned by the relatives of Kenya Kusano, a director of the Company.

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