

Federal Screw Works
2025 Annual Report

Centennial 1917-2017

Board of Directors

Frank S. Galgan†**

Attorney and Member Lambert Leser, P.C.

Hugh G. Harness*

Business Consultant
Retired President and Chief
Operating Officer of
the Company

Wade C. Plaskey

Business Consultant
Retired Chief Financial Officer, Secretary and
Treasurer of the Company

Aaron J. ZurSchmiede*

President and Chief Operating Officer
of the Company

Delle Jean ZurSchmiede**

Retired Executive Director
Finance of General Motors Corporation

Robert F. ZurSchmiede

Business Consultant
Retired Executive Vice President
and Chief Operating Officer
of the Company

W. Tom ZurSchmiede III* (Tom ZurSchmiede)

Chairman of the Board and Chief
Executive Officer of the Company

Officers

W. Tom ZurSchmiede III (Tom ZurSchmiede)

Chairman of the Board and Chief
Executive Officer

Aaron J. ZurSchmiede

President and Chief Operating Officer

Jeffrey M. Harness

Vice President — Sales and Marketing

William G. Harness

Vice President — Novex Tool Division

Carson Burkett

Vice President — Sales Engineering

Scott Rozema

Treasurer

Matthew Misiak

Corporate Controller and Secretary

*Member of
Executive Committee

**Member of Audit
Committee

†Member of Compensation Committee

Financial Highlights

(Dollars in thousands, except per share data)

Years Ended June 30	2025	2024	2023
Net sales	\$ 97,553	\$ 103,188	\$ 102,419
Earnings (loss) before income taxes	1,624	(906)	1,032
Federal income tax expense (benefit)	—	—	—
Net earnings (loss)	1,624	(906)	1,032
Depreciation and amortization	4,574	4,664	4,735
Capital expenditures	1,420	1,223	1,054
Working capital	22,314	22,462	24,218
Stockholders' equity	32,832	31,259	27,997
Per Share Data			
Net earnings (loss)	\$ 1.18	\$ (0.66)	\$ 0.75
Average number of shares outstanding: 2025 — 1,381,594; 2024 — 1,381,594; 2023 — 1,381,595			

Annual Meeting

October 23, 2025, 10 a.m. EST

Transfer Agent

Shareholder Correspondence:
Computershare
P.O. Box 43006
Providence, RI 02940-3006
Shareholder Inquiries 1-800-426-5523
<https://www-us.computershare.com/investor/contact>

Registrar

Computershare Trust Company, N. A.

Federal Screw Works

Corporate Offices:
34846 Goddard Road
Romulus, Michigan 48174-3406
Telephone: 734-941-4211

Division locations: Big Rapids,
Brighton, Romulus, Traverse City, Michigan

Federal Screw Works shares are traded on the OTC Pink Market. The Company's symbol is FSCR.
www.otcmarts.com

To Our Shareholders:

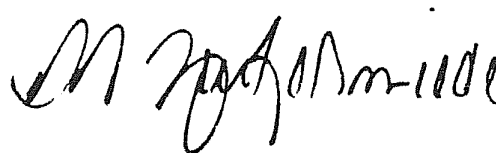
The Company reports earnings before income taxes for the fourth quarter and the year ended June 30, 2025, of \$369,000 and \$1,624,000 on sales of \$25,809,000 and \$97,553,000, respectively. This compares to earnings before income taxes and a non-cash pension settlement charge for the fourth quarter and the year ended June 30, 2024, of \$1,040,000 and \$2,774,000, on sales of \$26,491,000 and \$103,188,000, respectively. The Company transferred certain of its pension plans to a professional insurance company, resulting in a non-cash settlement charge of \$3,680,000 in the fourth quarter of the year ended June 30, 2024. Consequently, the Company reported a final loss, including the non-cash pension settlement charge, before federal income taxes for the fourth quarter and the year ended June 30, 2024, of \$(2,640,000) and \$(906,000), respectively.

Sales and profits were down as the automotive industry, cautiously surveying weaker consumer demand and the possibility of recession, tightened capital expenditures and release schedules. Concerns about the impact of new tariff and immigration policies have heightened uncertainty. Although car sales declined substantially, demand for trucks, SUV's, and larger crossover vehicles, the Company's principal supply segments, is still reasonably strong.

We wish to express our most sincere appreciation for the skill and commitment of our employees. We also wish to thank our Shareholders for their strong support. Resilient, deeply capable, the Company has performed well within today's economic and automotive turmoil.



Aaron ZurSchmiede
President
Chief Operating Officer



W. Tom ZurSchmiede III
(Tom ZurSchmiede)
Chairman of the Board
Chief Executive Officer

Financial Review

Selected Financial Data

Years Ended June 30 (Dollars in thousands, except per share data)

	2025	2024	2023	2022	2021
Net sales	\$ 97,553	\$ 103,188	\$ 102,419	\$ 85,222	\$ 69,595
Cost of products sold	90,330	94,241	95,762	83,188	64,271
Interest expense	1,496	2,146	2,148	862	402
Non-cash pension settlement charge	—	3,680	—	—	—
Earnings (loss) before income taxes	1,624	(906)	1,032	(2,450)	6,320
Income tax expense (benefit)	—	—	—	5,281	(683)
Net earnings (loss)	1,624	(906)	1,032	(7,731)	7,003
Average number of shares of common stock outstanding	1,381,594	1,381,594	1,381,595	1,381,595	1,381,595
Per share of common stock:					
Net earnings (loss)	\$ 1.18	\$ (0.66)	\$ 0.75	\$ (5.60)	\$ 5.07
Total assets	\$ 67,514	\$ 69,891	\$ 75,755	\$ 79,400	\$ 76,735
Long-term debt	16,254	20,116	27,527	30,734	21,229

Stock Prices

	2025		2024	
	High	Low	High	Low
1st Quarter	\$ 7.93	\$ 6.00	\$ 9.74	\$ 6.53
2nd Quarter	9.00	6.86	7.50	5.61
3rd Quarter	8.00	6.66	7.15	5.62
4th Quarter	9.66	6.68	7.50	6.00

These are the quarterly high and low sale quotations as reported by the OTC Pink Market. The Company's symbol is FSCR.

The Company

Industry Information

Federal Screw Works is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined, cold formed, hardened and/or ground metal parts, all of which constitute a single business segment.

The Company's products are manufactured at several plants and are fabricated from metal rod and bar, which are generally available at competitive prices from multiple sources. Production is in high-volume job lots to the specification of original equipment manufacturers and sold to them for incorporation into their assemblies. The majority of these sales are to manufacturers of automobiles and trucks, with the balance being mainly to manufacturers of nonautomotive durable goods.

Operating Divisions

The Company's industrial component parts are manufactured in four plants located throughout Michigan. The Company presently employs 237 full time personnel. A brief description of each division follows.

The Big Rapids Division in Big Rapids, Michigan, manufactures special high-strength bolts and other cold formed products using boltmakers and headers as primary equipment. Among the items manufactured to both inch and metric specifications are hex head bolts, connecting rod bolts, studs and flange bolts. The 200,000 square foot plant is situated on 25 acres of land, and contains heat treat facilities for hardening in-process parts.

The Romulus Division operates out of a 100,000 square foot facility. The division heat treats products shipped from Traverse City and also serves as a distribution center of these products to our customers. The division also provides finish processing to those products that we purchase and prepares them for shipment to our customers.

The Traverse City Division manufactures a wide variety of special cold formed products for automotive customers out of a 47,000 square foot plant. The majority of these products are prevailing torque nuts which are intended for use in automotive suspension and drivetrain applications. These products are formed utilizing partsformers and nutformers and finished on various types of secondary equipment that are designed to tap threads, apply locking features or assemble nut blanks to washers.

The parts produced at the above divisions are sold principally to the automotive market. These parts are mass produced, and most are shipped directly to automotive assembly plants.

The Novex Tool Division occupies a 19,000 square foot leased facility in Brighton, Michigan. The lease expires on October 31, 2027. The division manufactures perishable tooling, primarily for the cold heading industry. Approximately twenty nine percent of its output is consumed by the Company's Big Rapids and Traverse City Divisions.

The Company's corporate offices are located at 34846 Goddard Road, Romulus, Michigan, a western suburb of Detroit. The offices are part of the Romulus Division stated above.

The Company owns outright all of the above, described buildings, land and production facilities except as specifically noted to the contrary. The Company utilizes all of the floor space of these structures. Present facilities are adequate to meet the needs of each respective division.

Statements of Operations

	Years Ended June 30		
	2025	2024	2023
Net sales	\$ 97,553,420	\$ 103,188,355	\$ 102,419,301
Costs and expenses:			
Cost of products sold	90,329,788	94,240,865	95,761,919
Selling, general and administrative	3,998,665	3,801,555	3,434,293
Interest	1,496,157	2,145,913	2,147,832
Non-cash pension settlement charge — Note 5	—	3,679,858	—
Other expense	104,566	226,593	43,577
	95,929,176	104,094,784	101,387,621
EARNINGS (LOSS) BEFORE INCOME TAXES	1,624,244	(906,429)	1,031,680
Federal income tax expense (benefit) — Note 4	—	—	—
NET EARNINGS (LOSS)	\$ 1,624,244	\$ (906,429)	\$ 1,031,680
Average number of common shares outstanding	1,381,594	1,381,594	1,381,595
Net earnings (loss) per common share	\$ 1.18	\$ (0.66)	\$ 0.75

See accompanying notes.

Statements of Comprehensive Income (Loss)

	Years Ended June 30		
	2025	2024	2023
NET EARNINGS (LOSS)	\$ 1,624,244	\$ (906,429)	\$ 1,031,680
Other comprehensive income (loss)			
Pension and postretirement liability adjustment	(50,913)	4,168,367	1,458,890
COMPREHENSIVE INCOME	\$ 1,573,331	\$ 3,261,938	\$ 2,490,570

Balance Sheets

	June 30	
	2025	2024
Assets		
Current Assets		
Cash	\$ 150,094	\$ 213,021
Accounts receivable, net	17,332,288	17,084,374
Inventories:		
Finished products	3,171,434	4,171,503
In-process products	13,972,724	13,237,822
Raw materials and supplies	2,431,724	2,340,965
Total inventories	19,575,882	19,750,290
Prepaid expenses and other current assets	64,189	366,308
Assets held for sale	5,171	5,171
TOTAL CURRENT ASSETS	37,127,624	37,419,164
Other Assets		
Company owned life insurance	1,083,471	1,054,465
Right of use lease assets — Note 3	1,684,959	1,325,654
Other assets — Note 5	1,128,738	501,653
	3,897,168	2,881,772
Property, Plant and Equipment — Notes 2 and 3		
Land	387,467	387,467
Buildings and improvements	12,283,544	12,208,544
Machinery and equipment	130,824,919	130,613,853
	143,495,930	143,209,864
Less accumulated depreciation	(117,006,630)	(113,619,584)
	26,489,300	29,590,280
	\$ 67,514,092	\$ 69,891,216

	June 30	
	2025	2024
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 10,209,912	\$ 9,953,685
Payroll and employee benefits	509,604	411,435
Taxes, other than income taxes	495,825	291,320
Other accrued liabilities	958,675	929,685
Current portion of lease liability — Note 3	674,705	492,053
Current portion of long-term debt — Note 2	1,704,626	2,630,000
Current portion of postretirement benefits — Note 5	260,275	249,177
TOTAL CURRENT LIABILITIES	14,813,622	14,957,355
Long-Term Liabilities		
Long-term debt — Note 2	16,253,681	20,116,413
Long-term lease liability — Note 3	1,010,254	833,601
Employee benefits	184,146	264,465
Postretirement benefits — Note 5	1,498,855	1,481,871
Other liabilities — Note 9	921,041	978,349
	19,867,977	23,674,699
Stockholders' Equity — Note 8		
Common stock, \$1 par value: authorized 2,000,000 shares; 1,381,594 shares outstanding in 2025 and 1,381,594 in 2024	1,381,594	1,381,594
Additional capital	3,269,477	3,269,477
Retained earnings	33,843,370	32,219,126
Accumulated other comprehensive income (loss)	(5,661,948)	(5,611,035)
	32,832,493	31,259,162
	\$ 67,514,092	\$ 69,891,216

See accompanying notes.

Statements of Stockholders' Equity

Years ended June 30, 2025, 2024 and 2023

	Common Stock	Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCES AT JULY 1, 2022	\$ 1,381,595	\$ 3,269,476	\$ 32,093,875	\$ (11,238,292)	\$ 25,506,654
Net earnings for the year			1,031,680		1,031,680
Pension and postretirement liability adjustment				1,458,890	1,458,890
BALANCES AT JUNE 30, 2023	1,381,595	3,269,476	33,125,555	(9,779,402)	27,997,224
Net loss for the year			(906,429)		(906,429)
Share returned to treasury	(1)	1			—
Pension and postretirement liability adjustment				4,168,367	4,168,367
BALANCES AT JUNE 30, 2024	1,381,594	3,269,477	32,219,126	(5,611,035)	31,259,162
Net earnings for the year			1,624,244		1,624,244
Pension and postretirement liability adjustment				(50,913)	(50,913)
BALANCES AT JUNE 30, 2025	\$ 1,381,594	\$ 3,269,477	\$ 33,843,370	\$ (5,661,948)	\$ 32,832,493

() Denotes deduction.
See accompanying notes.

Statements of Cash Flows

	Years Ended June 30		
	2025	2024	2023
OPERATING ACTIVITIES			
Net earnings (loss)	\$ 1,624,244	\$ (906,429)	\$ 1,031,680
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,573,698	4,663,659	4,734,673
Employee benefits	(103,151)	3,350,281	(532,280)
Miscellaneous and other	(680,029)	(111,146)	(52,087)
Changes in operating assets and liabilities:			
Accounts receivable	(247,914)	1,915,660	(1,277,646)
Inventories and prepaid expenses	476,527	1,024,375	709,997
Accounts payable and accrued expenses	530,584	(807,578)	(342,210)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,173,959	9,128,822	4,272,127
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(1,419,774)	(1,223,228)	(1,053,597)
Company owned life insurance	(29,006)	(27,020)	(25,677)
NET CASH USED IN INVESTING ACTIVITIES	(1,448,780)	(1,250,248)	(1,079,274)
FINANCING ACTIVITIES			
Additional borrowings (principal repayments)			
under bank credit agreement, net	(2,158,106)	(4,780,829)	(96,484)
Principal payments on term loans	(2,630,000)	(3,110,000)	(3,790,000)
NET CASH USED IN FINANCING ACTIVITIES	(4,788,106)	(7,890,829)	(3,886,484)
DECREASE IN CASH	(62,927)	(12,255)	(693,631)
Cash at beginning of year	213,021	225,276	918,907
CASH AT END OF YEAR	\$ 150,094	\$ 213,021	\$ 225,276

See accompanying notes.

Notes to Financial Statements

Description of Business: Federal Screw Works was founded in 1917 and is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined and/or ground metal parts, all of which constitute a single business segment. The Company's fiscal year end is June 30.

Note 1 — Significant Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. Cost, determined by the last-in, first-out (LIFO) method, was used for certain raw material inventories, \$1,251,000 and \$662,000 at June 30, 2025 and 2024, respectively. The remaining inventories are costed using the first-in, first-out (FIFO) method. If inventories valued on LIFO had been valued at current cost, amounts reported at June 30 would have been increased by \$490,000 and \$420,000 in 2025 and 2024, respectively. In addition, net earnings (loss) under the FIFO method would have increased or (decreased) by \$70,000, (\$338,000) and (\$220,000) for the years ended June 30, 2025, 2024 and 2023 respectively. Consideration is given to obsolescence and other factors, and appropriate valuation reserves are provided by Company management. As of June 30, 2025 and 2024, the Company recorded an obsolescence reserve of \$355,000.

Property, Plant and Equipment: Property, plant and equipment is stated at cost, which includes the cost of interest which is capitalized during construction of significant additions. Provisions for depreciation are based upon the estimated useful lives of the respective assets and are computed by the straight-line method for financial reporting purposes and by accelerated methods for income tax purposes. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable from undiscounted cash flows. If impaired, the assets are recorded at fair value as determined by appraisals or discounted cash flow calculations.

Company Owned Life Insurance: The Company has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Company owned life insurance is presented in the balance sheets net of policy loans of \$498,000 at June 30, 2025 and 2024.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Estimates associated with collectability of receivables, inventory allowance for obsolescence, carrying value of property, plant and equipment, self-funded workers compensation liability, pension and postretirement benefits, environmental liability and valuation allowance on deferred tax assets are particularly susceptible to material changes in the near term.

Revenue Recognition: The Company recognizes revenue from contracts with customers when control of the promised goods transfers to the customer, this generally occurs when the product is shipped to the customer. Revenue is recorded at the amount of consideration the Company expects to be entitled to in exchange for the shipped goods. For more information about the Company's revenue from contracts with customers, refer to Note 10 - Revenue Recognition.

Allowance for Uncollectible Accounts Receivable: Accounts receivable has been reduced by an allowance for amounts that may become uncollectible in the future. This estimated allowance (\$50,000 at June 30, 2025 and 2024) is based primarily on management's evaluation of the financial condition of the customer and historical experience. Also, the Company monitors its accounts receivable and charges to expense an amount equal to its estimate of potential credit losses. The Company considers a number of factors in determining its estimates, including the length of time its trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and the industry as a whole. The use of different estimates could significantly affect the Company's results of operations for the period.

Leases: At the inception of an arrangement, the Company determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating lease right of use (ROU) assets, current portion of lease liability and long-term lease liability on the balance sheet. At June 30, 2025 and 2024 the Company does not have finance leases. Lease expense is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the balance sheet.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. ROU assets also include prepaid rent and are adjusted by the unamortized balance of lease incentives. As the implicit rate is generally not readily determinable for all of the leases, the Company uses an estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income and losses, which includes pension and postretirement liability adjustments.

Income Taxes: The Company records income tax expense based on the amount of taxes due on its tax return plus deferred taxes computed based on the expected future tax consequences of temporary differences between carrying amounts and tax bases of assets and liabilities, using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. A tax position is recognized as a tax benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with the tax examination being presumed to occur. The amount recognized is the largest amount of the tax benefit greater than 50% likely of being realized on examination and for tax positions not meeting the more likely than not test, no tax benefit is recorded. As of June 30, 2025, and 2024, the Company does not have any material unrecognized tax benefits and accordingly has not recorded any interest or penalties related to unrecognized tax benefits. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Company files a federal income tax return and various state returns. These returns remain subject to examination by taxing authorities for all years after 2018.

Fair Value of Financial Instruments: At June 30, 2025 and 2024, the carrying amounts reported in the balance sheets for cash, accounts receivable, accounts payable, debt and investments approximate fair value due to their short duration and the variable rate nature of the company's debt.

Net Earnings Per Common Share: Net earnings per common share is based on the weighted average number of common shares outstanding of 1,381,594 in 2025 and 2024, and 1,381,595 in 2023.

Defined Benefit Pension Obligations: The Company accounts for its defined benefit pension and postretirement liabilities under FASB ASC 715, which requires defined benefit plan assets and obligations to be measured as of the date of the employer's fiscal year-end.

Subsequent Events: The Company has evaluated subsequent events for recognition and disclosure through August 27, 2025, which is the date financial statements were available to be issued.

Notes to Financial Statements

Continued

Note 2 – Long-Term Debt

Long-term debt at June 30 consists of the following:

	2025	2024
Notes payable to bank	\$ 17,958,307	\$ 22,746,413
Less current maturities	(1,704,626)	(2,630,000)
	\$ 16,253,681	\$ 20,116,413

On May 21, 2025 the Company amended and restated its credit facility with a bank to add an equipment loan, allowing borrowings up to \$1,500,000 through May 21, 2026 (the borrowing period). After the borrowing period, the outstanding principal balance will be repaid in equal monthly installments based on a five-year amortization schedule. At June 30, 2025, the equipment loan had no outstanding borrowings and \$1,500,000 available. All unpaid principal and interest, for the entirety of the credit agreement is due upon the maturity date of December 7, 2028.

Interest on the revolving loan balance of \$16,041,000 at June 30, 2025 consisted of \$14,300,000 at a rate of 6.67% (SOFR rate plus 2.35%) and the balance of \$1,741,000 at a rate of 8.75% (prime rate plus 1.25%). Interest on the revolving loan balance of \$18,199,000 at June 30, 2024 consisted of \$17,500,000 at a rate of 7.93% (SOFR rate plus 2.6%) and the balance of \$699,000 at a rate of 10.00% (prime rate plus 1.5%). Interest on the term and equipment loans balance of \$1,917,000 at June 30, 2025 at a rate of 7.17% (SOFR rate plus 2.85%). Interest on the term and equipment loans balance of \$4,547,000 at June 30, 2024 at a rate of 8.43% (SOFR rate plus 3.1%). The Company also pays a commitment fee of .25% on the unused portion of the credit facility. Interest is payable on the 1st of every month.

Advances under the line of credit are limited to approximately 85% of eligible accounts receivable plus the lesser of 65% of eligible inventory or \$15,600,000 including a further sublimit of \$10,000,000 of eligible work in process inventory. Included in the maximum borrowings of the revolving note payable is a letter of credit totaling \$300,000 at June 30, 2025. The Company had available \$8,483,000 to borrow under the revolving loan as of June 30, 2025. The term loans are due in monthly installments of \$213,000 through December 1, 2025, decreasing to \$71,000 beginning January 1, 2026.

Under the terms of the bank agreement, the Company has agreed to maintain certain financial covenants including the requirements to meet certain financial ratios and other restrictions related to the use of cash. At June 30, 2025, the Company was in compliance with these financial covenants.

Interest paid by the Company during fiscal 2025, fiscal 2024, and fiscal 2023 aggregated \$1,513,000, \$2,162,000, and \$2,101,000, respectively. Interest added in to property, plant and equipment in fiscal 2025 and 2024, was \$46,000 and \$21,000, respectively.

The scheduled repayment of the term loans as of June 30, 2025 are \$1,705,000 is due in the first year, \$212,000 is due in the second year.

Note 3 - Leases and Other Commitments

The Company has operating leases for various equipment, vehicles and facilities under agreements with contractual periods ranging from less than one year to six years. Some of the leases contain options to extend the term and some include the option to terminate the lease. All of the leases are accounted for as operating leases with the initial lease liability calculated as the present value of fixed payments not yet paid.

During the year ended June 30, 2025, the Company recognized rent expense of approximately \$760,000, of which \$698,000 is included in cost of products sold and \$62,000 is included in selling, general and administrative. At June 30, 2025 and 2024, the Company has recorded right of use lease asset, current portion of lease liability and long-term lease liability on the balance sheets.

Certain supplemental cash flow information related to these leases is as follows for the years ending:

	2025	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 760,000	\$ 670,000	\$ 636,000
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	\$ 1,049,000	\$ 492,000	\$ 477,000

At June 30, 2025 and 2024 the weighted average remaining lease term was approximately two years and three years, respectively.

As of June 30, 2025, maturities of lease liabilities are as follows:

Year ending June 30	Operating Leases
2026	\$ 675,000
2027	533,000
2028	296,000
2029	117,000
2030	64,000
Total future minimum lease payments	\$ 1,685,000

Costs committed to complete the expansion of existing plant facilities and the purchase of machinery and equipment approximated \$229,000 at June 30, 2025.

Note 4 - Income Taxes

Federal income tax expense (benefit) consists of the following at June 30:

	2025	2024	2023
Deferred expense (benefit)	\$ 338,000	\$ 688,000	\$ 502,000
Current expense (benefit)	—	—	—
Change in valuation allowance	(338,000)	(688,000)	(502,000)
Federal income tax expense (benefit)	\$ —	\$ —	\$ —

Notes to Financial Statements

Continued

A reconciliation of the federal income tax expense to the amount computed by applying the applicable statutory income tax rate to profit before income taxes follows:

	2025	2024	2023
Computed amount	\$ 341,000	\$ (190,000)	\$ 217,000
Life insurance policies	(7,000)	(6,000)	(6,000)
Other	4,000	884,000	291,000
Change in income tax valuation allowance	(338,000)	(688,000)	(502,000)
Federal income tax expense (benefit)	\$ —	\$ —	\$ —

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which the related temporary differences become deductible. The Company evaluated the deferred tax valuation allowance and considering recent financial performance and future performance, adjusted the valuation allowance by \$338,000 and by \$688,000 during the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, a valuation allowance of \$2,706,000 and \$3,044,000 was recorded, respectively.

Significant components of the Company's deferred tax liabilities and assets as of June 30, 2025 and 2024 are as follows:

	2025	2024
Deferred tax liabilities:		
Accelerated tax depreciation	\$ 3,215,000	\$ 3,311,000
Right of use asset	354,000	291,000
Pensions	1,573,000	1,562,000
Other	19,000	20,000
Total deferred tax liabilities	\$ 5,161,000	\$ 5,184,000
Deferred tax assets:		
Employee benefits	\$ 249,000	\$ 390,000
Net operating loss and tax credit carryforwards	6,767,000	6,252,000
Inventories	82,000	142,000
Lease Liability	354,000	291,000
Other	415,000	1,153,000
Total deferred tax assets	7,867,000	8,228,000
Valuation allowance	(2,706,000)	(3,044,000)
Net deferred tax assets (liabilities)	\$ —	\$ —

The Company paid zero income taxes during 2025, 2024, and 2023. State income taxes paid during 2025, 2024, and 2023 are not material.

At June 30, 2025, and June 30, 2024, the Company had a federal tax loss carryforward of approximately \$27,800,000 and \$29,700,000, respectively, available to offset future taxable income. Approximately \$20,000,000 of the net operating losses at June 30, 2025 and 2024, respectively, will expire beginning in 2028 through 2032.

Note 5 - Employee Benefit Plans

The Company sponsors two defined benefit pension plans. Benefits under one plan are based on negotiated rates times years of service, under the other plan, benefits are based on compensation during the years immediately preceding retirement and years of service. It is the Company's policy to make contributions to these plans sufficient to meet minimum funding requirements of the applicable laws and regulations, plus such additional amounts, if any, as the Company's actuarial consultants advise to be appropriate.

The Company has frozen all benefit accruals under the Salaried Pension Plan effective November 30, 2006.

During the fiscal year ended June 30, 2025, the Company started a process to terminate one of the defined benefit pension plans, specifically the Chelsea Plant Pension Plan. This included the purchase of a buy-in annuity contract from an insurance carrier using the assets in the plan. The buy-in asset is recorded at fair value as of June 30, 2025 and the related benefit plan obligation has been adjusted to equal the buy-in asset to comply with applicable accounting standards. The termination is anticipated to be completed during the next fiscal year.

During the fiscal year ended June 30, 2023, the Company started a process to terminate one of the defined benefit pension plans, specifically the Detroit Division and Romulus Divisions Hourly Pension Plan. This included the purchase of a buy-in annuity contract from an insurance carrier using the assets in the plan. The buy-in asset was recorded at fair value as of June 30, 2023 and the related benefit plan obligation was adjusted to equal the buy-in asset to comply with applicable accounting standards. During the fiscal year ended June 30, 2024, the Company finished the process to terminate the Detroit Division and Romulus Divisions Hourly Pension Plan. This resulted in a non-cash settlement charge of \$3,680,000 in the fourth quarter of fiscal year end 2024.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Some of the Company's hourly employees may become eligible for life insurance benefits if they reach normal retirement age while working for the Company. The benefits are provided through certain insurance companies. Effective June 30, 2009, the Company terminated the postretirement health benefit for all current and future salaried retirees. Effective January 30, 2011, the Company terminated the postretirement health benefit for all future hourly employees after the age of 65.

The Company uses a measurement date of June 30 for purposes of valuing its obligations related to pension benefits and postretirement benefits. The following tables set forth the plans' funded status at the 2025 and 2024 measurement dates:

Changes in benefit obligation are:

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Benefit obligation at beginning of year	\$ 23,330,000	\$ 30,780,000	\$ 1,731,000	\$ 2,181,000
Service cost	—	—	—	—
Interest cost	1,269,000	1,504,000	92,000	112,000
Amendments	—	—	—	—
Actuarial (gain)/loss	53,000	(810,000)	(263,000)	(283,000)
Benefits paid	(1,739,000)	(1,708,000)	199,000	(279,000)
Settlements	—	(6,436,000)	—	—
Benefit obligation at end of year	\$ 22,913,000	\$ 23,330,000	\$ 1,759,000	\$ 1,731,000

**Notes to
Financial Statements**
Continued

Changes in plan assets are:

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Fair value of assets at beginning of year	\$ 23,583,000	\$ 30,747,000	\$ —	\$ —
Actual return on assets	1,800,000	1,109,000	—	—
Employer contributions	171,000	143,000	—	—
Benefits paid	(1,740,000)	(1,708,000)	—	—
Transfer of excess assets	—	(272,000)	—	—
Settlements	—	(6,436,000)	—	—
Fair value of assets at end of year	\$ 23,814,000	\$ 23,583,000	\$ —	\$ —
Funded status at measurement date (underfunded)	\$ 901,000	\$ 253,000	\$ (1,759,000)	\$ (1,731,000)

Amounts recognized in accumulated other comprehensive income (loss):

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Net loss (gain)	\$ 8,688,000	\$ 9,307,000	\$ (3,026,000)	\$ (3,696,000)
Prior service cost (credit)	—	—	—	—
Net amounts recognized	\$ 8,688,000	\$ 9,307,000	\$ (3,026,000)	\$ (3,696,000)

The components of net periodic benefit cost are as follows:

	Pension Benefits			Postretirement Benefits		
	2025	2024	2023	2025	2024	2023
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost	1,269,000	1,503,000	1,578,000	94,000	112,000	135,000
Expected return on assets	(1,589,000)	(1,856,000)	(2,138,000)	—	—	—
Settlement expense	—	3,680,000	—	—	—	—
Amortization of prior service cost	—	—	—	—	—	(16,000)
Amortization of unrecognized net (gain)/loss	461,000	624,000	738,000	(393,000)	(482,000)	(450,000)
Net periodic benefit cost	\$ 141,000	\$ 3,951,000	\$ 178,000	\$ (299,000)	\$ (370,000)	\$ (331,000)

The following summarizes target asset allocations for the Company's defined benefit plan assets as of June 30, 2025 and major asset categories as of June 30, 2025 and June 30, 2024:

	Target Asset Allocations	Percentage of Plan Assets	
	June 30, 2025	2025	2024
Equity securities	30.4%	23.0%	34.0%
Fixed income instruments	45.6%	52.0%	64.0%
Cash equivalents	24.0%	2.0%	2.0%
Buy-In Contract	—	23.0%	—
	100.0%	100.0%	100.0%

The Company's defined benefit plan assets are managed by institutional investment managers. Target investment allocation rates have been developed for the pension plans in order to achieve the overall investment objective of an annual rate of return of 7.0% or more. The target allocations for plan assets are shown in the table above. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions and achieve asset returns that are competitive with like institutions employing similar investment strategies. The Company achieves the target asset allocations by investing in equity securities, common stock, money market accounts, U.S. treasury and agency securities, corporate bonds, collective trusts, investment contracts and mutual funds with appropriate underlying assets that are consistent with the target allocations. The plans have an allocation range for each asset class to adjust for investment opportunities and changing market conditions. Currently, management has not identified any concentration in the investments to disclose. The weighted average expected long term rate of return is estimated based on current trends in the plan assets as well as projected future rates of returns on those assets.

Fair Value Measurements: Generally accepted accounting principles (GAAP) defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Company's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 inputs: Quoted prices (unadjusted) for identical assets or liabilities in primarily active markets that the entity has the ability to access as of the measurement date.

Level 2 inputs: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 inputs: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair Value of Plan Assets: The Company used the following methods and significant assumptions to estimate the fair value of each type of financial instrument:

Equity securities and common stock: The fair values of equity securities and common stock investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Notes to Financial Statements

Continued

Mutual funds: The fair values of equity mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Bonds: The fair values of bond investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Buy-in contract: The fair value of buy-in contract is determined by obtaining price to purchase the contract (Level 3 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments measured at fair value are summarized below:

	<u>Fair Value Measurements at June 30, 2025 Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:			
Equity securities and common stock	\$ 3,536,000	\$ —	\$ —
Mutual funds	2,567,000	—	—
Bonds	12,161,000	—	—
Buy-In Contract	—	—	5,412,000

	<u>Fair Value Measurements at June 30, 2024 Using</u>		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:			
Equity securities and common stock	\$ 4,819,000	\$ —	\$ —
Mutual funds	8,333,000	—	—
Bonds	10,302,000	—	—

Plan assets of one of the plans include 15,156 shares of Federal Screw Works common stock which had a market value of \$130,948 at June 30, 2025 and \$90,936 at June 30, 2024.

The Company's contributions to the defined benefit plans in fiscal 2026 are estimated to be \$168,000.

The assumptions used in the calculation of amounts recognized for the Company's benefit plans are as follows:

	Pension Benefits		Postretirement Benefits	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Discount rate – benefit obligation	5.75%	5.75%	5.75%	5.75%
Discount rate – benefit cost	5.75%	5.50%	5.75%	5.75%
Expected return on plan assets	7.00%	7.00%	—	—
Rate of salary increase	NA	NA	—	—

The net periodic pension cost for fiscal 2025 and 2024 was based on a long-term asset rate of return of 7.0%. This rate is based upon management's and the investment advisor's estimate of future long-term rates of return on similar assets and is consistent with historical returns on assets. Using the plans' current mix of assets and adjusting for current market trends for this broadly diversified portfolio, an expected rate of return of 7.0% is justified.

The estimated net loss and prior service credit that will be amortized from accumulated other comprehensive income into periodic benefit cost over the next year are \$447,000 and \$-0- respectively.

The future benefits to be paid are as follows:

	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
Fiscal 2026	\$ 1,948,000	\$ 260,000
Fiscal 2027	1,937,000	247,000
Fiscal 2028	1,941,000	232,000
Fiscal 2029	1,920,000	217,000
Fiscal 2030	1,916,000	201,000
Fiscal 2031 through 2035	9,162,000	754,000

Note 6 – Industry Information

Approximately 99% of the Company's net sales in fiscal 2025, 2024 and 2023 were made either directly or indirectly to automotive companies.

The Company's customer base is primarily located throughout the United States, Mexico and Canada. Three customers accounted for approximately 73% of net sales in 2025, 72% in 2024, and 70% in 2023; and 71% of accounts receivable as of June 30, 2025 and 70% as of June 30, 2024 respectively.

Note 7 – Contingencies and Uncertainties

The Company is involved in various legal actions arising in the normal course of business. Management is of the opinion that their outcome will not have a significant effect on the Company's financial statements.

The Company is self-insured for workers' compensation claims up to \$500,000 per claim. The Company has excess liability insurance with an outside carrier to minimize its risk to catastrophic claims. Losses are accrued based on an estimate of the ultimate liability for claims incurred, using certain assumptions based on the Company's experience

Notes to Financial Statements

Continued

under the program including the nature of outstanding claims, estimated costs to settle existing claims and loss history. At June 30, 2025 and 2024, the Company had an accrued self funded workers' compensation liability of approximately \$128,000 and \$103,000 respectively, included in payroll and employee benefits. Workers' compensation expense was \$148,000 in fiscal 2025, \$199,000 in fiscal 2024, and \$69,000 in fiscal 2023.

The Company operates in and purchases from international markets and is subject to trade regulations, including tariffs and duties imposed by the U.S. government. Changes in trade policies, including the imposition of new tariffs and duties, increases in existing tariffs and duties, or regulatory measures by other countries, could materially impact the Company's financial condition and results from operations. The extent of the impact of change in tariff and duties on the Company's business, financial condition, and results from operations will depend on various factors, including the scope and duration of any impacting tariff and duty regulation, the Company's ability to adjust its operations accordingly, and the overall economic environment in the affected markets.

On July 4, 2025, the Act popularly referred to as the One Big Beautiful Bill Act ("OBBB Act") was signed into law. The OBBB Act permanently extends many tax provisions included as part of the 2017 Tax Cuts and Jobs Act ("TCJA") and enacts significant changes to tax, immigration, energy, and health care policy. While the company has not fully assessed the impact of the OBBB Act on its 6/30/25 tax provision, it is not anticipated to have a material impact.

Note 8 – Comprehensive Income (Loss)

The components of comprehensive income (loss) are as follows:

	2025	2024	2023
Net income (loss)	\$ 1,624,000	\$ (906,000)	\$ 1,032,000
Change in pension and postretirement liabilities	(51,000)	4,168,000	1,459,000
Total comprehensive income	\$ 1,573,000	\$ 3,262,000	\$ 2,491,000

The changes in pension and postretirement liabilities in fiscal 2025 and 2024 were primarily the result of changes in the discount rate (note 5, page 18), the non-cash settlement charge in 2024 from the termination of the Detroit Division and Romulus Divisions Hourly pension plan and underlying asset performance. Future decreases in the discount rate will have an effect to increase the value of the pension obligation, while future increases in the discount rate will have an effect to decrease the value of the pension obligation.

The components of accumulated other comprehensive income (loss) for the years ended June 30 are as follows:

	2025	2024
Unrecognized loss and prior service costs in pensions	\$ (8,687,669)	\$ (9,306,793)
Unrecognized loss and prior service costs in postretirement benefits	3,025,721	3,695,758
Accumulated other comprehensive income (loss)	\$ (5,661,948)	\$ (5,611,035)

The changes in accumulated other comprehensive income (loss) by component for the years ended June 30 are as follows:

	Pension Benefits	Postretirement Benefits	Total
Balance at July 1, 2023	\$ (13,673,850)	\$ 3,894,448	\$ (9,779,402)
Changes in actuarial assumptions	63,038	282,868	345,906
Amounts reclassified from AOCI	624,161	(481,558)	142,603
Settlement expense	3,679,858	—	3,679,858
Net OCI for the year	4,367,057	(198,690)	4,168,367
Balance at June 30, 2024	(9,306,793)	3,695,758	(5,611,035)
Changes in actuarial assumptions	157,609	(199,094)	(41,485)
Amounts reclassified from AOCI	461,515	(470,943)	(9,428)
Net OCI for the year	619,124	(670,037)	(50,913)
Balance at June 30, 2025	\$ (8,687,669)	\$ 3,025,721	\$ (5,661,948)

Reclassifications out of accumulated other comprehensive income for the years ended June 30 are as follows:

Details about accumulated other comprehensive income components	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Amortization				
Actuarial loss	\$ 461,515	\$ 624,161	\$ —	\$ —
Prior service costs	—	—	470,943	481,558
Total before tax	461,515	624,161	470,943	481,558
Tax expense	—	—	—	—
Net of tax	\$ 461,515	\$ 624,161	\$ 470,943	\$ 481,558

These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See Note 5 - Pensions for additional details.)

Note 9 – Other Liabilities

The Company along with several other manufacturing companies has been designated by the federal Environmental Protection Agency (“EPA”) as a Potentially Responsible Party (“PRP”) with respect to two dump sites. The primary PRP who had the greatest share of liability and was performing the remedial activities at both sites filed bankruptcy. The Company had previously resolved its liability with the primary PRP in 1988. In accordance with Consent Decrees with the EPA, the remaining PRPs are liable for continuing the remedial activities. At June 30, 2025 and 2024, the Company had accrued \$1,022,000 and \$1,079,000 respectively. Amounts include \$101,000 and \$101,000 classified as current in other accrued liabilities at June 30, 2025 and 2024 respectively.

Note 10 - Revenue Recognition

Revenues are recognized when or as control of the promised goods transfers to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods.

Notes to Financial Statements

Continued

Disaggregation of Revenue: In the following table, revenue from contracts with customers, is disaggregated by geography:

Country	2025	2024
United States	\$ 81,523,000	\$ 85,264,000
Mexico	11,248,000	11,718,000
Canada	4,151,000	5,480,000
Other	631,000	726,000
Total revenue	\$ 97,553,000	\$103,188,000

Description of Products and Services: The Company is a major manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts, and other machined, cold formed, hardened and/or ground metal parts. All revenue is considered one segment. See Note 1 for more detailed information about the Company's operations.

Revenue is recognized when control of the products transfers to the customer which is the point when the customer gains the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, which is generally upon shipment of goods. The Company uses this measure of progress because it best depicts the transfer of value to the customer and correlates with the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods to the customer.

The Company typically invoices the customer after shipment of the promised goods, at which time it has an unconditional right to payment. Accounts receivable, net on the balance sheets represents trade receivables for invoiced goods. At June 30, 2025 and 2024, the balance sheet does not include any contract asset or contract liabilities.

Significant Judgments and Practical Expedients Applied: Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. Incidental items that are immaterial in the context of the contract are not recognized as separate performance obligations to which a portion of revenue would otherwise be allocated.

The Company records freight billed to customers in net sales. The corresponding costs incurred for shipping and handling related to these customer billed freight costs are recorded as costs to fulfill the contract and are included in cost of products sold on the statements of operations.

The Company's contracts typically do not result in situations where there is a time period greater than one year between performance under the contract and collection of the related consideration. The Company elected a practical expedient related to significant financing components, where the Company expects, at contract inception, that the period between the entity's transfer of a promised good to a customer and the customer's payment for that good will be one year or less.

The Company applies a practical expedient for costs to obtain a contract and recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the incurred costs that the Company otherwise would have capitalized is one year or less. These costs are included in selling, general and administrative expenses on the statements of operations.

Transaction Price Allocated to the Remaining Performance Obligation: The Company applies a practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The Company does not have material contracts with product releases that have expected durations of more than one year.

Independent Auditor's Report

Board of Directors
Federal Screw Works
Romulus, Michigan

Opinion

We have audited the financial statements of Federal Screw Works, which comprise the balance sheets as of June 30, 2025 and 2024, and the related statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for the each of the three years in the period ended June 30, 2025, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Federal Screw Works as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the each of the three years in the period ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Federal Screw Works and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Federal Screw Work's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain 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 Federal Screw Works' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Federal Screw Works' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Crowe LLP

Crowe LLP

Grand Rapids, Michigan
August 27, 2025

Five Year Summary

Five Years Ended June 30	2025	2024	2023	2022	2021
Operations (in thousands)					
Net sales	\$ 97,553	\$ 103,188	\$ 102,419	\$ 85,222	\$ 69,595
Earnings (loss) before income taxes*	1,624	(906)	1,032	(2,450)	6,320
Income tax expense (benefit)	—	—	—	5,281	(683)
Net earnings (loss)	1,624	(906)	1,032	(7,731)	7,003
Depreciation and amortization	4,574	4,664	4,735	4,174	3,726
Capital expenditures	1,420	1,223	1,054	1,280	9,427
Per share data					
Net earnings (loss)	\$ 1.18	\$ (0.66)	\$ 0.75	\$ (5.60)	\$ 5.07
Book value	23.76	22.63	20.26	18.46	22.36
Market price range					
High	9.66	9.74	9.75	10.00	7.23
Low	6.00	5.61	5.10	6.01	3.55
Return data					
Net earnings (loss) on net sales	1.7%	(0.9)%	1.0%	(9.1)%	10.1%
Net earnings (loss) on stockholders' equity	4.9%	(2.9)%	3.7%	(30.3)%	22.7%
Financial position at June 30 (in thousands)					
Total assets	\$ 67,305	\$ 69,891	\$ 75,755	\$ 79,400	\$ 76,735
Working capital (net current assets)	22,314	22,462	24,218	23,312	15,230
Other assets	3,897	2,882	2,430	2,368	7,498
Property, plant and equipment (net)	26,489	29,590	32,953	36,534	39,355
Total assets less current liabilities	52,700	54,934	59,601	62,214	62,083
Less:					
Long-term debt	16,254	20,116	27,527	30,734	21,229
Employee benefits	184	264	346	398	484
Postretirement benefits	1,499	1,482	1,885	2,505	3,686
Pension liabilities	—	—	34	1,270	4,032
Other liabilities	1,931	1,813	1,812	1,800	1,754
Stockholders' equity (net assets)	\$ 32,832	\$ 31,259	\$ 27,997	\$ 25,507	\$ 30,898
Other					
Number of employees	237	241	231	255	218
Average shares outstanding	1,381,594	1,381,594	1,381,595	1,381,595	1,381,595

*The year 2024 includes a non-cash pension settlement charge of \$3,680,000.

Federal Screw Works

34846 Goddard Road
Romulus, Michigan 48174

Federal Screw Works

34846 Goddard Rd
Romulus, MI 48174

(734) 941-4211
www.federalscrewworks.com
fsw@federalscrew.com

Annual Report

For the period ending 06-30-2025 (the "Reporting Period")

Outstanding Shares

The number of shares outstanding of our Common Stock was:

1,381,594 as of 06-30-2025 (*Current Reporting Period Date or More Recent Date*)

1,381,594 as of 06-30-2024 (*Most Recent Completed Fiscal Year End*)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: No:

Change in Control

Indicate by check mark whether a Change in Control⁴ of the company has occurred during this reporting period:

Yes: No:

⁴ "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Federal Screw Works

Current State and Date of Incorporation or Registration: Michigan 06-19-1919

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

N/A

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

N/A

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

N/A

Address of the issuer's principal executive office:

34846 Goddard Rd
Romulus, MI 48174

Address of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: Yes: If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Computershare

Phone: 800-426-5523

Email: June.Lutes@computershare.com

Address: P.O. Box 43006

Providence, RI 02940-3006

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	<u>FSCR</u>	
Exact title and class of securities outstanding:	<u>Common Stock</u>	
CUSIP:	<u>3138819104</u>	
Par or stated value:	<u>\$1.00</u>	
Total shares authorized:	<u>2,000,000</u>	as of date: <u>06-30-2025</u>
Total shares outstanding:	<u>1,381,594</u>	as of date: <u>06-30-2025</u>
Total number of shareholders of record:	<u>119</u>	as of date: <u>06-30-2025</u>

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

N/A

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

1. For common equity, describe any dividend, voting and preemption rights.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

3. Describe any other material rights of common or preferred stockholders.

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities in the past two completed fiscal years and any subsequent interim period.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: Yes: (If yes, you must complete the table below)

Shares Outstanding <u>Opening Balance:</u> Date <u>06-30-2023</u> Common: <u>1,381,595</u> Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>Sep-23</u>	<u>Share returned to treasury</u>	<u>1</u>	<u>Common</u>	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____	_____
Shares Outstanding on Date of This Report: Ending Balance: Date <u>06-30-2025</u> Common: <u>1,381,594</u> Preferred: _____									

Example: A company with a fiscal year end of December 31st 2024, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2023 through December 31, 2024 pursuant to the tabular format above.

Any additional material details, including footnotes to the table are below:

N/A

B. Convertible Debt

The following is a complete list of the Company's Convertible Debt which includes all promissory notes, convertible notes, convertible debentures, or any other debt instruments convertible into a class of the issuer's equity securities. The table includes all issued or outstanding convertible debt at any time during the last complete fiscal year and any interim period between the last fiscal year end and the date of this Certification.

Check this box to confirm the Company had no Convertible Debt issued or outstanding at any point during this period.

Date of Note Issuance	Principal Amount at Issuance (\$)	Outstanding Balance (\$) (include accrued interest)	Maturity Date	Conversion Terms (e.g., pricing mechanism for determining conversion of instrument to shares)	# Shares Converted to Date	# of Potential Shares to be Issued Upon Conversion ⁵	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g., Loan, Services, etc.)

Total Outstanding Balance:

Total Shares:

Any additional material details, including footnotes to the table are below:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Federal Screw Works is a domestic manufacturer of industrial component parts, consisting of locknuts, bolts, piston pins, studs, bushings, shafts and other machined, cold formed, hardened and/or ground metal parts, all of which constitute a single business segment.

⁵ The total number of shares that can be issued upon full conversion of the Outstanding Balance. The number should not factor any "blockers" or limitations on the percentage of outstanding shares that can be owned by the Noteholder at a particular time. For purposes of this calculation, please use the current market pricing (e.g. most recent closing price, bid, etc.) of the security if conversion is based on a variable market rate.

B. List any subsidiaries, parent company, or affiliated companies.

N/A

C. Describe the issuers' principal products or services.

The Company's products are manufactured at several plants and are fabricated from metal rod and bar, which are generally available at competitive prices from multiple sources. Production is in high-volume job lots to the specification of original equipment manufacturers and sold to them for incorporation into their assemblies. The majority of these sales are to manufacturers of automobiles and trucks, with the balance being mainly to manufacturers of nonautomotive durable goods.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

The Big Rapids Division in Big Rapids, Michigan, manufactures special high-strength bolts and other cold formed products using boltmakers and headers as primary equipment. Among the items manufactured to both inch and metric specifications are hex head bolts, connecting rod bolts, studs and flange bolts. The 200,000 square foot plant is situated on 25 acres of land, and contains heat treat facilities for hardening in-process parts.

The Romulus Division operates out of a 100,000 square foot facility. The division heat treats products shipped from Traverse City and also serves as a distribution center of these products to our customers. The division also provides finish processing to those products that we purchase and prepares them for shipment to our customers.

The Traverse City Division manufactures a wide variety of special cold formed products for automotive customers out of a 47,000 square foot plant. The majority of these products are prevailing torque nuts which are intended for use in automotive suspension and drivetrain applications. These products are formed utilizing partsformers and nutformers and finished on various types of secondary equipment that are designed to tap threads, apply locking features or assemble nut blanks to washers.

The parts produced at the above divisions are sold principally to the automotive market. These parts are mass produced, and most are shipped directly to car assembly plants.

The Novex Tool Division occupies a 19,000 square foot leased facility in Brighton, Michigan. The lease expires on October 31, 2027. The division manufactures perishable tooling, primarily for the cold heading industry. Approximately 27% of its output is consumed by the Company's Big Rapids and Traverse City Divisions.

The Company's corporate offices are located at 34846 Goddard Road, Romulus, Michigan, a western suburb of Detroit. The offices are part of the Romulus Division stated above.

The Company owns outright all of the above, described buildings, land and production facilities except as specifically noted to the contrary. The Company utilizes all of the floor space of these structures. Present facilities are adequate to meet the needs of each respective division.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Individual Name (First, Last) or Entity Name (Include names of control person(s) if a corporate entity)	Position/Company Affiliation (ex: CEO, 5% Control person)	City and State (Include Country if outside U.S.)	Number of Shares Owned (List common, preferred, warrants and options separately)	Class of Shares Owned	Percentage of Class of Shares Owned (undiluted)
<u>W. Tom ZurSchmiede III</u> (Tom ZurSchmiede)	<u>Officer</u>	<u>Big Rapids, MI</u>	<u>153,285</u>	<u>Common</u>	<u>11.1%</u> _____
<u>Robert F. ZurSchmiede</u>	<u>Director</u>	<u>Elk Rapids, MI</u>	<u>77,443</u>	<u>Common</u>	<u>5.6%</u> _____
<u>Aaron J. ZurSchmiede</u>	<u>Officer</u>	<u>Grand Rapids, MI</u>	<u>92,370</u>	<u>Common</u>	<u>6.7%</u> _____
<u>Jeffrey M. Harness</u>	<u>Officer</u>	<u>Grosse Pointe Farms, MI</u>	<u>54,958</u>	<u>Common</u>	<u>4.0%</u> _____
<u>William G. Harness</u>	<u>Officer</u>	<u>Grosse Pointe Farms, MI</u>	<u>25,118</u>	<u>Common</u>	<u>1.8%</u> _____
<u>Wade C. Plaskey</u>	<u>Director</u>	<u>Scottsdale, AZ</u>	<u>1,875</u>	<u>Common</u>	<u>Less than 1%</u> _____
<u>Frank S. Galgan</u>	<u>Director</u>	<u>Troy, MI</u>	<u>1,450</u>	<u>Common</u>	<u>Less than 1%</u> _____
<u>Hugh G. Harness</u>	<u>Director</u>	<u>Grosse Pointe Farms, MI</u>	<u>108,209</u>	<u>Common</u>	<u>7.8%</u> _____
<u>Delle Jean ZurSchmiede</u>	<u>Director</u>	<u>Grosse Pointe Farms, MI</u>	<u>14,118</u>	<u>Common</u>	<u>1.0%</u> _____
<u>Scott Rozema</u>	<u>Officer</u>	<u>Commerce Township, MI</u>	<u>260</u>	<u>Common</u>	<u>Less than 1%</u> _____
<u>Matthew Misiak</u>	<u>Officer</u>	<u>Berkely, MI</u>	<u>102</u>	<u>Common</u>	<u>Less than 1%</u> _____

<u>Carson Burkett</u>	<u>Officer</u>	<u>Rockford, MI</u>	<u>61,999</u>	<u>Common</u>	<u>4.5%</u>	<u> </u>
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Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

N/A

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

N/A

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

N/A

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

N/A

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

N/A

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

N/A

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties

thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

N/A

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.

Securities Counsel

Name: Frank Galgan
Firm: Lambert Leser
Address 1: 755 W Big Beaver Rd Suite 410
Address 2: Troy, MI 48084
Phone: 248-251-1001
Email: fgalgan@lambertleser.com

Accountant or Auditor

Name: Joseph Tomaszewski
Firm: Crowe LLP
Address 1: 55 Campau Ave. N.W. Suite 300
Address 2: Grand Rapids, MI 49503
Phone: 616-752-4220
Email: joe.tomaszewski@crowe.com

Investor Relations

N/A

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

N/A

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: **Scott Rozema**
Title: **Treasurer**
Relationship to Issuer: **Employee**

B. The following financial statements were prepared in accordance with:

- IFRS
 U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Scott Rozema
Title: Treasurer
Relationship to Issuer: Employee

Describe the qualifications of the person or persons who prepared the financial statements:⁶ Accounting Degree with over 20 years' experience

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, W. Tom ZurSchmiede III (Tom ZurSchmiede) certify that:

1. I have reviewed this Disclosure Statement for Federal Screw Works;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under

⁶ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

09/16/2025 [Date]

/s/ W. Tom ZurSchmiede III (Tom ZurSchmiede) [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



Principal Financial Officer:

I, Scott Rozema certify that:

1. I have reviewed this Disclosure Statement for Federal Screw Works;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

09/16/2025 [Date]

/s/ Scott Rozema [Treasurer's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

