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

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.

■ FY2025 Financial Results

⇒ For FY2025, Net Sales was JPY15.0B, Adjusted EBITDA was JPY2.9B, and Adjusted Profit was JPY1.5B, we achieved all targets of our guidance. These results were driven by getting delayed orders at Aerocraft Japan, value-up initiatives at our portfolio companies, and gradual contributions from new acquisitions. Adjusted EBITDA and Adjusted Profit grew by 34.4% and 45.3% YoY, respectively.

■ Why is the Cash flows from operating activities in the Consolidated Statement of Cash Flows only JPY150M, which is lower compared to the FY2024?

⇒ This is due to the payment of JPY1.15B for directors' retirement benefits. Since this expenditure is a component of the equity value paid to the owner (seller) of the acquired companies, we consider it to be a part of Cash flows from investing activities. In addition, we had JPY580M in acquisition related costs (FA fees), which were also factored into the equity value as part of the investment. We also view these costs as belonging to Cash flows from investing activities. Based on the above, the actual Operating Cash Flow is calculated to be JPY1.88B.

■ Can you explain about Gain on bargain purchase in Consolidated Statement of Cash Flows?

⇒ The Gain on bargain purchase is negative goodwill from the acquisitions of Alpha System and Taga Manufacturing.

■ FY2026 guidance

⇒ We forecast Net Sales of JPY23.0B, Adjusted EBITDA of JPY4.0B, and Adjusted Profit of JPY2.0B. This is a conservative guidance that excludes the impact of any acquisitions made in FY2026, including Horikoshi-Seiki acquired in January.

■ How is the interest rate hike affecting?

⇒ Despite the Bank of Japan's interest rate hikes during the period, Japanese rates still remain low compared to global standards. The lending environment for regional banks also remains challenging due to a shortage of high-quality borrowers. Leveraging these conditions, we continue to secure loans on favorable terms. Furthermore, we anticipate no material impact on interest payments even in the event of further interest rate hikes, as more than half of our borrowings are fixed-rate and our portfolio companies maintain high profitability.

■ How has the business been after your IPO?

⇒ Getting trust and market presence by our IPO have resulted in an increase of the number of introduced companies with high profitability. Also, it has contributed to enhanced recruitment potential for the portfolio companies.

■ Is there any seasonality in sales or profit?

⇒ There is no notable seasonality.

■ Are the value-up initiatives for acquired companies progressing smoothly?

⇒ Our value-up initiatives are progressing smoothly, utilizing our value-up playbook (NGP) and leveraging collaboration within the group. However, we anticipate that the full profit contribution from these efforts at acquired companies will materialize in the next fiscal year.

■ What initiatives are included in your value-up initiatives?

⇒ We have established a value creation playbook referred to as “NGP.” This covers a broad range of initiatives, including on-site cost reduction, implementation of a production management system, factory 5S activities, 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 undertaking 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 CEO 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 CEO is appointed, we aim to eventually hand over leadership to a candidate 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 2025, is engaged in the used forklifts sale, purchase, export, rental, and maintenance. We acquired Advance as a manufacturing-related business.

⇒ Apart from business succession, we are also exploring carve-outs from large companies and Tender Offer for 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 standalone 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 target companies, 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 share exchange for acquisitions?
⇒ To avoid shareholder dilution, we do not plan to actively utilize share exchange 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 share exchanges. 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 1.27x, indicating that we still have sufficient debt capacity.

■ Are you planning to add members in NGTG 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 our members in NGTG.

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

※ Please refer to the link below for previously disclosed Q&A.

• November 12, 2025

<https://azcms.ir-service.net/DATA/319A/ir/140120251112596962.pdf>

• 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

<https://azcms.ir-service.net/DATA/319A/ir/140120250217577193.pdf>