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(TSE: 319A)
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Q&A Financial Results FY2025 Q3

In conjunction with our financial results announcement, we have prepared this Q&A format disclosure to address common investor inquiries. Please note that there may be slight discrepancies due to timing differences; however, the most recent responses reflect our latest company policies.

■ Regarding Q3 Business Performance
⇒ Adjusted EBITDA and Adjusted Profit increased by 2.9% and 18.9% year on year. We are now beginning to receive high-margin orders for Aero craft Japan, which had been delayed as of Q2. We expect to meet all forecasts for Net Sales, Adjusted EBITDA, and Adjusted Profit for the FY2025.

■ How are the other group companies besides Aero craft Japan performing?
⇒ While there is some variation by company, overall performance remains steady compared to the previous fiscal year. We believe that diversification of our customer base contributes to risk mitigation.

■Will the forecasts for FY2025 be revised following the new acquisitions?
⇒ We are currently assessing the impact of Yamatai, Taga, and Advance, which we acquired in October and we have not made any revisions to our forecasts at this time. If it becomes necessary to revise our forecasts once the impact becomes clear, we will make a prompt disclosure.

■ Is there any seasonality in sales or profit?
⇒ There is no notable seasonality.

■ Why have you announced an Adjusted EBITDA forecast of JPY 4.0B for the next fiscal year?
⇒ This is to show the impact of our newly acquired companies on a full-year basis. Our FY2025's forecast (Net Sales: JPY11.6B, Adjusted EBITDA: JPY 2.4B, Adjusted Profit: JPY 1.2B) does not include this fiscal year's new acquisitions, and their contribution for this fiscal year is limited since they were acquired mid-year. The FY2026's forecast, therefore, provides a clearer picture of the current consolidated earning potential.

■ Are the value-up initiatives for acquired companies progressing smoothly?
⇒ Our value-up initiatives are progressing smoothly, utilizing our value-up manual (NGP) and leveraging collaboration within the group. However, for the companies acquired this fiscal year, we expect the effects of these value-up efforts to fully contribute to profits beginning next fiscal year.

■ What initiatives are included in your value creation activities?
⇒ We have established a value creation playbook referred to as "NGP." This encompasses a broad range of initiatives, including on-site cost reduction, operational improvements, visualization of cost accounting, website renewal and web marketing, support for patent acquisition, recruitment assistance, implementation of HR systems, and revisions to management control structures.

■ Has the increase in group companies resulted in any synergies?
⇒ We do not pursue acquisition purely for synergies; however, as the number of group companies grows, we have been able to share best practices more effectively. Examples include client and supplier referrals, HR information sharing, joint new graduate training, and the internal "CEO Academy" for current and future executive candidates. Additionally, various collaborations have emerged, such as contracting cutting and sheet metal work within the group, technical exchanges, equipment trading, and sharing of unused space.

■ Will the CEO of the acquired company be replaced after the acquisition?
⇒ We respond in accordance with the needs of the acquired company. Generally, there are three scenarios: (i) the existing CEO remains in place at the time of acquisition, with a transition period of approximately five years before

succession; (ii) the current CEO continues in their role over the long term; or (iii) a new executive is appointed from outside the organization. While respecting the preferences of the acquired company, we fundamentally consider either continued leadership by the existing CEO or internal promotion as the basis for post-acquisition management structure. Even in cases where an external executive is appointed, we aim to eventually hand over leadership to a candidate who has emerged from within the company.

■ What factors are considered when selecting acquisition targets?
⇒We prioritize companies with high profitability and technologies that are difficult to replace. Additionally, we are conscious of diversifying our portfolio within the group not to be overly affected by any specific industry.

■ Will you expand beyond the manufacturing sector?
⇒We focus on acquiring manufacturing businesses and manufacturing-related businesses. Advance, which we acquired in October, is engaged in the used forklifts sale, purchase, export, rental, and maintenance. We acquired Advance as a manufacturing-related business that supports the manufacturing businesses.
⇒Apart from business succession, we are also exploring carve-outs from large companies and TOB of listed companies.

■ Do you plan to sell any portfolio companies?
⇒Given the importance of reputation in our business, we do not plan to sell portfolio companies. Most of our portfolio companies generate stable cash flow, eliminating the necessity for selling.

■ Are you considering overseas expansion for acquisitions?
⇒At present, Japan's business succession market in the manufacturing sector remains vast, and we see no immediate need for overseas expansion. However, we recognize that aging demographics and the resulting shortage of successors in the manufacturing industry will become an issue in Asia as well. When the time comes, we may consider expanding overseas.

■Why do you use Adjusted EBITDA and Adjusted Profit as key performance indicators?
⇒Adjusted EBITDA: EBITDA with acquisition related costs added back.
⇒Acquisition related costs are the fees paid to M&A advisors and represent one-time.
⇒Adjusted EBITDA is emphasized to remove the impact of these temporary expenses on profits.
⇒Acquisition related costs are recorded as part of the investment securities in the non-consolidated B/S, but are recognized as expenses in the consolidated P/L. These costs are conceptual expenses that are not deductible for tax purposes.
⇒When valuing the stock for acquisitions, we also subtract acquisition-related costs from the equity value calculation, and from a cash flow perspective, these costs are factored into the value of the acquired shares.
⇒Adjusted Profit: The figure excluding the effects of amortization of goodwill, gain from negative goodwill, goodwill impairment loss, and acquisition related costs from the profit attributable to owners of the parent.
⇒Adjusted Profit, which excludes differences from international accounting standards and temporary gains or losses arising from M&A activities, is emphasized as an indicator representing the profit attributable to shareholders.

■ Do you plan to raise additional capital in the future? If so, what are the criteria?
⇒ We are committed to avoiding shareholder dilution and, at this time, have no plans for capital increases. However, we may carefully consider it in the event of an acquisition that is expected to have a significantly positive impact on earnings per share (EPS). At present, we are steadily accumulating cash.

■ Do you have any shareholder return policies, such as dividends or share buybacks?
⇒ At present, we have no plans for shareholder returns. While we maintain sufficient cash reserves, we anticipate increased opportunities for acquisitions that may require equity contributions. In order not to miss such opportunities, we are conserving cash to pursue attractive acquisitions at appropriate times.

■ What are your thoughts on using stock swaps for acquisitions?
⇒To avoid shareholder dilution, we do not plan to actively utilize stock swaps at this time. We are guided by the examples of successful overseas serial acquirers, such as Lifco and Indutrade, which have achieved growth while minimizing capital increases and stock swaps. Therefore, we will continue to leverage our strength in debt financing on favorable terms and focus on acquisitions.

■ When making an acquisition, do you acquire a majority of the shares?
⇒ In principle, we acquire 100%.

■ How do you manage your financial stability?
⇒ We manage our consolidated financial leverage using the Net Debt / Adjusted EBITDA ratio. We consider an appropriate level to be 3.0x to 4.0x, but our current ratio is just over 1.0x, indicating that we still have sufficient debt capacity.

■ Are you planning to increase personnel to handle new acquisitions and manage portfolio companies as the number of acquisitions grows?
⇒ We are guided by the examples of successful overseas serial acquirers, such as Lifco and Indutrade, which have achieved growth while maintaining a lean headquarters structure. Therefore, we are not considering a significant increase in personnel.

■ Are you considering uplisting to the Prime Market?
⇒ We are not considering changing our market segment at this point.

■ Is the number of potential deals increasing steadily?
⇒ Our deal pipeline has been growing steadily, supported by our IPO in February and our growing track record of acquisitions.

※ Please refer to the link below for previously disclosed Q&A.
・August 15, 2025
https://azcms.ir-service.net/DATA/319A/ir/140120250814542716.pdf
・May 16, 2025
https://azcms.ir-service.net/DATA/319A/ir/140120250516555785.pdf
・April 14, 2025
https://azcms.ir-service.net/DATA/319A/ir/140120250414514884.pdf
・February 17, 2025
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