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Frequently Asked Questions and Answers Regarding IR: Outstanding Borrowings and Financing Capacity

To provide investors with a deeper understanding of our actual outstanding borrowings, unused commitment line balances, and cash collection mechanism, we provide supplementary explanations in a Q&A format as follows.

Orders primarily center on domestic power infrastructure. As of August 13, 2026, the domestic market accounts for 97.9% of the confirmed order backlog, with orders for data centers comprising only a single small project (Source: 'Frequently Asked Questions and Answers Regarding Investor Relations: Order Composition, Production Capacity and Cash Collection' published on October 28).

1. Outstanding Borrowings and Unused Credit Facilities

Q1. What is the actual amount of outstanding borrowings?

Use of Funds	Borrowing Limit	Outstanding Borrowings (As of Sept 30, 2026)	FY26 Average Balance
Working Capital	8.0 billion yen	5.0 billion yen	2.7 billion yen
Capex & Refinancing	5.0 billion yen	3.0 billion yen	2.5 billion yen
Total	**13.0 billion yen**	**8.0 billion yen**	**5.2 billion yen**

Note: The figures above reflect balances as of September 30, 2026, and do not include the two new financing agreements (totaling 2.0 billion yen) announced on November 4, 2026. In addition, the FY26 average balance represents the average of the month-end balances from January through September 2026.

Q2. Has the existing commitment line been fully utilized?

A. The credit limit of the existing commitment line for working capital is 8.0 billion yen. Following the drawdown executed on October 16, 2026, the outstanding balance was 6.0 billion yen and the unused amount was 2.0 billion yen; therefore, the credit facility was not fully utilized as of that date. In addition, our cash and deposit balance stood at 5.7 billion yen as of October 30, 2026, ensuring sufficient liquidity on hand.

Credit Limit	Actual Borrowing Balance	Unused Amount
8.0 billion yen	6.0 billion yen	2.0 billion yen

Base Date: After the loan execution on October 16, 2026. The commitment period of the existing facility runs through March 31, 2027. The unused facility is drawn within the terms and conditions of the agreement, and the balance fluctuates according to funding needs and receivable collections.

The Company sets its credit facilities with a buffer relative to expected peak funding requirements, and borrows or repays funds according to monthly operational needs to reduce interest burdens.

2. Purpose of Additional Financing and Cash Collection

Q3. Why is the Company securing additional financing while there is still an unused portion in the existing facility?
A. This is to prepare for the growing working capital requirements driven by the expansion of orders and production volume for the next fiscal year. The two new financing agreements with The Chugoku Bank, Limited comprise a short-term commitment line of 1.0 billion yen and a long-term loan of 1.0 billion yen, both intended for working capital.

The scheduled agreement execution date is November 12, and the availability date of the new short-term facility begins on November 16. The announced 2.0 billion yen is not included in the unused balance mentioned in Q2, nor has it been immediately added to the outstanding debt balance. It represents a proactive expansion of our financing capacity with an ample cushion to support future growth.

We maintain ongoing business relationships with Japan’s three megabanks, major trust banks, leading regional banks, and major leasing companies, securing funds aligned with cash demands while sharing our production plans and collection forecasts based on confirmed order contracts.
Regarding 2027 production, we anticipate being able to meet demand using our existing facility in Okayama, premised on the previously announced capital investments and production line upgrades. For the foreseeable future, we have no plans to construct a new plant in Japan (Source: 'Frequently Asked Questions and Answers Regarding Investor Relations: Order Composition, Production Capacity and Cash Collection’ published on October 28).

Q4. Could you please explain the sources of repayment for the working capital borrowings and your outlook on future loan balances?
A. Working capital borrowings fund expenditures that precede the procurement of components and production for contracted projects, with proceeds from product sales serving as the source of funds for repayment. Our typical payment terms are 30% upon contract signing, 65% upon delivery, and 5% upon completion of commissioning, with payment due within one month following handover.
Because our deliveries are concentrated in the fourth quarter, production expenditures run ahead in the first through third quarters, and cash collections from product sales tend to progress from the fourth quarter into the beginning of the subsequent fiscal year. Furthermore, the risk of delivery delays across fiscal periods is mitigated by special contractual clauses concerning factory acceptance and handover, as well as project completion deadlines tied to subsidized projects.

Meanwhile, procurement and production for subsequent orders proceed in parallel with cash collections, generating new working capital requirements. Consequently, the company's overall borrowing balance fluctuates not only with the progress of cash collections, but also in response to funding needs driven by the expansion of our order intake and production scale.
We manage our credit facilities and actual loan balances based on scheduled production expenditures and expected collections. Moving forward, we intend to continue securing the working capital necessary for growth through bank borrowings.

Q5. What are the interest rates and the financial impact in the event of an interest rate hike?
A. The applicable interest rates for the two new financing arrangements are as follows. These terms have been agreed upon through discussions with the financial institution in light of order and production schedules, collection terms, and borrowing periods, and are on par with borrowing terms from our existing key lending banks.

Scheduled Agreements	Facility Amount	Applicable Interest Rate
Short-Term Commitment Line	1.0 billion yen	TIBOR + 1.5% (approx. 2.91%)
Long-Term Borrowing	1.0 billion yen	TIBOR + 2.0% (approx. 3.76%)

Note: Interest rate levels are as of November 2, 2026. Both are floating rates and do not represent the weighted average interest rate across all borrowings.

Assuming the full 1.0 billion yen is borrowed under each of the two new facilities for one year and interest rates rise by 1.0 percentage point each, the resulting increase in annual interest expenses would total 20 million yen.

Note: This is a simple sensitivity calculation for the two new facilities only and does not include fees or expenses. It does not reflect company-wide interest rate sensitivity across existing debts; actual financial impacts will vary depending on loan balances, terms, and applicable rates.

3. Financial Soundness and Capital Policy

Q6. How are the equity ratio and loan covenants managed?
A. During periods where production outlays precede collections, total assets expand due to the accumulation of inventories and working capital borrowings, which may temporarily lower the equity ratio. In addition to the equity ratio, the Company actively monitors advance receipts, accounts receivable collection schedules, cash and cash equivalents, available credit lines, interest expense burdens, and debt maturity profiles to maintain financial health.
The principal financial covenants under our disclosed loan agreements are as follows:

Use of Funds	Announcement Date	Principal Financial Covenants
Existing Working Capital	March 23, 2026	Maintain consolidated net assets at a positive value at the end of each month from March 2026 onward.
• Capex & Refinancing • New Scheduled Facilities	July 6, 2026 & November 4, 2026	Maintain consolidated net assets at or above 75% of the higher of consolidated net assets as of December 31, 2025, or the immediately preceding fiscal year-end, at each fiscal year-end from FY12/26 onward. Additionally, not to record ordinary losses for two consecutive fiscal years starting from FY12/26 onward (the initial assessment will occur at the end of FY12/27).

The performance metrics governing these financial covenants are net asset value and ordinary income/loss. An increase in debt balance or a decline in share price does not, in and of itself, trigger a breach of these covenants.

The maturity date of the existing term loan for Capex and refinancing is June 2029. The new long-term loan is scheduled to mature on September 30, 2029, and the new short-term commitment facility is scheduled to expire on October 29, 2027.

The scale of borrowings is determined by assessing debt servicing capacity and the equity buffer, in addition to capital costs. Rather than presuming that increasing leverage is always optimal, the Company evaluates the appropriate financing instruments and scale commensurate with each stage of business growth.

Q7. Will the increase in borrowings lead to a public offering or equity dilution?
A. Our fundamental policy is to agilely secure routine working capital associated with business expansion utilizing cash on hand and debt financing from financial institutions. Therefore, we do not currently anticipate conducting a public offering solely for the purpose of raising working capital.

When selecting financing methods, we will comprehensively consider the cost of capital, financial safety, and the potential dilutive impact on existing shareholders, carefully evaluating whether an action contributes to sustainable corporate value enhancement. Should any specific matters regarding our capital policy be decided, we will disclose them in a timely and appropriate manner.

Matters Regarding Forward-Looking Statements

The forward-looking statements regarding future funding demand, collection schedules, and financing contained in this document are based on information currently available to the Company as of the date of publication and certain assumptions. Actual results may differ materially due to various factors, including changes in order and production conditions, customer plans, interest rate fluctuations, and broader operating environments.

Reference Documents

Announcements regarding loan agreements dated March 23, July 6, and November 4, 2026; Extraordinary Report filed on October 16, 2026; Frequently Asked Questions and Answers Regarding IR published on October 28, 2026. The reference dates for specific numerical figures are indicated in the text and tables.