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August 5, 2024

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Q&A Transcript

Business Update The 6th Annual General Meeting of Shareholders

- Presentation Material :

[Business Update: The 6th Annual General Meeting of Shareholders](#)

Q: Is my understanding correct that the EOL (Commercial) on page 8 of the presentation material includes multiple business negotiations?

A: The commercial mission is progressing discussions with multiple potential clients. If any contracts are concluded, we would like to disclose them promptly.

Q: Could you provide details about LEXI-G/LEXI-C mentioned in the presentation on page 8 ?A: LEXI-G is intended for government agencies, while LEXI-C is for commercial sectors. We are looking at business opportunities for each.

Q: What does the graph in the lower right corner of page 8 of the presentation material represent?

A: The graph shows our forecast for the number of geostationary (GEO) satellites expected to be decommissioned each year. The gray color represents the number of private sector retirements, and the blue color indicates the number of government retirements.

Q: Could you explain the IR strategy for individual investors after listing ?

A: We believe that dialogue with shareholders is extremely important both before and after listing. We are always mindful of eliminating information asymmetry. After listing, we have been conducting numerous meetings with institutional investors following earnings release. In the coming months, we plan to participate in conferences hosted by securities firms and visit overseas institutional investors, aiming to establish touchpoints with investors around the world. At the same time, we also would like to focus on IR for individual investors. Given the feedback that our business can be quite difficult to understand, we believe there is room for improvement in how we explain our business. We intend to explore various methods, such as participating in events for individual investors and publishing transcripts of our briefings, to enhance our communication.

Q: Can you tell us about the hiring status of engineers ?

A: As of the end of June 2024, we have 620 staff members, including consultants and temporary staff. Of these, three-quarters are engineers. Although the space industry is in a talent acquisition competition, fortunately, our recruitment has been progressing smoothly. I believe there are three reasons for this. First, our mission is aligned with megatrends.

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Second, many engineers would like to be involved in RPO (Rendezvous and Proximity Operations) technology. Third, we are expanding our business globally. At present, we are able to recruit in line with our business growth.

Q: What is the background of the engineers being hired?

A: Our technology, when broken down, does not necessarily require only space-specific expertise. For example, we hire engineers with backgrounds in mechanical engineering or electrical engineering from manufacturing industries, as well as engineers with sensing expertise from sensor companies. On the other hand, roles such as GNC (Guidance Navigation Control) or navigation system engineers require individuals who understand space technology and its unique characteristics. We believe that our compensation packages are competitive compared to other companies, and this is evidenced by our successful recruitment of talent.

Q: From the perspective of employee retention, should you consider increasing stock-based compensation?

A: We are aware of new initiatives regarding stock-based compensation in Japan, as well as examples from overseas companies. We will consider these as reference for future discussions.

Q: Given the recent decline in stock prices, there are concerns being expressed from various investors. We would appreciate an IR strategy that reassures investors of the business's profitability, such as by announcing a mid-term plan to demonstrate our path to achieving profitability.

A: Regarding the timing of achieving profitability, as explained earlier, we are aiming to breakeven on an operating profit basis by the fiscal year ended April 2026. It is important to show investors that the pipeline progress (mentioned on page 7 of the presentation) is updated and steadily accumulating as achievements. Additionally, we have a business briefing scheduled for August 19, 2024, and we intend to incorporate the feedback we receive into our presentation.

Q: We would like to know the progress and launch timing of ADRAS-J2.

A: ADRAS-J2 was independently selected in April 2024. We are currently working on the contract, and we will disclose details upon finalizing the contract. The planned launch date is the fiscal year ended April 2028.

Q: How does the management view the stock price?

A: The management team closely monitors the stock price at all times. We believe that the stock price reflects the company's value derived from our efforts, and our perspective on this has not changed before or after listing. What we must focus on is leading in technology, securing projects in various countries, and contributing to the creation of global rules. It is essential to address these three areas simultaneously. As a result, by the end of April 2024, our estimated order backlog has grown to ¥28.5 billion. We believe that steadily building on these efforts and continuously bidding for and securing projects will enhance our corporate value and be reflected in the stock price. Although it has been about 4,100 days since our founding, we are committed to progressing day by day, believing that this will eventually lead to visible results in the future.

Q: I feel that the progress of the company's business is not being accurately understood by investors. Shouldn't you more clearly demonstrate that you are steadily approaching the timing for achieving profitability?

A: Due to the nature of our business, we have to communicate multiple aspects simultaneously, which can sometimes take time for investors to fully understand. We take the feedback that our messages are not being conveyed effectively as valuable input and will incorporate it into improvements in our IR activities. To enhance investor understanding, we are considering accelerating our IR efforts. For institutional investors, we plan to participate in conferences and conduct monthly visits to overseas investors over the next 3-4 months. For individual investors, as mentioned earlier, we aim to increase opportunities to communicate through individual investor seminars and the distribution of transcripts.

Please reach out to IR team at ir@astroscale.com if you have any questions.

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